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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of the South Yorkshire Joint Secretariat on Thursday 17 February 2011 at 10.00 am for the purpose of transacting the business set out in the agenda.

M V Oades
Deputy Clerk and Solicitor

Member Services Officer: Len Cooksey
Tel: 01226 772848 Email: lcCooksey@syjs.gov.uk

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Distribution

Councillors M Lawton (Chair), R Wraith (Vice-Chair), D Baker, D Barker, E Butler, R Ford, K Goult, T Hussain, B Johnson, B Perrin, A Sangar and P Wootton

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011 AT 10.00 AM AT THE OFFICES OF THE SOUTH YORKSHIRE
JOINT SECRETARIAT, 18 REGENT STREET, BARNSLEY

Agenda: Reports attached unless stated otherwise

	Item	Page
1	Urgent Items. To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
2	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
3	Announcements.	
4	Declarations of Interest.	
5	Apologies.	
6	Minutes of the Authority and Boards held on:	
a)	Pensions Authority held on 13 January 2011	1 - 10
b)	Corporate Planning and Governance Board held on 3 February 2011	11 - 16
7	Work Programme	17 - 20
8	Chair Feedback	
9	Section 41 Member Feedback of Issues from District Councils	

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10	Revenue Estimates 2011/12	21 - 44
11	FRC: UK Stewardship Code and FSA Requirements Regarding Compliance Disclosure	45 - 48
12	Treasury Policy and Strategy Statement 2011/12	49 - 62
13	Review of Corporate Strategy	63 - 84
14	Equal Opportunities Policy	85 - 92
15	Management Arrangements	93 - 96
	<u>Exclusion of the Public and Press</u>	
*16	Debt Write-Offs (Exemption Paragraph 3)	97 - 100

SOUTH YORKSHIRE PENSIONS AUTHORITY

13 JANUARY 2011

PRESENT: Councillor Andrew Sangar (Chair)
Councillor David Baker, Councillor Elsie Butler, Councillor Bob Ford, Councillor Keith Goulty, Councillor Barry Johnson JP, Councillor Bryan Lodge, Councillor Brian Perrin, Councillor Garry Weatherall, Councillor Peter Wootton and Councillor Richard Wraith (Vice-Chair)

In Attendance: Mr Glyn Boyington (Unsion)

Officers: Mr Bill Wilkinson (Clerk and Treasurer), Mr John Hattersley (Fund Manager), Stuart Lunn (Member Services Manager), Ralph Milne (Corporate Strategy Officer) and Dave Wilkinson (Assistant Treasurer).

1/11 Urgent Items.

The Chair added to the agenda an item dealing with the continuity of management of the pension's service and the Authority.

2/11 Items to be considered in the absence of the public and press.

RESOLVED – That the urgent item (Continuity of Management of the Pensions Service and Authority) be considered in the absence of the press but that all remaining items be considered in the presence of the public and press.

3/11 Announcements.

The Chair welcomed to the meeting a new member from Doncaster, Councillor Bob Ford.

Mr Neil Mackinnon, one of the Fund's advisors, had indicated that he wished to resign from the position due to the pressures of his other work.

The Fund Manager commented that he had tentatively approached a consultant to begin the replacement process.

RESOLVED – That a letter of appreciation be sent to Neil Mackinnon.

4/11 Declarations of Interest.

None.

5/11 Apologies.

None.

6/11 Minutes of the Authority and Boards held on:

A Pensions Authority 25 November 2010

RESOLVED – That the minutes of the meeting of the Authority held on the 25 November 2010 be signed by the Chair as a correct record.

B Corporate Planning and Governance Board 25 November 2010

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on the 25 November 2010 be noted.

C Investment Board 9 December 2010

RESOLVED – That the minutes of the meeting of the Investment Board held on the 9 December 2010 be noted.

7/11 Work Programme

The Clerk and Treasurer commented that the budget, originally scheduled for this meeting, would be submitted to the February meeting; this was entirely due to the timing of the Leaders meeting.

8/11 Chair Feedback

None.

9/11 Section 41 Member Feedback of Issues from District Councils

None.

10/11 Membership of the Authority

A new member had been appointed to the Authority. Councillor Bob Ford had replaced Councillor Jill Arkley-Jevons.

There was a vacancy for a section 41 spokesperson for Doncaster Council and a vacancy on the Authority's Corporate Planning and Governance Board.

RESOLVED –

- 1 That the current membership of the Authority be noted.
- 2 That Councillor Bob Ford be appointed a member of the Corporate Planning and Governance Board and as the section 41 member for Doncaster Council meetings.

11/11 Revised Funding Strategy

The Authority considered the confirmation of changes to the funding strategy which it was required to publish.

At its meeting on 25 November 2010 (minute 229/10) the Authority had considered the preliminary valuation results and agreed to revise the funding strategy to target a return to full solvency by 2036.

Before adopting the new strategy the Authority was required to consult with interested parties. This had been done via an employer's newsletter describing the intention to extend the deficit recovery period to 25 years, or 20 years for those admitted bodies with no guarantors. The latter was subject to the number of years that an employer was expected to remain in the fund.

No comments had been received. The Chair commented that Sheffield City Council's view was to accept the position. None of the district treasurers had made any comment.

RESOLVED – That the changes be confirmed.

12/11 Authorised Signatories

The Authority considered the Authority's authorised signatory arrangements.

RESOLVED – That the Authority's authorised signatory arrangements, as set out in the **Appendix** to these minutes, be approved.

13/11 Continuity of Senior Management - Pension Service and Authority

The Authority considered arrangements for continuity of management for the Service and Authority as a consequence of the Assistant Treasurer taking early retirement. Also included was the intention of the head of the Joint Secretariat to retire; he served as Clerk and Treasurer of the Authority and as Head of the Pensions Service.

RESOLVED –

- 1 That the intention of the Assistant Treasurer to retire be noted.
- 2 That approval be given to Mr G Chapman being appointed as Assistant Treasurer and that the post of Deputy be eliminated.
- 3 That the intention of the Clerk and Treasurer to retire be noted along with the possibility that an arrangement for flexible retirement may be agreed with Barnsley Metropolitan Borough Council.
- 4 That the arrangements for the future leadership of the Joint Secretariat be noted.

5 That Members be kept informed of progress in implementing the restructure.

CHAIR

**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 13th 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:
- the Deputy Clerk;
the Deputy Treasurer; and
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

Deputy Clerk
Deputy Treasurer
Deputy Monitoring Officer

Fund Manager

Assistant Fund Manager

Assistant Treasurer

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
Date:

Clerk and Treasurer
Date:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

3 FEBRUARY 2011

PRESENT: Councillor R Wraith (Chair)
Councillors: D Baker, E Butler, R Ford and P Wootton
In attendance – Councillor A Sangar

Trades Unions - Mr G Boyington (Unison), Mr G Warwick (GMB)

Officers – Miss M V Oades (Deputy Clerk and Solicitor), Mr W J Wilkinson (Clerk and Treasurer), Mr J N Hattersley (Fund Manager), Mr D Wilkinson (Assistant Treasurer), Mr R Milne (Corporate Strategy Officer), Mrs M Wilkinson (Audit Manager) and Mr A Shirt (Member Services Officer)

Mrs L Wild (Audit Commission)

Apologies for absence were received from Councillor B Lodge.

14/11. URGENT ITEMS

None.

15/11. ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That agenda item 13 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.

16/11. ANNOUNCEMENTS

The Chair welcomed Councillor Ford to the meeting.

17/11. DECLARATIONS OF INTEREST

None.

18/11. MINUTES – 25 NOVEMBER 2010

RESOLVED – That the minutes of the meeting of the Board held on the 25 November 2010 be signed by the Chair as a correct record.

19/11. WORK PROGRAMME

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

20/11. BUDGET MONITORING

The Board received a report advising Members of the current expenditure levels within the Authority against the approved budget. The Clerk and Treasurer reminded members that back in November 2010 the Authority had approved a revised budget for 2010/11 of £5,796,350 to maintain current levels of service.

The Board noted that there was a current forecast underspend in the budget of approximately £12,000 to date. The Clerk and Treasurer advised that the 2010/11 underspend could be allocated to the reserve fund pending discussions between the Clerk and Treasurer and the Chair/Vice Chair on proposals for utilising it.

The Clerk and Treasurer reported that the Budget Variance report attached in Appendix A to the report now considered would in future, be produced in a simplified version.

RESOLVED – That the position be noted.

21/11. BUSINESS PLANNING AND PERFORMANCE FRAMEWORK – PERFORMANCE REPORT FOR QUARTER 2

The Board considered the headline performance results for Quarter 2 of 2010/11. The Corporate Strategy Officer informed the Board that there were a total of thirty four measures and targets in place, in Quarter 2, twenty six of these were on target. Action had been taken to address the remaining eight targets.

The Board noted that 99% of transactions and enquiries were completed by SYPA within the target time, against a target of 97%. Members and Trades Unions wished to thank Officers at SYPA for providing an excellent service to its Fund Members.

In relation to the Corporate Governance measures it was reported that four out of the seven measures were on Amber, however it was believed that two of these would be reported as Green in Quarter 3.

The Board noted that there were only three measures for Strategic Objective 2 'Investment Returns', only one of the measures was Amber, the target being to achieve a positive margin when compared with Benchmark. In the Year to Date SYPA had obtained a return of 2.1% compared to Benchmark's 2.5%. It was reported that this difference was not considered to be significant.

Members commented that a number of Members still needed to attend both, induction and initial Fundamentals training days 1-3. It was reported that SYPA Officers were in the process of arranging induction training and that it was believed that this situation would be resolved in Quarter 3. The Fundamentals training would run later in the year.

RESOLVED – That the report be noted.

22/11. RISK REGISTER

A report of the Clerk and Treasurer was presented updating the Board on the Authority's Risk Register.

The Board noted that a review was carried out by the Authority's Planning Group in January 2011, which concluded that all Risk Scores remained at the levels agreed at the previous review in November 2010. Consideration was given to discharging Risk 1 'Members Knowledge and Expertise: Process' as it had remained a low score since September 2010. It was agreed that whilst the scoring was correct it should remain on the Register for the time being as the Authority still had a number of relatively new Members.

RESOLVED – That the report be noted.

23/11. INTERNAL AUDIT PROGRESS REPORT

The Board considered a report setting out the work completed by the Internal Audit Team during the period mid-October to mid-December 2010 and the outstanding recommendations as at December 2010 from the reports issued prior to July 2010.

The Board noted that the Chief Internal Auditor (Richard Simmons) had recently retired from his post at the end of January 2011. Arrangements had now been put into place for Barnsley MBC's Assistant Executive Director of Finance (Audit and Risk Management) to provide the strategic head of internal audit role for the Joint Authorities supported by the current Audit Manager who would take on additional responsibilities for planning and reporting of Internal Audit work.

The Board agreed that a letter be sent on behalf of the Board expressing its appreciation to Richard Simmons for all his hard work and contributions made over the years.

RESOLVED – That the report be noted.

24/11. EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report was presented updating Members on employers' performance and any known levels of outstanding workload.

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

The Assistant Treasurer informed the Board that following discussions with the District Councils it had become apparent that they were keen for the Authority to separate out the casework which they had produced with event dates outside the current period (termed as "backlog"). The Authority had now split the results accordingly with an overall performance rating. An additional schedule was set out in the report showing District Councils performance in supplying reconciled annual contribution data within the agreed timescales.

The Board noted that operationally, the Authority had successfully put into payment the redundancy/retirements from Rotherham and Doncaster and were preparing for similar exercises at Barnsley and Sheffield.

The Board wished to thank Officers and District Officers at SYPA for providing a high level of service to fund members.

RESOLVED – That the report be noted.

25/11. CONSULTATION PROGRAMME – AGM SURVEY

A report of the Assistant Treasurer was submitted informing the Board of the results of the survey carried out amongst the scheme members with a view to testing customer satisfaction as a result of attending the Annual General Meeting.

The Board noted that all delegates at the AGM were issued with a survey inviting them to give feedback on any area of the meeting in order for the Authority to improve on future AGM's.

The Assistant Treasurer reported that 76 out of the 93 delegates had returned the survey. The overall "score" for the various service elements was:-

Service Element	Excellent	Good	Satisfactory	Poor
Venue	67.2%	28.9%	3.9%	0
Travel arrangements	42.4%	51.5%	6.1%	0
Directions	57.5%	35.0%	7.5%	0
Speakers	56.6%	40.8%	2.6%	0
Subjects Covered	48.0%	50.7%	1.3%	0
Helpfulness of SYPA staff	58.1%	39.2%	2.7%	0
Navigation around venue	44.4%	51.4%	4.2%	0

In comparison to previous AGM's 59.2% said it was better, with the remaining 40.8% saying it was about the same.

RESOLVED – That the report be noted.

26/11. 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.

27/11. CONTRACT STANDING ORDERS
(Exempt Paragraph 3)

The Board considered contracts awarded valued between £20,000 and £50,000 that had not been subject to competitive tender or quotation and contracts value at over £50,000.

RESOLVED – That the position be noted.

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	13 January 2011	17 February 2011	14 April 2011	9 June 2011	October 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	Budget Development	Budget Development	Budget Development
		Budgets and Revised Estimates	Annual Review of Risk Policy	CPGB Audit Committee Functions Annual Report	
		FSA Stewardship Code Compliance			
Review of Strategies	Review of Funding Strategy Statement	Treasury Management Strategy Annual Report	Review of Corporate Strategy		
Business	Authorised Officers Report	Equality Policy	Final Actuarial Valuation Results	Appointment of Chair and Vice Chair	Health & Safety SLI Report
		Write Offs	Fund AGM Report	Membership of the Authority	FoIA Annual Report
		Management Structure	Meeting Cycle Dates	Appointment of Boards and Committees	FoIA Publication Scheme

South Yorkshire Pensions Authority – cycle of future meetings

	13 January 2011	17 February 2011	14 April 2011	9 June 2011	October 2011
			Hutton Report Update	Questions in Meetings of District Councils	
			Abolition of Audit Commission	Annual Report on Member Training and Development	

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011

Report of Clerk and Treasurer

REVENUE ESTIMATES 2011/12

1. Matter for Consideration

To confirm the endorsement by the South Yorkshire Leaders of the Authority's draft budget proposals considered by the Authority on 25 November 2010.

2. Recommendations

Members are asked to note the position and to formally confirm the budget proposals.

3. Background Information

- 3.1 At the meeting of the South Yorkshire Leaders on 28 January, the Clerk and Treasurer reported on the Pensions Authority's draft budget proposals. It was noted that Members of the Authority were concerned not to weaken the Pensions Service's resources at a time when all employers are shedding staff on a large scale, and the demands for advice and pensions administration would increase.
- 3.2 Leaders acknowledged the Authority's views, but asked that the costs of service be kept under review during 2011/12, and any opportunities to improve VfM or introduce efficiency savings for future years be pursued.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Bill Wilkinson, Clerk and Treasurer
01226 772803, bwilkinson@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:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

25 November 2010

Report of the Clerk and Treasurer

REVENUE ESTIMATES 2011/12 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

In context of the financial planning climate facing public services, to consider the Authority's draft revenue estimates for 2011/12 in respect of administration and investment management expenses, and to consider the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) Approve the revised estimates for 2010/11 in the sum of £5,796,350**
 - (ii) Approve a levy of £551,000 for 2011/12 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2011/12, and refer the estimates to the District councils for comment.**
 - (iv) Note the preliminary medium-term financial strategy and forecasts for 2012/13.**
-

STRATEGIC PLANNING

3 Background

- 3.1 Pensions and Investment management costs do not fall directly on Council Tax. They are recovered by means of a % addition to employers' contribution rates. (at the 2007 valuation, this was equivalent to just under 0.5%) Changes in Pensions Authority costs do impact on Council budgets, although there may be a time lag as the fund is only valued every 3 years. However, it should be possible to reflect budget plans for 2011/12 and subsequent years within the actuarial calculations for the 2010 valuation, which will determine the employer contributions from 2011/12.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios in house means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs, and demonstrating to employers that it is making a contribution

to the need to cut local spending levels. In some councils, pension costs as a whole can represent up to 10% of budgets.

- 3.4 In the long run, the Pensions Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is being considered as part of the Asset and Liability review. Secondly, by cutting management and administration costs. This is the subject of this report.
- 3.5 The final picture for local Councils will not be clarified until the grant settlement is announced in December. The average reduction in local Authority grants was headlined by the Chancellor at 26%, but other reductions have been revealed since the original announcement, and the cuts are significantly front loaded. The grant reductions will be offset by maintaining council tax proceeds in real terms, although again this will probably benefit areas such as South Yorkshire less than most parts of the country. The Councils have been planning on real terms cuts at budget level of 15-20% over the next 4 years.
- 3.6 Translated directly into equivalent Pensions Authority terms this would represent budget cuts ranging from £0.89m to £1.18m between now and 2014/15. The 2010 valuation will cover the period to 2013/14, so it will be important to establish a clear trajectory for future savings plans over the next 2 months, so that the implications can be reflected in the new contribution rates (alternatively we could explore with the actuary the feasibility of recovering administration costs in a different way, potentially reflecting annual changes in the budget).
- 3.7 The need to demonstrate that the Authority is making its contribution to the local savings imperative must be balanced against the Authority's workload and demand profile:
 - The reductions in other local services will increase the number of retirements well beyond normal levels, and there will be an even bigger expansion in the number of requests from employers and employees for information relating to pension entitlements.
 - The next valuation period will also cover the time when the Government is expected to make wholesale changes to the LGPS following the Hutton review. These may include a new career average basis for calculating pensions entitlement, tiered contribution rates, cost sharing, and possibly the introduction of a money purchase option within the LGPS.
 - Members are already well aware of the long running problems around supply of accurate and timely information on starters, leavers and employment/salary changes. While things are starting to improve, progress is slow, and the Audit Commission has highlighted the action needed at all the main employers. It is a concern for this Authority that the continuity and quality of data will be further threatened by back office cuts in the Councils, just at a time when the other pressures will be bearing more heavily.

4 Preliminary financial forecasts

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2011/12 for administration and investment management expenses together with a probable outturn for 2010/11.

It also sets out the medium term strategy for 2012/13.

The Authority is also asked to approve the levy for 2011/12 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2010/11 estimates and 2011/12 estimates

Appendix B - variation statement showing main changes for 2010/11 probable outturn

Appendix C - variation statement showing main changes for 2011/12 estimate

Appendix D - statement of recharges to District Councils and levy for 2011/12

Appendix E - summary of financial forecasts for 3 years 2010/11 to 2012/13

4.1 Probable Outturn

The revised estimates for 2010/11 show a bottom line reduction of just over £12,000. This equates to a saving of £52,400 on the controllable budget and an increase of £40,000 on the investment management budget which is due to improving market values which the external managers link their fees to. The main variations are shown in Appendix B.

This shows savings starting to be achieved across various heads, these savings being fully implemented along with further initiatives in 2011/12 (see 4.2).

There is an increase of £60,000 on external bond management fees due to increased market values and larger bond portfolio under management.

4.2 Developments during 2010/11

The Authority is actively looking for efficiency savings and some of these are starting to impact towards the end of 2010/11 but will be implemented fully during 2011/12 along with further initiatives to achieve savings. These are mainly in the areas of postage, printing and IT. On the investments side savings are coming through due to a change in the way that UK equities are managed. Also subscriptions for Treasury management policies have been reviewed and rationalised, achieving small savings in 2010/11 and further savings going forward.

The establishment in Investments has been reduced by one post. A member of staff retired during the year and this post has been absorbed.

The Corporate Strategy Officer is continuing the work to address concerns raised by the District Auditor in his VFM study and this temporary appointment is currently expected to end in March 2011.

- 4.3 There is the possibility of significant change at senior management level within the Authority due to retirement or early retirements. Preliminary discussions have been held with the Management Committee. Assumptions have been made in the budget forecasts for the short term and longer term cost implications of the potential changes, and the consequent restructures.

5 Budget Assumptions

- 5.1 The initial planning guideline for 2011/12 was a 'continuation of service' budget based on maintaining current levels of service taking into account inflation of 2% for prices and nothing for pay other than an allowance for increases for staff earning under £21,000 as announced by the Government. No allowance has been made within the budget for developments or improvements in service. Full implementation of efficiency savings has been assumed along with the new management structure referred to above.

- 5.2 The budget for 2011/12 to maintain the current level of service is shown in Appendix A at £5,685,700 against the base 2010/11 budget of £5,808,750.

This is a reduction of £123,050 on the overall budget; however the controllable budget has been reduced by £203,050 (4.4%).

This reduction of 4.4% has been achieved despite the fact that the full implications of job evaluation are now included.

Appendix C shows the main variations and that the largest variations come in the same areas as for the 2009/10 revised estimates.

Employees costs are basically increased by the increase in superannuation contributions. The full year effect of job evaluation is actually absorbed by the savings due to the management restructure and the lower pay inflation.

The full year effect of the savings in printing, postage, IT, subscriptions and medical advisors give a saving of over £76,000. The biggest change in the "controllable" area is the reduction in actuarial fees of £70,000 as last year was the triennial year. The post of Corporate Strategy Officer will end in 2010/11 saving £52,100. The investment management expenses linked to market values has increased by £80,000 due mainly to market values.

6 Medium Term Forecasts 2010/11 to 2012/13

- 6.1 Until last year the Authority has traditionally received only a budget for the next financial year. While this is a relatively short time horizon, it must be viewed in the context of the way that Pension funds are financed whereby the actuary makes an assessment of administration costs every 3 years, which then becomes a fixed contribution rate. An individual year's budget has therefore been primarily a means of controlling and monitoring spending plans. However, it was agreed in 2009 that it is now appropriate to prepare a longer term financial strategy, for two reasons.

Firstly, as noted earlier, one way that Pensions Authority can assist employers is by cutting the costs of managing the Fund. It will not be easy to make significant reductions in a single year. Changes which will have a permanent long term impact on the base budget will need to be developed over a period and implemented progressively. Establishing a 3 year financial plan provides a means of managing the process.

Secondly a 3 year strategy will eventually provide the opportunity to link the Authority's budget management with the period covered by the actuarial assumptions. The "0.5% of pensionable payroll" contribution is a very broad brush approach. Actuarial convention is to round the figure up or down to one decimal place, but on a pensionable payroll of over £800m, a 0.05% change (which is the maximum which could be 'lost' under the rounding convention) is equivalent to around £400,000. There is a case for calculating the administration oncost more accurately, although to put it in perspective it only represents around a thirtieth of a typical employers' contribution rate, so the sensitivity of the figure is perhaps not critical. However, operating a rolling 3 year financial strategy will provide a much more accurate assessment for the Actuary to draw on at any valuation.

6.2 Forecasting assumptions

A summary of the financial forecasts for the 3 year period 2010/11 to 2012/13 is attached at Appendix E. They are based on the following assumptions:

- (a) Continuation at this stage of current levels of services (in terms of Investment Management and Pensions administration).

- (b) Implementation of current developments (such as the full year impact of the new management structure, the loss of a post in Investments and the loss of the Corporate Strategy support).
- (c) Changes as a result of efficiencies achieved across a number of heads including printing, postage, IT and medical advisors.
- (d) Pay inflation %
 - 2011 nil (but with provision for protection for lower paid employees)
 - 2012 0.5%
- (e) Price inflation %
 - 2011 2.0
 - 2012 2.0
- (f) Reduced costs of subscribing to a specialised Treasury Management ratings service.
- (g) Additional actuarial costs following publication of Hutton report final recommendations.
- (h) Full year impact of job evaluation final results.

6.5 The forecast budgetary requirements which result from modelling these assumptions are as follows:

	£000	<u>Change as % of previous years forecast</u>
2010/11 original estimates (February 2010)	5,809	
2010/11 revised estimate	5,796	
2011/12	5,685	-2.1%
2012/13	5,816	+2.3%

The forecasts are set out in detail in Appendix E

7 Implications of making further reductions in the budget

- 7.1 Guidance has been sought from the Management Committee on the assumptions for future budget levels. There was a consensus that while the precise level of savings to be targeted could not be quantified at this point, it would be useful to assess the implications of a 2½ % or a 5% cut in 2011/12, as a means of setting a base reference point.
- 7.2 It is important to relate the calculation to the controllable base budget figure. This should exclude all costs that are related to market values, to avoid misleading results (a big increase in investment values, which is obviously good for the Fund, will generate extra external management fees, and will make the administration costs budget appear

overspent). Excluding external management and custodian fees would reduce the controllable total in 2010/11, and 2011/12.

To illustrate the impact of adjusting the figure to identify controllable costs, the savings targets under the simple one off reduction option would be as follows:

	<u>Total budget</u> £000	<u>Controllable budget</u> £000
2011/12 Base	5,685	4,391
1% reduction	57	44
2%	114	88
3%	170	132

7.3 At previous discussion on budget planning, members gave some initial guidance on the assumptions to be made in targeting reductions in administration costs.

- Avoid cutting back on internal Investment Manager resources
- Focus initially on non staff costs
- Be aware of the likely increase in demand from employers
- Ensure continuity of resources to meet future LGPS restructuring

8 Implications of potential reductions

8.1 Even at the lower end of the scale, there are potential implications for service levels resulting from reductions in the budget guidelines. As members are aware, many non-staff budgets have been cash limited wherever possible in recent years as a way of reducing the annual increase. A high proportion of the Authority's budget is staff related (47% overall; 62% if investment management fees are excluded). A substantial proportion of the remainder is on professional fees, IT and communication costs, and accommodation. This means that budget reductions will inevitably impact on staffing levels at quite an early stage. The Authority is not carrying excess capacity; as a primarily in-house managed investment operation, staffing levels on the investment and investment accounting team are driven by the value of the Fund and South Yorkshire costs are significantly lower than the average fund due to the in-house emphasis. In addition, as noted earlier, the national benchmarking returns show South Yorkshire Pensions Administration costs in very favourable terms, which suggests that there are not major savings to be released without affecting the quality of service.

8.2 The challenge for the Authority over the next few years will be to remove costs at the margin without reducing quality of service, OR agree proposals to reduce services in specific areas while:

- accepting the inevitable increase in risks
-and informing customers and stakeholders of the changes, how they will affect them, and why they are unavoidable.

8.3 Many areas of the budget are interlinking, and reductions in one area could have an adverse effect elsewhere. For example, cutting back on support costs within the Investment team could mean the Investment Managers having to pick up more "back office" functions. Similarly reductions in technical support, or communications and advisory services could mean not only reduced quality of service, but increased risk of errors occurring which would create extra demands in the longer term.

- 8.4 The budget forecasts have been put forward bearing all of these things in mind. Major savings have been identified in every area possible. Any further savings to be achieved would have to come from staffing. Members are asked to indicate whether they wish this specific area to be explored for further consideration as part of this budget round.

9 Other Implications

- 9.1 Legal
There are no legal implications.
- 9.2 Diversity
There are no specific diversity implications.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Bev Clarkson, Operations Manager, South Yorkshire Pensions Authority
Background papers used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.
Other sources and references: none

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SOUTH YORKSHIRE PENSIONS AUTHORITYADMINISTRATION AND INVESTMENT EXPENSESREVENUE ESTIMATES 2011/12 AT OUTTURN PRICESSUMMARY

	2010-11 ORIGINAL ESTIMATE £	2010-11 PROBABLE OUTTURN £	2011-12 ESTIMATE £
ADMINISTRATION EXPENSES	3,123,950	3,075,950	2,936,800
INVESTMENT EXPENSES	2,684,800	2,720,400	2,748,900
CONTINGENCIES	0	0	0
TOTAL EXPENDITURE REQUIREMENT	5,808,750	5,796,350	5,685,700

RECHARGED TO:

FUND	5,673,750	5,661,350	5,555,700
SYPT PENSION FUND	135,000	135,000	130,000
	5,808,750	5,796,350	5,685,700

MEMORANDUM ITEM

DISTRICT COUNCILS SUPERANNUATION SERVICE

Barnsley	93,250	95,700	97,950
Doncaster	99,000	94,700	98,200
Rotherham	85,050	86,350	87,650
Sheffield	107,800	109,700	111,600
	385,100	386,450	395,400

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2011/12 AT OUTTURN PRICES

	2010-11 ORIGINAL ESTIMATE £	2010-11 PROBABLE OUTTURN £	2011-12 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,858,900	1,783,900	1,832,500
Training Expenses	14,300	14,300	14,600
Other Indirect Expenses	29,300	102,600	60,300
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	148,000	148,000	151,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,100	2,800	3,100
Car Allowances	7,200	6,000	7,400
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,300	12,950	13,600
Publications	200	200	200
Printing and Stationery	96,000	89,500	86,000
Communications and Computing			
Postages and Telephones	116,400	112,000	100,000
Computer Services	39,200	35,000	24,000
Imaging maintenance	17,300	17,300	17,600
AXIS	104,500	104,500	106,600
Subsistence and Conferences	2,100	2,100	2,100
Subscriptions	8,600	8,600	8,800
Actuarial Fees	90,000	90,000	30,000
Legal Services	2,000	2,000	2,100
Other Professional Fees	71,500	60,000	52,000
Miscellaneous Expenses	8,800	8,800	9,000
CENTRAL EXPENSES			
Joint Secretariat	331,650	330,200	313,000
IT Network	48,300	48,300	47,000
Insurances	24,900	24,900	25,400
Subscriptions	5,100	5,100	5,200
Audit Fee	91,500	85,000	86,000
Bank Charges	20,300	20,300	20,700
Democratic Representation	13,200	12,000	13,500
Member Training	7,100	5,000	7,200
Corporate Strategy Officer	52,100	45,500	0
Disaster Recovery	5,600	5,600	5,700
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GROSS EXPENDITURE	3,230,450	3,182,450	3,044,600
MISCELLANEOUS INCOME	106,500	106,500	107,800
<hr/>			
NET EXPENDITURE	3,123,950	3,075,950	2,936,800
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2011/12 AT OUTTURN PRICES

	2010-11 ORIGINAL ESTIMATE £	2010-11 PROBABLE OUTTURN £	2011-12 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	885,400	888,500	905,000
Training Expenses	4,000	4,000	4,100
Other Indirect Expenses	5,800	4,800	6,200
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	50,000	50,000	51,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,000	7,000	8,000
Car Allowances	3,500	3,000	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	6,500	6,500	6,800
Publications	3,900	3,900	4,100
Printing and Stationery	3,700	3,700	3,800
Communications and Computing			
Postage and Telephones	500	500	500
Computer Services	8,000	8,000	7,500
Subsistence and Conferences	1,700	1,700	1,700
Subscriptions	43,000	38,000	28,000
Actuarial Fees	20,000	20,000	10,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	36,000
Miscellaneous Expenses	2,000	2,000	2,100
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INVESTMENT GENERAL EXPENSES	1,082,000	1,077,600	1,079,300
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	302,800	302,800	287,800
Custodian & Other Investment Expenses	245,000	245,000	251,100
External Management Fees	1,055,000	1,095,000	1,130,700
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INVESTMENT MANAGEMENT EXPENSES	1,602,800	1,642,800	1,669,600
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NET EXPENDITURE	2,684,800	2,720,400	2,748,900
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SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2010/11

	£	£
1	Original Estimate 2010/11	5,808,750
	<i>Main Variations</i>	
2	Employee Costs	
	Increased cost of Job Evaluation	13,000
	Reduced staff advertising / medical expenses	2,700 CR
	Increased turnover	85,000 CR
	Costs due to retirement / early retirement	<u>75,000</u> 300
3	Supplies and Services	
	Reduced printing costs	6,500 CR
	Reduced postage costs	4,500 CR
	Reduced computing costs	4,200 CR
	Reduced subscriptions for Treasury management	5,000 CR
	Reduced costs of medical advisors	<u>11,500</u> CR 31,700
CR		
4	Central Expenses	
	Reduced Joint Secretariat recharge	1,450 CR
	Corporate Strategy Officer – reduced time on Pensions	6,600 CR
	Reduce Audit fees	6,500 CR
	Reduced democratic rep / member training	<u>3,300</u> CR 17,850
CR		
5	Investment Management Expenses(linked to market value)	
	Lower Property manager fees	20,000 CR
	Increased manager fees due to change of Bond Manager and higher market values	<u>60,000</u> 40,000
7	Other Minor Variations	<u>3,150</u>
CR		
8	Revised Estimate 2010/11	<u>5,796,350</u>

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SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2011/12

	£	£
1	Original Estimate 2010/11	5,808,750
	<i>Main Variations</i>	
2	Employee Costs	
	Lower pay inflation than expected 10/11	10,900 CR
	Reduced oncosts as result of lower pay inflation	2,800 CR
	Increments	25,000
	Management restructure	70,300 CR
	Reduction in Investments establishment	8,600 CR
	Turnover – recruitment at lower levels	15,000 CR
	Increased Superannuation contributions	22,200
	Strain costs due to early retirement	30,000
	Full cost of Job evaluation	<u>53,600</u>
		23,200
3	Supplies and Services	
	Reduced printing costs	10,000 CR
	Reduced postage costs	16,000 CR
	Reduced IT costs	16,000 CR
	Reduced subscriptions for Treasury Management	15,000 CR
	Reduced costs of medical advisor	19,500 CR
	Reduced actuarial fees	<u>70,000 CR</u>
		146,500 CR
4	Central Expenses	
	Reduced Joint Secretariat recharge	18,650 CR
	Reduced Audit fees	5,500 CR
	End of Corporate Strategy Officer appointment	<u>52,100 CR</u>
		76,250 CR
5	Investment Management Expenses(“controllable”)	
	Reduced BARRA fees	15,300 CR
	Reduced Bloomberg costs (part year)	<u>3,000 CR</u>
		18,300 CR
6	Investment Management Expenses(linked to market value)	
	Increased Custody fees	6,000
	Increased External manager fees due to increased market values	<u>74,000</u>
		80,000
7	Other Minor Variations	<u>2,900</u>
		5,673,800
8	Inflation	
	Prices (assumed at 2%)	<u>11,900</u>
		<u>11,900</u>
9	Estimate 2011/12	<u>5,685,700</u>

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SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2011/12

ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS

Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. However, the same statutory instrument that created the Pensions Authority made provision for the four District Councils to reimburse the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

1 Probable Outturn 2010/2011

	Barnsley	Doncaster	Rotherham	Sheffield	Total
	£'000	£'000	£'000	£'000	£'000
Rechargeable Pensions	2,398	1,850	1,248	6,446	11,942
Levy	<u>97</u>	<u>120</u>	<u>106</u>	<u>216</u>	<u>539</u>
	<u>2,495</u>	<u>1,970</u>	<u>1,354</u>	<u>6,662</u>	<u>12,481</u>

2 Estimates 2011/12

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	550
Gratuities	<u>1</u>

Levy 2011/12 **551**

(ii) Total payments by District

	Barnsley	Doncaster	Rotherham	Sheffield	Total
	£'000	£'000	£'000	£'000	£'000
Rechargeable Pensions	2,475	1,905	1,287	6,631	12,298
Levy	<u>99</u>	<u>123</u>	<u>108</u>	<u>221</u>	<u>551</u>
	<u>2,574</u>	<u>2,028</u>	<u>1,395</u>	<u>6,852</u>	<u>12,849</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.
(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

(b) Pensions administration and investment management costs are borne by the Pension Fund.

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BUDGET BREAKDOWN	10/11 ORI ADMIN £	10/11 ORI INVESTS £	10/11 ORI TOTAL £	10/11 REV ADMIN £	10/11 REV INVESTS £	10/11 REV TOTAL £	11/12 ORI ADMIN £	11/12 ORI INVESTS £	11/12 ORI TOTAL £	12/13 ORI ADMIN £	12/13 ORI INVESTS £	12/13 ORI TOTAL £
ADMINISTRATION & CLERICAL												
Basic Pay - Staff	1453000	686000	2,139,000	1474600	703000	2,177,600	1431700	705000	2,136,700	1450000	712000	2,162,000
Job Evaluation	21600	18400	40,000			-			-			-
Overtime	5000	1000	6,000	5000	1000	6,000	5000	1000	6,000	5000	1000	6,000
National Insurance Staff	112000	57000	169,000	112000	58500	170,500	117500	65000	182,500	124000	66000	190,000
Employers Super Staff	267000	123000	390,000	267000	126000	393,000	278000	134000	412,000	277000	136000	413,000
Allowances	300	0	300	300	0	300	300	0	300	300	0	300
TOTALS	£ 1,858,900	£ 885,400	£ 2,744,300	£ 1,858,900	£ 888,500	£ 2,747,400	£ 1,832,500	£ 905,000	£ 2,737,500	£ 1,856,300	£ 915,000	£ 2,771,300
TRAINING EXPENSES												
Professional courses	3,000	1,000	4,000	3,000	1,000	4,000	3,100	1,000	4,100	3,200	1,100	4,300
Short Courses	10,300	2,000	12,300	10,300	2,000	12,300	10,500	2,100	12,600	10,800	2,200	13,000
Travel & Subsistence	1,000	1,000	2,000	1,000	1,000	2,000	1,000	1,000	2,000	1,000	1,000	2,000
Other	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	£ 14,300	£ 4,000	£ 18,300	£ 14,300	£ 4,000	£ 18,300	£ 14,600	£ 4,100	£ 18,700	£ 15,000	£ 4,300	£ 19,300
OTHER INDIRECT EES EXPS												
Staff Advertising	8,000	3,000	11,000	7,000	2,000	9,000	8,200	3,100	11,300	8,400	3,200	11,600
Interview Expenses	100	200	300	100	200	300	100	200	300	100	200	300
Medical Expenses	3,700	300	4,000	3,000	300	3,300	3,900	300	4,200	4,000	300	4,300
Professional Subscriptions	1,000	2,300	3,300	1,000	2,300	3,300	1,100	2,600	3,700	1,200	2,700	3,900
Removal Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Redundancy Pay	-	-	-	-	-	-	-	-	-	-	-	-
Fund Strain costs							30,000	-	30,000	30,000	-	30,000
Rechargeable Pensions	16,500	-	16,500	16,500	-	16,500	17,000	-	17,000	18,000	-	18,000
TOTALS	£ 29,300	£ 5,800	£ 35,100	£ 27,600	£ 4,800	£ 32,400	£ 60,300	£ 6,200	£ 66,500	£ 61,700	£ 6,400	£ 68,100
PREMISES												
Rent & Service Chgs	148,000	50,000	198,000	148,000	50,000	198,000	151,000	51,000	202,000	155,000	52,300	207,300
TOTALS	£ 148,000	£ 50,000	£ 198,000	£ 148,000	£ 50,000	£ 198,000	£ 151,000	£ 51,000	£ 202,000	£ 155,000	£ 52,300	£ 207,300
TRANSPORT EXPENSES												
Public Transport	3,100	8,000	11,100	2,800	7,000	9,800	3,100	8,000	11,100	3,200	8,400	11,600
Car Allowances	7,200	3,500	10,700	6,000	3,000	9,000	7,400	3,500	10,900	7,600	3,700	11,300
TOTALS	£ 10,300	£ 11,500	£ 21,800	£ 8,800	£ 10,000	£ 18,800	£ 10,500	£ 11,500	£ 22,000	£ 10,800	£ 12,100	£ 22,900

BUDGET BREAKDOWN

	10/11 ORI ADMIN £	10/11 ORI INVESTS £	10/11 ORI TOTAL £	10/11 REV ADMIN £	10/11 REV INVESTS £	10/11 REV TOTAL £	11/12 ORI ADMIN £	11/12 ORI INVESTS £	11/12 ORI TOTAL £	12/13 ORI ADMIN £	12/13 ORI INVESTS £	12/13 ORI TOTAL £
EQUIPMENT, FURNITURE & MATERIALS												
Furniture - Purchase	1,000	2,000	3,000	1,000	2,000	3,000	1,000	2,100	3,100	1,100	2,200	3,300
Furniture - Repairs	-	-	-	-	-	-	-	-	-	-	-	-
Office Equip - Purchase	2,250	1,000	3,250	2,500	1,000	3,500	2,300	1,000	3,300	2,400	1,100	3,500
Office Equip - Repairs	350	-	350	350	-	350	400	-	400	400	-	400
Office Equip - Consumables	2,000	1,000	3,000	2,000	1,000	3,000	2,100	1,000	3,100	2,100	1,000	3,100
Photocopying - Repairs	3,100	500	3,600	2,500	500	3,000	3,100	500	3,600	3,100	500	3,600
Photocopying - Consumables	4,600	2,000	6,600	4,600	2,000	6,600	4,700	2,200	6,900	4,800	2,200	7,000
TOTALS	£ 13,300	£ 6,500	£ 19,800	£ 12,950	£ 6,500	£ 19,450	£ 13,600	£ 6,800	£ 20,400	£ 13,900	£ 7,000	£ 20,900
PUBLICATIONS												
Newspapers	-	1,800	1,800	-	1,800	1,800	-	1,900	1,900	-	1,950	1,950
Periodicals/Other Publications	200	2,100	2,300	200	2,100	2,300	200	2,200	2,400	300	2,250	2,550
TOTALS	£ 200	£ 3,900	£ 4,100	£ 200	£ 3,900	£ 4,100	£ 200	£ 4,100	£ 4,300	£ 300	£ 4,200	£ 4,500
PRINTING & STATIONERY												
Other Printing	91,500	2,200	93,700	85,000	2,200	87,200	81,500	2,300	83,800	83,000	2,400	85,400
Stationery	4,500	1,500	6,000	4,500	1,500	6,000	4,500	1,500	6,000	4,600	1,500	6,100
TOTALS	£ 96,000	£ 3,700	£ 99,700	£ 89,500	£ 3,700	£ 93,200	£ 86,000	£ 3,800	£ 89,800	£ 87,600	£ 3,900	£ 91,500
COMMUNICATIONS & COMPUTING												
Postage - General	116,400	500	116,900	112,000	500	112,500	100,000	500	100,500	101,500	500	102,000
Telephones	-	-	-	-	-	-	-	-	-	-	-	-
AXIS	104,500	-	104,500	104,500	-	104,500	106,600	-	106,600	108,000	-	108,000
Imaging maintenance	17,300	-	17,300	17,300	-	17,300	17,600	-	17,600	18,000	-	18,000
Computing	39,200	8,000	47,200	35,000	8,000	43,000	24,000	7,500	31,500	25,000	8,400	33,400
TOTALS	£ 277,400	£ 8,500	£ 285,900	£ 268,800	£ 8,500	£ 277,300	£ 248,200	£ 8,000	£ 256,200	£ 252,500	£ 8,900	£ 261,400
SUBSISTENCE & CONFERENCES												
Subsistence	1,100	1,700	2,800	1,100	1,700	2,800	1,100	1,700	2,800	1,200	1,800	3,000
Conferences	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000
TOTALS	£ 2,100	£ 1,700	£ 3,800	£ 2,100	£ 1,700	£ 3,800	£ 2,100	£ 1,700	£ 3,800	£ 2,200	£ 1,800	£ 4,000
SUBSCRIPTIONS												
	8,600	43,000	51,600	8,600	38,000	46,600	8,800	28,000	36,800	9,000	29,000	38,000
TOTALS	£ 8,600	£ 43,000	£ 51,600	£ 8,600	£ 38,000	£ 46,600	£ 8,800	£ 28,000	£ 36,800	£ 9,000	£ 29,000	£ 38,000

BUDGET BREAKDOWN

	10/11 ORI ADMIN £	10/11 ORI INVESTS £	10/11 ORI TOTAL £	10/11 REV ADMIN £	10/11 REV INVESTS £	10/11 REV TOTAL £	11/12 ORI ADMIN £	11/12 ORI INVESTS £	11/12 ORI TOTAL £	12/13 ORI ADMIN £	12/13 ORI INVESTS £	12/13 ORI TOTAL £
PROFESSIONAL FEES												
Actuarial Fees	90,000	20,000	110,000	90,000	20,000	110,000	30,000	10,000	40,000	50,000	20,000	70,000
Legal Fees	2,000	1,000	3,000	2,000	1,000	3,000	2,100	1,000	3,100	2,200	1,000	3,200
Other Fees	71,500	35,000	106,500	60,000	35,000	95,000	52,000	36,000	88,000	53,000	37,000	90,000
TOTALS	£ 163,500	£ 56,000	£ 219,500	£ 152,000	£ 56,000	£ 208,000	£ 84,100	£ 47,000	£ 131,100	£ 105,200	£ 58,000	£ 163,200
MISCELLANEOUS EXPENSES												
Refreshments	800	500	1,300	800	500	1,300	800	500	1,300	900	500	1,400
Advertising - non staff	-	1,000	1,000	-	1,000	1,000	-	1,100	1,100	-	1,200	1,200
Other	3,000	500	3,500	3,000	500	3,500	3,100	500	3,600	3,200	500	3,700
Employer Consultation	5,000	-	5,000	5,000	-	5,000	5,100	-	5,100	5,300	-	5,300
TOTALS	£ 8,800	£ 2,000	£ 10,800	£ 8,800	£ 2,000	£ 10,800	£ 9,000	£ 2,100	£ 11,100	£ 9,400	£ 2,200	£ 11,600
CENTRAL EXPENSES												
Joint Secretariat	331,650		331,650	330,200		330,200	313,000		313,000	319,300		319,300
Corporate Strategy Officer	52,100		52,100	45,500		45,500	-		-	-		-
IT Unit	48,300		48,300	48,300		48,300	47,000		47,000	47,500		47,500
Disaster Recovery	5,600		5,600	5,600		5,600	5,700		5,700	5,900		5,900
Insurances	24,900		24,900	24,900		24,900	25,400		25,400	26,000		26,000
Subscriptions	5,100		5,100	5,100		5,100	5,200		5,200	5,300		5,300
Audit Fee	91,500		91,500	85,000		85,000	86,000		86,000	87,500		87,500
Bank Charges	20,300		20,300	20,300		20,300	20,700		20,700	21,200		21,200
Legal Services	-		-	-		-	-		-	-		-
Democratic Representation	13,200		13,200	12,000		12,000	13,500		13,500	13,800		13,800
Member Training	7,100		7,100	5,000		5,000	7,200		7,200	7,400		7,400
TOTALS	£ 599,750	£ -	£ 599,750	£ 581,900	£ -	£ 581,900	£ 523,700	£ -	£ 523,700	£ 533,900	£ -	£ 533,900
ADMIN EXPENDITURE	£ 3,230,450	£ 1,082,000	£ 4,312,450	£ 3,182,450	£ 1,077,600	£ 4,260,050	£ 3,044,600	£ 1,079,300	£ 4,123,900	£ 3,112,800	£ 1,105,100	£ 4,217,900
INVESTMENT MANAGEMENT EXPS												
Internal Information Systems												
ICON		127,000	127,000		127,000	127,000		129,600	129,600		133,000	133,000
FTSE charges		30,500	30,500		30,500	30,500		31,200	31,200		32,000	32,000
Barra		15,300	15,300		15,300	15,300		-	-		-	-
Bloomberg		130,000	130,000		130,000	130,000		127,000	127,000		124,000	124,000
TOTALS	£ -	£ 302,800	£ 302,800	£ -	£ 302,800	£ 302,800	£ -	£ 287,800	£ 287,800	£ -	£ 289,000	£ 289,000
Internal Management Fees												
Custodian Fees	***	244,000	244,000		244,000	244,000		250,000	250,000		257,000	257,000
Other Investment Expenses		1,000	1,000		1,000	1,000		1,100	1,100		1,200	1,200
TOTALS	£ -	£ 245,000	£ 245,000	£ -	£ 245,000	£ 245,000	£ -	£ 251,100	£ 251,100	£ -	£ 258,200	£ 258,200

SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011

Report of the Clerk and Treasurer

FRC: UK STEWARDSHIP CODE and FSA REQUIREMENTS REGARDING COMPLIANCE DISCLOSURE

1) Purpose of the report

To obtain Members' approval to publish a statement regarding the Authority's compliance with the Financial Reporting Council's UK Stewardship Code.

2) Recommendation

That Members approve the Authority's compliance disclosure regarding the UK Stewardship Code.

3) Background information

3.1 I reported to the Investment Board last September on the publication by the Financial Reporting Council (FRC) of its first Stewardship Code. The Code follows the long-standing British approach of non-binding "comply or explain" although the FRC strongly encouraged all institutional investors to report on whether and how they complied with the Code. Although the Board decided that it complied with the Code in most aspects it declined to submit a statement to the FRC on the grounds of additional workload that such a publication might generate.

3.2 I advised Members that the Authority's voting guidelines, Statement of Investment Principles and related policies might need to be adjusted in the light of the new Code and that officers would report further on this in due course. It is intended to update Members at the Investment Board meeting in March.

3.3 I also reported that the Financial Services Authority was consulting on whether or not there should be a requirement for UK-authorized firms managing investments on behalf of professional clients to disclose the nature of their commitment to this Code. It was not the FSA's intention then to require commitment to the Code as part of its authorisation process as it recognised that there were legitimate reasons why some asset managers may choose not to engage with the companies they invest in. The FSA's preferred position was to require disclosure by member firms on the firm's website.

3.4 Following the consultation the FSA has published a new instrument (2010/57) which came into force on 6 December 2010 requiring member firms to disclose the nature of their commitment to the Stewardship Code.

Accordingly, as a firm regulated by the FSA, the Authority has to prepare and publish a statement.

3.5 The proposed Statement is attached as an appendix.

4) Implications

4.1 Financial

There are no direct financial implications. It is too early to know whether costs will increase if there is a greater workload but more officer time will be required to service the governance process.

4.2 Legal

As an entity regulated by the Financial Services Authority failure by the Authority to comply with FSA Rules might lead to censure or a fine.

4.3 Diversity

There are no diversity implications.

4.4 Risk

Failure to comply with FSA Regulations might give rise to reputational and financial risk for the Authority. There are no other specific risks associated with this report.

W J Wilkinson
Clerk and Treasurer

Officer responsible:-
John Hattersley, Fund Manager

Telephone contact 01226 772887

Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority

Other sources and references: FRC: FSA

SOUTH YORKSHIRE PENSIONS AUTHORITY STEWARDSHIP CODE COMPLIANCE STATEMENT

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Authority's Statement of Investment Principles sets out how the Authority discharges its stewardship responsibilities. The Policy is available on the website.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Authority acknowledges that conflicts of interest may arise in the context of its corporate governance and corporate responsibility work. For example, the Authority might not share the concerns voiced about a company by a client, or the Authority might hold a significant stake in a company, the value of which might be affected by action taken by the client.

Where a conflict of interest arises, the matter will be referred to the Authority's Compliance Officer by the appropriate officer. If the outcome of the referral is that the engagement and voting decisions differ between the Authority and the client the decision will be made to serve the best interest of the client. The decision process and the rationale behind it will be documented and will be made available to the client if requested.

Principle 3

Institutional investors should monitor their investee companies.

The Authority's investment staff maintain regular dialogue with companies, other investors and professional advisors. This dialogue allows officers to monitor the development of companies' businesses, corporate responsibility and corporate governance. In addition, officers may engage with stakeholders such as NGOs, trade unions and other groups, to enhance their own views on company performance. Officers consider research covering corporate governance and corporate responsibility issues wherever possible.

Analysis is shared between officers and frequent discussion takes place. Records of all engagement, voting and other corporate governance and corporate responsibility activities are kept.

Overall responsibility for monitoring company performance rests with portfolio managers. On occasions the Authority may undertake and commission bespoke corporate governance and corporate responsibility research & engagement focusing on specific themes and sectors.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

The Authority will try to engage with the company before it embarks on a programme of action whenever possible. However, if the company proves to be unreceptive to the

Authority's views, the Authority will take the appropriate action. The Authority will continue its dialogue with the company over an extended period if necessary. Escalation of any engagement activities will depend upon the company's individual circumstances and the resources available to the Authority at the time. Actions may include communications through the company's brokers, direct engagement with the Chairman or non-executive directors or joint intervention with other shareholders, and where appropriate, voting against board proposals. Given the Authority's limited resources, in most instances the action will be collaborative and it is unlikely to involve the Authority in taking the initiative.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

The Authority recognises that in many instances joint action by shareholders has the potential to be more effective than acting alone. This is especially so where shareholders have a clear common interest. The Authority is an active member of the Local Authority Pension Fund Forum which is an organisation that facilitates collaborative engagement. Wherever possible the Authority's policy will be to pursue collaborative engagement but it will only do so after carefully considering potential conflicts of interest, concert party rules and insider information regulations.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

The Authority exercises voting rights on its own behalf and on behalf of clients at meetings of all UK listed companies in which there is a holding. Occasionally, the Authority may vote on non-UK companies but such action will depend upon client and fund manager priorities.

To assist the Authority in assessing the corporate governance of investee companies the Authority subscribes to a research service provided by an external contractor.

Day-to-day responsibility for overseeing voting decisions lies with the Fund Manager.

The Authority's policy is to publish its UK voting record.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

The Authority publishes its voting guidelines, its voting record and its shareholder engagement statement on the website. Further reports regarding its engagement work are presented to Authority meetings.

SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011

Report of the Clerk and Treasurer

TREASURY POLICY AND STRATEGY STATEMENT 2011/2012

1) Purpose of the report

To seek Members' approval of the treasury management procedures and strategy followed by the Authority.

2) Recommendation

It is recommended that the Authority:-

- a) **adopts the Annual Investment Strategy and recommendations set out in Appendix I; and**
 - b) **in accordance with Section 3(1) of the Local Government Act 2003 approves an Affordable Borrowing Limit, on a rolling basis for the forthcoming year and two successive years as outlined in Appendix II, of £250,000 being the maximum amount the Authority can afford to borrow; and**
 - c) **keeps the above under review.**
-

3) Background information

- 3.1 Local authority treasury management activities are governed by Section 12 of Part I, Chapter I of the Local Government Act 2003 ("the Act") which provides that a local authority may invest "for any purposes relevant to its functions under any enactment, or "for the purposes of the prudent management of its financial affairs". Pursuant to section 15 of the Act, in carrying out its functions, a local authority is required to have regard to relevant guidance and regulations issued by the Secretary of State. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the Regulations"), Regulation 24 requires local authorities to have regard to the Chartered Institute of Public Finance and Accounting (CIPFA) publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Code"). The Code covers the whole range of treasury management issues, including the fundamental principles for making and managing investment and requires local authorities to prepare an annual treasury management strategy ("the Annual Strategy"). Under the Code treasury management is defined as:

“the management of the Authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks”.

- 3.2 Amongst the primary requirements of the Code are the need to establish and maintain a Treasury Management Policy Statement which sets out the policies and objectives of the Authority’s treasury management activities and sets out how they will be achieved; approval of the Annual Investment Strategy; regular reporting on activities during the year and establishment of the delegation by the Authority of its responsibilities to other bodies and its officers. For this Authority the delegated scrutinising body is the Corporate Planning and Governance Board.
 - 3.3 The Authority manages its cash itself. The customised benchmark allocation for cash has not changed during the year (it remains at 0%) nor has the tactical range (0%-10%). Some cash is always held in order to service creditors etc and the pension payroll. Even though in absolute terms the amount of cash held at any one time might run to tens of millions of pounds it is normally going to form a relatively small percentage of total Fund assets. This is one reason why the CIPFA Code has not been universally adopted by Local Government Pension Scheme (“LGPS”) administering authorities for local authority pension funds. The specialised nature of pension fund monies does not lend itself easily to the Code: this is especially so since the funds themselves have no borrowing powers.
 - 3.4 The Authority has never utilised its borrowing powers other than for temporary overdraft purposes. The borrowing powers (i.e. in its own right and not on behalf of the Fund) have always been reviewed annually and resolved upon separately by the Authority. The current governing legislation is the Act and the requirements are more fully referred to in section 4 below. Please note that the Act does not apply to pension funds, being controlled by a separate regulatory regime which is administered by the Department for Communities and Local Government (CLG).
 - 3.5 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009: SI 2009/3093 (“the 2009 Regulations”) the administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances.
 - 3.6 The management of the Fund itself is conducted in accordance with the Authority’s Statement of Investment Principles which has been drawn up in accordance with extant Regulations.
 - 3.7 This report embodies the principles of the CIPFA Code and the Act. There are two appendices: Appendix I, referring to the Annual Investment Strategy and Appendix II referring to the Affordable Borrowing Limit.
- 4) The Local Government Act 2003
- 4.1 Although pension fund monies are specifically excluded from the investment regulations [The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003] made under the Local Government Act 2003 Members should note that the Authority is subject to the capital expenditure

requirements (Part 8, section 32). CLG will issue guidance under the Act from time to time and local authorities must have regard to the guidance.

- 4.2 Present guidance stresses the need for strategies to be prudent and defines a prudent investment policy as one having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives. In other words, it is reasonable to seek the highest yield consistent with the two priorities but only after they have been met.
- 4.3 Section 3 (1) of the Act requires the Authority to set and keep under review an 'Affordable Borrowing Limit' (ie how much money it can afford to borrow) and to do so by reference to the CIPFA Prudential Code. The Limit is to be set, on a rolling basis, for the forthcoming year and two successive financial years. The Clerk and Treasurer can confirm that the Limit has been kept under review.
- 4.4 Subsection (8) provides that a local authority's function under subsection (1) shall be discharged only by the authority; i.e. Members only can determine the affordable borrowing limit.
- 4.5 Part 1 of the Act introduced a prudential capital finance system called the prudential code for capital finance in local authorities. The key objectives of the "Prudential Code" are to ensure within a clear framework that:-
- capital investment plans of local authorities are affordable, prudent and sustainable
 - treasury management decisions (notably borrowing for capital expenditure) are taken in a manner which supports affordability, prudence and sustainability

Affordability is implied in relation to the council tax. Prudence and sustainability is implied in relation to external borrowing.

- 4.6 To demonstrate that authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and factors to be taken into account. The Code does not include suggested limits or ratios as these are for the local authority to set. The prudential indicators for the forthcoming year and following years must be set before the beginning of the year. They may be revised at any time, following due process, and must be reviewed and revised, if appropriate, for the current year when the prudential indicators are set for the following year.
- 4.7 Section 5 of the LGA 2003 contains the power for an authority to borrow temporarily against future income yet to be received by it provided the delayed receipt of such future income was not taken into account in the setting of the affordable borrowing limit. This power is thought to apply to the Authority by virtue of Regulation 32 of the Local Government (Capital Finance and Accounting) (England) Regulations 2003.
- 4.8 The Authority must have regard to both the guidance issued by CLG and the CIPFA Treasury Management Code when preparing its Annual Investment Strategy (AIS). CLG recommends that the AIS be approved at the equivalent

level of full council and should be approved before the start of the financial year. Under the current cycle of Authority meetings this meeting is the appropriate one. The AIS is included within the attached Statement.

- 4.9 Other than the obligation to set an Affordable Borrowing Limit the Authority is not materially affected by the Practice or Prudential Code though if it had a capital expenditure programme it would be different. The Authority's levy, issued in accordance with The Levying Bodies (General) Regulations 1992, finances the payment of statutory compensation and is not a function of capital financing decisions. The Authority does not borrow to fund either annual running costs or capital investment.
- 4.10 Whilst the Authority has no need to undertake external borrowing the Act still appears to impose a duty to set an Affordable Borrowing Limit. Last year's ABL was set at £250,000 and there is not thought to be any need to amend that limit.
- 4.11 In terms of delegation the Authority receives this report and approves policy and strategy. The Corporate Planning and Governance Board receives quarterly updates upon the implementation of the policy and strategy. The Clerk and Treasurer has overall responsibility for the execution and administration of treasury management decisions as s151 Officer.
- 4.12 In summary, therefore, the Authority employs a treasury management strategy in which investments are managed broadly in accordance with the Code of Practice for Treasury Management in Public Services published by CIPFA.

5) Co-op Bank

I reported last year that the South Yorkshire Joint Secretariat, acting on behalf of all four South Yorkshire joint authorities, had embarked upon a review of the authorities' banking arrangements and this might lead to a formal tender exercise being undertaken during 2010/2011 financial year. In fact, the exercise has been put on hold pending further clarification of the position regarding the future requirements of the Police Authority and/or its successor body.

6) Implications

6.1 Financial

There are no implications not otherwise mentioned within the report.

6.2 Legal

It is not thought that there are any legal implications.

6.3 Diversity

There are no diversity implications.

6.4 Risk

This Authority is the formal decision-making body for treasury management matters and has responsibility to ensure that adequate risk management processes are in place. This it discharges by establishing a treasury management policy and ensuring that it is regularly monitored by the Corporate Planning and Governance Board. There are potential reputational and financial risks that could arise from non-compliance with the Act and Regulations. It should also be noted that the ratings issued by credit rating agencies are only a means of assessing creditworthiness and are open to error and interpretation.

W. J. Wilkinson
Clerk and Treasurer

Officer responsible:
John Hattersley, Fund Manager.

Contact telephone: 01226 772887

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

Other sources and references: CIPFA; CLG; Sector Treasury Services

APPENDIX I

SOUTH YORKSHIRE PENSIONS AUTHORITY

TREASURY MANAGEMENT: ANNUAL INVESTMENT STRATEGY

A) Policy Statement

1) Introduction

- 1.1 Treasury management can be defined as the management of the Authority's cash flow, its borrowings and its investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
- 1.2 The Authority's treasury management operation is relatively simple compared to that of a conventional local authority. It essentially revolves around the depositing of surplus monies (ie pending permanent investment) with approved institutions.
- 1.3 This Strategy is constantly monitored and if deemed necessary may be replaced by a revised strategy. The circumstances warranting a revised strategy may vary but likely triggers could be changes in legislation, changes to interest rate expectations or changes to underlying investment market conditions and money market liquidity. However, the Strategy should not be formally reviewed just because of changes to purely technical circumstances. It is to be treated as a flexible document with sufficient delegations to allow officers to effectively manage the cash balances of the Authority and Fund.

2) Treasury Management Operation and Objectives

- 2.1 The activities of the treasury management operation cover:-
 - Lending
 - Cash flow forecasting and management
 - Managing the underlying risk associated with the Fund's cash balances
 - Consideration, approval and use of new financial instruments and treasury management techniques
 - Liaison with brokers, the Authority's bankers, and other financial institutions
- 2.2 The overall objectives of the Authority are to achieve the optimum return consistent with minimising risk, with the overriding principle being to maintain the Authority's and Fund's capital.
- 2.3 Currently, investments are restricted to a limited number of organisations which enjoy a credit rating of F1 or better for short term debt (see 3.4 below).

- 2.4 Under the CIPFA Code procedures for the formulation of treasury management strategy are to be set and approved each year. This involves, inter alia, forecasting sums available for investment determined annually in advance and periods of investments, determined by the forecast interest rate movements, and the need to hold cash to meet contingencies. However, because of the short term nature of the Fund's cash balances (the allocation in the benchmark presumes that the Fund will normally be fully invested in the stock markets etc.) these decisions are taken as part of the greater asset allocation exercise which considers the Fund's overall disposition. This is under constant review within the constraints laid down by the customised benchmark. Therefore, most deposits under normal circumstances are fixed for periods of not more than three months. The majority of monies are invested on call, weekly or monthly terms. If market conditions suggest that it would be beneficial for the Authority to lend longer, such loans are directly related to account settlement, real estate or payroll requirements or liabilities i.e. are determined by overall Fund requirements rather than money market considerations. The maximum length of temporary investments will not, in any case, exceed 364 days. The borrowing of monies purely to invest or on-lend and make a return is unlawful and will not be engaged in.
- 2.5 Officers employed in treasury management activities have proper working relationships with external advisors and brokers and have the appropriate level of experience. Members involved in the scrutiny of treasury management issues are encouraged to avail themselves of relevant training wherever possible.
- 2.6 Quarterly updates on treasury management matters are presented to the Corporate Planning and Governance Board. If this Strategy is approved at today's meeting it will be published on the Authority's website.
- 3) Approved Instruments and Organisations for Investment
- 3.1 The Authority manages its monies in compliance with the statutory requirements. Within the CLG guidance there are definitions of "local authority", "investment", "long-term investment" and "specified investment".
- 3.2 Under Government guidance, specified investments are categorised as those offering both high security and high liquidity and must be sterling dominated, maturing in less than one year and be made either with UK Government, local authorities or institutions with high credit ratings as determined by the Authority.
- 3.3 A non-specified investment is one not covered by the previous definition and is subject to greater potential risk. CLG has confirmed that building societies and similar investments are covered by this paragraph and has stated that there is no intention to discourage authorities from using non-specified investments. The aim is simply to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies that are not highly credit-rated.
- 3.4 The Authority uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. The service does not only rely on the

current credit ratings of counterparties but also uses the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This is a service which the Authority would not be able to replicate using in-house resources.

3.5 This service provides an independent assessment by professionals of the overall credit quality of an institution. Weekly reviews of the credit ratings ensure that the Authority's criteria are maintained and the Authority is alerted to changes on a daily basis. Officers also utilise other rating information provided by other providers when appropriate and available and are constantly reviewing other potential sources of information. Officers are aware of and monitor the position regarding the UK banking system support package and the credit ratings attached to the banks that are covered.

3.6 The Authority can currently utilise the following instruments:-

- Deposits with banks, building societies, Debt Management Office or local authorities (and certain other bodies) for up to 364 days
- Certificates of deposits (CDs) with banks and building societies for up to 364 days
- Money market funds.

The Authority itself does not lend: all lending is Fund money.

3.7 The borrowers dealt with during the last ten months (to end January 2011) are shown in Appendix III. The amount invested with any one institution is limited. All loans must take due cognisance of the amount involved and the quality of the borrower in both absolute and relative terms to the whole lending book.

3.8 The current lending limit for specified investments with a short term credit rating of F1 or better is £10m and the same limit applies to non-specified investments i.e. the Authority can lend to the top twenty Financial Services Authority (or equivalent FATF regulator) regulated building societies, or those with assets in excess of £1bn, up to a unit limit of £10m. These restrictions, therefore, apply to the Authority's principal bankers (i.e. Co-operative Bank and HSBC). Officers regularly review the credit rating criteria the Authority uses and have concluded that in the circumstances the current approach is appropriate.

3.9 The Authority has a deposit facility with the UK Debt Management Office which is an executive agency of HM Treasury. This facility has no limit on deposit size.

- 3.10 The Local Authorities (Capital Finance and Accounting) (Amendment)(England) Regulations 2004 [SI No 534] clarified the use of money market funds and CLG has confirmed that this Authority is eligible to utilise them. The Authority has approved investment in such funds up to a maximum limit of £10m into any one fund and up to a maximum of 50% of total lent monies at any one time.
- 3.11 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009: SI 2009/3093 the administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances.
- 4) Overdraft
- 4.1 It is proposed that an overdraft limit of £250,000 is agreed with the Authority's clearing bank, the Co-operative Bank plc with effect from 1 April 2011: this is the same as last year. The current interest rate on authorised overdrafts is officially 2% above the base rate. This facility is very rarely used. It is a contingency for unexpected events or to facilitate short term allocations.
- 4.2 I can report that the Authority has had no difficulty in terms of overdraft limits formerly set, nor, are any difficulties envisaged for current or future years. This view takes into account current commitments, existing plans and proposals in the approved budget.
- 5) Delegated powers
- 5.1 The Authority's Standing Orders and Financial Regulations have delegated to the Clerk and Treasurer the responsibility for all aspects of the operation of the Authority's bank accounts. He is also authorised to invest any monies belonging to or under the control of the Authority subject to the Authority's general directives. The Clerk and Treasurer may delegate his power to invest to members of his staff.
- 5.2 The Authority should approve the Annual Investment Strategy annually and before the start of the financial year.
- 5.3 The Affordable Borrowing Limit must be approved for each financial year and must be determined by the Authority. It should not be delegated to a committee and cannot be delegated to officers. It has to be kept under review.
- 5.4 It is the Clerk and Treasurer's responsibility to implement and monitor the Strategy and Limit once set. The Clerk and Treasurer should consider revising and resubmitting it as and when required; draft a strategy report for annual consideration by the Authority and to monitor and report upon any material divergence from the strategy and recommend revisions if and when required.

B Implementation

6) 2011/12 Immediate Considerations

6.1 The factors expected to affect treasury matters during the forthcoming year are:-

	£M	%
Borrowing Requirement 2011/2012	None	
Current Bank of England Bank Rate (Feb 11)		0.5%
Current Investment Rates estimated range (overnight) for £10m deposit size		0.43-0.53%

7) Prospects for Interest Rates

The prospects for interest rates in the UK are expected to be as follows:-

a) Short Term Interest Rates

Bank Rate has been held at 0.5% since March 2009 but is forecast to rise through the forthcoming year (say Q4 2011). If the recovery from the recession proves to be weaker and slower than expected then the increase might be deferred but as inflationary fears increase the pressure to raise rates will do so as well.

b) Longer Term Interest Rates

There are huge uncertainties involved in making any forecasts now regarding the longer term outlook for UK interest rates. There is no consensus over the speed of global economic recovery or the degree to which government austerity programmes will dampen consumer confidence or hinder employment prospects. Similarly, it is difficult to predict whether or not there will be further sovereign debt fears which will impact upon financial markets and, thus, threaten the recovery of the banking sector's balance sheets. The prospects for inflation, both in the UK and the world, appear to be worsening and this might only be exacerbated by further rounds of quantitative easing in either the US or UK. Whilst inflationary pressures are on the increase in the UK much of this is the consequence of a weaker currency and fiscal policies. If the Bank of England is to be believed, these will work through the system quite quickly so that inflation will be back on target by mid 2012. However, many observers think that the Bank is behind the curve in this respect. All in all, therefore, whilst it seems safe to forecast that interest rates will rise from their historically low levels the timing and extent of such a rise is open to question. For example, UBS are forecasting UK rates at 1% by the end of 2011 whilst Capital Economics predict rates staying at 0.5% for up to five years. Other commentators are pencilling in 1.5% by the end of this year and 3% by the end of 2013.

8) Short term considerations

8.1 Capital Finance

The Authority is not expected to have a requirement for financing new capital expenditure.

8.2 Debt Rescheduling

The Authority has no debt.

8.3 Temporary Investments

Cash flow requirements and changes in base rates will be closely monitored and investments made accordingly:

- a) kept short if it is anticipated that interest rates will rise, enabling returns to be compounded more frequently
- b) weighted to longer periods, with a view to enabling returns to be maintained, in a falling market.

Investments will be restricted to those funds and institutions which meet the criteria laid down in the Annual Investment Strategy.

8.4 Utilisation of Amounts Set Aside for Debt Redemption

The Authority has no debt.

8.5 Other issues

The Authority has deposits with certain Icelandic banks or their subsidiaries and there is a significant but unquantifiable risk that these deposits will not be recovered in full: however, both capital and interest due were written off within the 2008/09 accounts. At the current time it is not possible to say with certainty what the recovery prospects of those deposits will be and over what timescale. The Corporate Planning and Governance Board receive regular updates on the recovery process.

APPENDIX II

SOUTH YORKSHIRE PENSIONS AUTHORITY

DETERMINATION OF AFFORDABLE BORROWING LIMIT 2011/2012

- 1) Background Information
 - 1.1 Under Section 3(1) of the Local Government Act 2003, those local authorities covered by the Act, must determine on a rolling basis, for the following financial year and two successive years, an affordable borrowing limit which is the amount of money which the Authority can afford to borrow.
 - 1.2 This limit must be determined by the Authority and cannot be delegated to committees or officers.
- 2) Proposed Limit for 2011/2012
 - 2.1 In accordance with the Act, the following determinations are proposed for 2011/2012:
 - a) an overall borrowing limit of £250,000
 - b) the proportion of interest payable at variable rates should be set at 100%
 - 2.2 It should be noted that it is open to the Authority to vary the above limits at any time during the year.

APPENDIX III

BORROWING INSTITUTIONS

MARCH 2010 to JANUARY 2011

Banking institutions rated F1 or above as per Fitch Ratings Ltd

SANTANDER CORP BANKING	F1+
BANCA MONTE DEI PASCHI DE SIENA	F1
BANCO ESPIRITO SANTO SA	F1
BANK OF NOVIA SCOTIA	F1+
BARCLAYS BANK PLC	F1+
CLOSE BROS	F1
COMMONWEALTH BANK OF AUSTRALIA	F1+
COVENTRY BUILDING SOCIETY	F1
DEXIA BANK BELGIUM	F1+
DMADF (DEBT MGT OFFICE)	
LANDESBANK BADEN-WUERTTEMBERG	F1+
LANDESBANK BERLIN AG	F1+
NATIONAL BANK OF CANADA	F1
NATIONAL WESTMINSTER BANK	F1+
NATIONWIDE BUILDING SOCIETY	F1+
NORDDEUTSCHE LANDESBANK	F1

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 February 2011

Report of Clerk and Treasurer

REVIEW OF CORPORATE STRATEGY

1. Purpose of the Report

To introduce a draft Corporate Strategy for 2011-14 for agreement, whilst acknowledging that this strategy and its objectives could need significant changes in light of the Hutton Report due in March 2011.

2. Recommendations

That the minor amendments to the wording of the current Corporate Strategy be made, as outlined in the draft Corporate Strategy 2011-14, enabling existing strategic objectives to be simply rolled forward.

That this situation be reviewed in light of any changes resulting from the March 2011 report produced by Independent Public Service Pensions Commission (IPSPC) led by Lord Hutton of Furness.

3. Background Information (or other appropriate sections and titles)

- 3.1 On 25 November 2010 the Authority agreed a plan of action to defer the update of its Corporate Strategy until the outcomes of the IPSPC review were known, due March 2011.
- 3.2 However, as the Corporate Strategy Officer's contract ends on 31 March the Pensions Planning Group asked him to review whether there were any changes required to the Corporate Strategy, in the absence of the IPSPC information.
- 3.3 It is his opinion that, because the existing Vision, Mission and Strategic Objectives were only adopted/confirmed in April 2010 they should be rolled forward for at least a further year to provide the draft Corporate Strategy 2011-14. The amendments that have been made are ones related to the changed timeframe.
- 3.4 The six current strategic objectives of the SYPA should continue to be used until we have further information from the IPSPC, these are:

The Best: to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.

Investment Returns: to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the fund can meet both its immediate and long term liabilities.

Responsible Investment: to develop our investment options within the context of an ethical and sustainable investment strategy

Valuing our Employees: to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.

Pensions Planning: to encourage and support well informed pensions planning and investment amongst our member organisations and their employees.

Effective and Transparent Corporate Governance: to uphold and exemplify effective governance showing prudence and propriety at all times.

4. Implications and risks

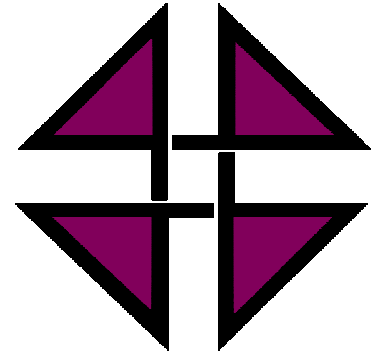
There are a number of possible risks for the Fund associated with the Commissions final report and its recommendations e.g. the possible amalgamation of the SYPA Fund with other LGPS funds; structural reform to contributions and benefits with implications for both the short and long term workloads of SYPA and resulting staffing implications. At the present time it is impossible to be sure what the risks might be or how best to respond to them, but it is possible to identify a need for future consideration and discussion of these risks and allow time in the work programme for such discussion.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Ralph Milne, Corporate Strategy Officer
01226 775730; RMilne@syjs.gov.uk

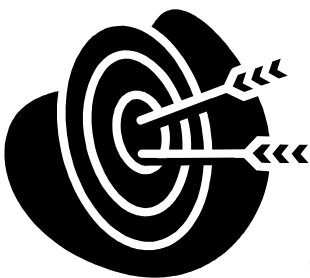
Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

Other sources and references:



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

CORPORATE STRATEGY 2011-2014



COMMITMENT TO EXCELLENCE

Foreword

I take great satisfaction in launching South Yorkshire Pensions Authority's Corporate Strategy for 2011-14, which sets out in one place our focus and priorities for the next three years.

Organisations are so often preoccupied with immediate issues that they lose sight of their ultimate objectives. This document seeks to set out the strategic framework for the Authority and for this to be used by the Service when setting its work priorities. It also serves as a channel of communication to our key stakeholders.

This document is intended to:

- Serve as a framework for decisions ensuring that all our work is integrated
- Provide a basis for more detailed operational planning and delivery
- Explain the Authority's business to all stakeholders in order to inform, motivate and involve them
- Assist benchmarking and performance monitoring
- Stimulate change and become a building block of change for the next three years

Last year we undertook a fundamental review of our strategy, clarifying, creating and refining our Vision, Mission and Values; these remain our blueprint for change over the lifetime of this plan. We will continue to strive to achieve our Vision statement and live up to our Corporate Values.

This strategy document provides the line of sight with our Business Plans for 2011/12 and the next two years in which we will provide further analysis, quantification and the detailed plans and measures for ensuring that our Vision and our strategy will be delivered.

We started our Commitment to Excellence programme in 2010 with 360 degree feedback for twenty one of the services more senior officers. The intention is to have annual 360 degree feedback against our Corporate Values and behaviours for all senior officers who manage staff or significant customer relationships.

These surveys mark a further important step in our strategy to enable all members of staff to be even more proactive and committed. I believe that this intervention will assist us to maintain and improve our services and be an enabler to help us to achieve recognition under Customer Service Excellence, the even more challenging replacement for Charter Mark.



**Councillor Andrew Sangar
Chairman
South Yorkshire Pensions Authority**

April 2011

DRAFT

Excellent
 Good
 Average
 Poor

Contents

1. Introduction
2. Our Vision, Mission, Values
3. Strategic Objectives:
 - 1 The Best
 - 2 Investment Returns
 - 3 Responsible Investment
 - 4 Valuing our Employees
 - 5 Pensions Planning
 - 6 Effective and Transparent Corporate Governance
4. Conclusion



1. Introduction

The South Yorkshire Pensions Authority is a Joint Authority created by Parliament primarily to oversee the investment and administration of the Local Government Pension Scheme (LGPS) in South Yorkshire.

The Authority is responsible for paying occupational and dependents' pensions and transfer values to former employees of all local authorities and related bodies in South Yorkshire, with the exception of police officers, teachers and fire fighters.

The Authority fulfills this operational role through the Pensions Service which is divided into two parts: Administration and Investment, in total the Service has around a hundred staff. The Authority provides them with a budget each year (currently in excess £5m) to implement its policies.

The Authority is unusual, and fortunate, among local authorities in that it has its own "in house" investment team. In its Investment role the Authority seeks to obtain the best financial return in order that the fund can meet its long-term liabilities. It currently manages a fund of around £4.1 billion.

The Authority acts as a group of quasi-trustees, and has ultimate legal responsibility, for the Fund and the services that it provides. Its priorities are to maximize pension fund investments; focus on the service provided to fund members and have a close relationship with over 140 local authority related contributing employers. The Fund has in excess of 120,000 members.

The largest contributing employers are the Barnsley, Doncaster, Rotherham and Sheffield Councils. In addition the support staffs of the Fire, Police and Probation Services are also represented.

The Authority's Head Office is in Regent Street, Barnsley which is home to both its Administration Unit and Investments Division. The Authority also has satellite offices in each of the four districts providing local administration services to both employers and members.

Pensions Authority Membership

The Pensions Authority is made up of 12 Members:

- Two Councillors drawn from the elected Members of Barnsley Council.
- Three Councillors drawn from the elected Members of Doncaster Council.
- Two Councillors drawn from the elected Members of Rotherham Council.
- Five Councillors drawn from the elected Members of Sheffield Council

Further details of all the Pensions Authority Members can be found on the Members page of the Authority's internet site, which can be accessed via

<http://www.southyorks.gov.uk/>

The Authority is currently chaired by Cllr Andrew Sangar from Sheffield City Council.

The Vice Chair is Cllr Richard Wraith from Barnsley Metropolitan Borough Council



At the time of writing the Chief Officer of the Pensions Authority continues to be Bill Wilkinson who serves as the Clerk and Treasurer.

From April 2011 John Hattersley has a dual role as Head of Service/Investment Fund Manager. Gary Chapman is the Assistant Treasurer (responsible for Pensions Administration).

Progress in 2010/11

The Authority's Corporate Strategy was completely reviewed and renewed in 2010 consolidation upon the introduction the Planning and Performance Framework introduced the previous year. Each quarter it has successfully managed that strategy and its own performance through the Planning and Performance Framework.

In December 2010-February 2011 the Pensions Administration Unit went through an inspection process in its bid to obtain the new and prestigious Customer Service Excellence (CSE) award.

The Customer Service Excellence award is a major part of the government's drive to modernise public services. It is unique among quality schemes, because organisations are judged on their results through the service that the customer actually receives. It shows that customers are being put first. It demonstrates to people, both customers and people in other organisations, the high standards in public service that can be achieved.

The Government wants public services for all that are "efficient, effective, excellent, equitable and empowering" – with the citizen always and everywhere at the heart of public service provision. With this in mind Customer Service Excellence was developed to offer public services a practical tool for driving customer-focused change within their organisation.

At the time of writing the results of the CSE inspection have still to be confirmed, but we are committed to ensuring that we will obtain the reward and build upon all feedback we receive. We strongly believe that our Commitment to Excellence strategy provides us with a sound framework for continuously improving our service.

The Government's ambition fits very well with the Authority's Vision and Corporate Strategy, with its Commitment to Excellence and its eight Corporate Values:

SYPA's Corporate Values

- **Customer Focus**
- **Integrity**
- **Teamwork**
- **Respect**
- **Innovation**
- **Enthusiasm**
- **Professionalism**
- **Continuous improvement**

We selected these Values after very careful consideration and comparison with the values of other service organisations.

Each Value is complementary to the others and provides a framework of behaviours which we believe will enable our employees to consistently offer its customers an excellent Pensions service.

Whilst we have obtained Charter Mark levels of customer service in the past, we recognise that "excellence" does not happen overnight; these Values do not provide us with a quick fix solution. It will take time to embed the values throughout the organisation and further improve what we do; it is by its nature a continuous process.

However, we believe that we can build year on year improvements over the three years of the plan, enabling the Pensions Authority to complete the transformation and be able to demonstrate “its Commitment to Excellence in everything it does”.

The Commitment to Excellence supports each of our strategic objectives, but we expect that the greatest areas of impact will be against two of them in particular:

The Best: to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.

Valuing our Employees: to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.

During the lifetime of this plan, because of the existing economic realities, all public sector organisations will be trying to maintain the same level of service to their communities, with far fewer resources. Of necessity, the public sector will have to look at doing things differently. This Authority is already planning to do some things differently and this strategy gives us the template for doing so.

In the following pages we outline our integrated strategy for continuing the transformational change of South Yorkshire Pensions Authority. We’re planning to make a difference in the way we work and the way we provide services to all customers - the employing bodies, pensioners, contributors and dependents.



Bill Wilkinson

**Bill Wilkinson, OBE, BA (Econ) CPFA
Clerk and Treasurer
South Yorkshire Pensions Authority**

April 2011

2. South Yorkshire Pension Authority's Commitment to Excellence

SYPA's Vision, Mission, Values and Strategic Objectives Statement for 2011 – 14

Our Vision: To be a Joint Authority which effectively demonstrates a Commitment to Excellence in everything it does.

Our Mission: To provide the best possible and most cost effective pensions service to all the employing bodies, pensioners, contributors and dependents, incorporating best practice in corporate governance at all times.

Our Values: The way we expect everyone in the Pensions Service to work and behave:-

- **Customer Focus**
- **Integrity**
- **Teamwork**
- **Respect**
- **Innovation**
- **Enthusiasm**
- **Professionalism**
- **Continuous Improvement**

Our Strategic Objectives:

- **The Best:** to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.
- **Investment Returns:** to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the fund can meet both its immediate and long term liabilities.
- **Responsible Investment:** to develop our investment options within the context of an ethical and sustainable investment strategy
- **Valuing our Employees:** to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.
- **Pensions Planning:** to encourage and support well informed pensions planning and investment amongst our member organisations and their employees.
- **Effective and Transparent Corporate Governance:** to uphold and exemplify effective governance showing prudence and propriety at all times.

Our Corporate Strategy defines a deceptively simple Vision statement for the Pensions Authority that we started to pursue in 2010/11 and will continue to follow over the next three years:

To be a Joint Authority which effectively demonstrates a Commitment to Excellence in everything it does.

Commitment to Excellence will be at the heart of everything that we do over the lifetime of this Strategy. It is the means by which we intend to make a difference to the organisation and live up to our new Corporate Values.

Our Mission statement remains unchanged because we believe it accurately describes what it is that the Pensions Authority and Pensions Service are here to do.

In 2010/11 we introduced eight new Corporate Values. These Values were further developed to describe supporting behaviours. We expect all Pensions Authority employees to live up to these Values and behaviours.

As part of our Commitment to Excellence we introduced an annual 360° feedback process against these values and behaviours for all officers who manage staff or who deal directly with the service's customers.

This process commenced in 2010. The aggregate quantitative results of the annual feedback process will provide us with a measure of how well we are performing against these values. It allows us to measure our overall progress towards excellence through our Management Culture Index.

In 2010 this Index showed, as anticipated, that we were performing at the "Expected" level, our aim is to move this performance to "Good" over the next three years and have all managers striving to achieve Excellence in as many behaviours as they are able.

The next page provides a high level description of these behaviours which support each of the eight values. We believe that working to these values and behaviours over the next three years will enable us to deliver a transformational change in the way that the organisation works and performs, to better meet the needs of all its customers.



VISION, MISSION AND STRATEGIC OBJECTIVES

COMMITMENT TO EXCELLENCE VALUES

Things we can do to demonstrate these values and support others. BEHAVIOURS

↔	Customer Focus	↔	Focusing on, understanding and satisfying customer needs.
↔	Integrity	↔	Communicating and dealing with others with complete trust, honesty and fairness.
↔	Teamwork	↔	Maximising the contribution individuals can make to the team through effective communications co-operation and listening to, and supporting one another.
↔	Respect	↔	Setting a strong personal example of respect and recognition and actively co-operating with others.
↔	Innovation	↔	Showing enterprise and welcoming change by taking sensible risks and learning from mistakes.
↔	Enthusiasm	↔	Demonstrating a positive spirit and enthusiasm for the vision and mission and driving towards achieving the goals of the Pensions Authority.
↔	Professionalism	↔	Working efficiently to get it "right first time", managing by fact and eliminating personal prejudice.
↔	Continuous Improvement	↔	Concentrating on finding solutions rather than simply stating problems, and identifying and acting upon improvement opportunities

3. The Strategic Objectives of South Yorkshire Pensions Authority

Strategic Objective 1

The Best: to be the pensions administrator and investment manager of choice, providing high quality cost effective and efficient service to all of our customers.

The Key Areas of Focus for this objective are:

1.1 Engaging with all our partners, including employers, to ensure that we understand and meet their agreed needs.

1.2 Providing an accurate and timely service to all customers.

1.3 Gaining and retaining external recognition through quality standard awards such as Customer Service Excellence.

1.4 Ensuring that we continue to provide Value for Money.

We have not amended our strategic objectives, although the “key areas of focus” and the activities that underpin them will be kept under review and updated wherever and whenever necessary.

Our existing strategic objectives provide us with a good framework for moving the organisation forward to achieve our vision of being “a Joint Authority which effectively demonstrates a Commitment to Excellence in everything it does.”

Our own Commitment to Excellence programme combined with our intention to gain recognition through the Customer Service Excellence award should ensure that we make further progress towards our Vision.

Our existing Planning and Performance Framework measures provide us with an agreed and accepted description of what being “The Best” looks like. Our Corporate Values provide us with a measure of what this looks like in behavioural, qualitative terms. For a service organisation such as ours, we believe that being “**The Best**” equates to us “**continually satisfying agreed customer requirements.**”

We must manage within finite resources so the need to “agree” what we will deliver is a very important issue. We intend to reach such “agreement” through our Key Areas of Focus and by:

- Ensuring that we have identified all our customers
- Tracking customer satisfaction with the service provided
- Benchmarking costs and performance against our peers
- Promoting and supporting a strong performance management culture

The intended outcomes of these activities:

Defined and agreed standards of service quality that provide Value for Money.

Achieving Customer Service Excellence accreditation.

That the Pensions Authority is aware of how effectively it’s operating and can demonstrate this to customers, through performance measures and targets which are Specific, Measurable, Attributable, Relevant and Timed (SMART)

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework.

Strategic Objective 2:

Investment Returns: to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the fund can meet both its immediate and long-term liabilities.

The Key Areas of Focus for this objective are:

2.1 Ensuring that the investment strategy is appropriate for the liability structure of the Fund with the aid of external advisors as necessary.

2.2 Monitoring performance against the adopted benchmark and targets.

2.3 Ensuring that investment management is conducted in a cost effective manner, whilst maximising investment return.

- Ensuring that the tactical benchmark and constraints are appropriate and monitored.
- Monitoring trends and developments within financial markets and the instruments that are available to the Fund including the appointment of external managers and advisors.
- Drawing up soundly based investment strategies, set out in the Statement of Investment Principles and the Funding Strategy Statement.
- Commissioning regular actuarial reviews and Asset and Liability studies
- Ensuring an appropriate balance in investment strategies between risk and return, including diversification of investments.
- Appointing and retaining suitably qualified professional staff to advise the Authority and to manage investment on a day to day basis, supported by appropriate external managers and advisors

Employers want to make the best possible pension benefits available to their employees, but these costs are a major element in the budgets of the employing organisations. One of the Pension Authority's main responsibilities is to manage the fund so that investment returns make the biggest possible contribution towards the total cost of liabilities, but with an acceptable level of risk.

Therefore the Authority regularly reviews its policies but its long term objective is to set policies which should ensure that the investment returns achieved will be at least in line with the assumptions underlying the actuarial valuations and, therefore, be appropriate to the liabilities of the Fund.

This requires a number of ongoing activities which include:

The intended outcome of these activities:

The investment strategies developed and deployed by the Authority deliver the requisite balance between risk and return to ensure both immediate and long term liabilities are met.

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework.

Strategic Objective 3:

Responsible Investment: to develop our investment options within the context of an ethical and sustainable investment strategy.

The Key Areas of Focus for this objective are:

3.1 Developing and implementing a socially responsible investment policy that is compatible with the fiduciary duties of the fund.

3.2 Adopting a voting strategy and guidelines specific to the Fund's requirements and ensuring that it is regularly reviewed in accordance with industry best practice.

The Investment team ensures that the Fund is in the vanguard of industry developments by utilising its relationships with other like-minded funds and industry bodies.

The Authority has considered how social, environmental and ethical factors should be taken into account when managing the Fund's investments whilst seeking to obtain returns that are in the best interests of both contributors and beneficiaries of the Fund.

We have decided that direct contact with the companies in which we invest is the most effective means by which the policies of those companies can be influenced, whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives.

Consequently we will not actively disinvest from companies solely or largely for social or ethical or environmental reasons.

The intended outcomes of these activities:

Responsible investment considerations are integral to the Pension Authority's business.

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework.

Strategic Objective 4:

Valuing our Employees: to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.

The Key Areas of Focus for this objective have been revised in light of the Vision and Values we have adopted:

4.1 Full deployment of the **Commitment to Excellence** programme.

4.2 Maintaining a competent, valued and motivated workforce.

4.3 Encouraging personal development to improve knowledge, skills and effectiveness.

4.4 Ensuring that staff have the material resources needed to carry out their job.

The key change in our strategic approach is the deployment of *Commitment to Excellence*, through which we intend to achieve our Vision. Our *Commitment to Excellence* translates into the embedding of our eight new Corporate Values throughout the Investment and Administration teams and officers. We expect the most direct impact of this approach to be upon our performance against this objective and objective 1. The Best.

This objective will result in the following headline activities:

- Training staff in **Commitment to Excellence** approaches such as 360 degree feedback, continuous improvement and management tools and techniques.

- Supporting and empowering staff to undertake continuous improvement projects.
- Annual 360 degree feedback against our Corporate Values and behaviours for all senior officers who manage staff or significant customer relationships.
- Annual Personal Action Plans for all officers receiving 360 degree feedback, to develop their understanding, knowledge and skills.

The intended outcomes of these activities:

That all Pensions Authority employees understand and are committed to the concepts of **Commitment to Excellence**, quality services and continuous improvement.

That employees can demonstrably live up to the Corporate Values through improvements in aggregate 360° feedback results.

Employees who are committed and feel empowered to be proactive in their work.

Greater job satisfaction levels.

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework. For this objective they will include: aggregate 360° feedback results (i.e. Management Culture Index), sickness and turnover levels, training days per officer, continuous improvement projects completed and efficiency savings delivered.

Strategic Objective 5:

Pensions Planning: to encourage and support well informed pensions planning and investment amongst our member organisations and their employees.

The Key Areas of Focus for this objective are:

5.1 Providing information through written material to all customers.

5.2 Developing interactive website facilities.

5.3 Encouraging attendance at annual events to provide forums for discussion.

5.4 Maintaining an “on-site” presence to address personal concerns.

5.5 Supporting employers with technical expertise.

The Authority aims to optimise membership of existing and potential organisations. In doing this, the Pensions Authority has a responsibility to work closely with employers, to ensure that employees are offered advice which is tailored to their own circumstances and enables them to make an informed judgement about the benefits of scheme membership. It must also make itself accessible to employees to offer advice on the benefits of pensions planning, and to promote the features of the LGPS.

The intended outcomes of these activities:

Stakeholders receive information that is clear and relevant to their needs.

Employers receive increased service levels and the opportunity to make efficiency gains in their own operations.

The Employers’ Forum promotes productive dialogue between the Pensions Authority and employers.

Pensioners, contributors and deferred members have local access to skilled pensions officers.

Employers receive a constructive response to all requests for technical pensions support.

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework.

Strategic Objective 6:

Effective and Transparent Corporate Governance: to uphold and exemplify effective governance showing prudence and propriety at all times.

The Key Areas of Focus for this objective are:

6.1 Clarifying functions and roles towards delivering a common purpose.

6.2 Promoting good governance through upholding high standards of conduct and behaviour.

6.3 Developing the capacity and capability of Members and officers to be effective.

6.4 Ensuring robust accountability.

The Authority has well defined policies and codes which together combine to ensure effective and transparent corporate governance. The main elements are:

The **Code of Corporate Governance**, the system by which Local Authorities direct and control their functions and relate to the communities they serve. The business of the Authority must be conducted in accordance with the principles of Corporate Governance (openness, integrity and accountability). This code sets the standard for the whole business of the Authority and runs through each of its objectives.

Risk Management Policy. The risk management process involves the systematic application of the policy, its procedures and practices to identify, evaluate and control risks.

The **Policy Statement on Fraud and Corruption** is intended to be preventative,

but it also ensures that if it occurs then the detection and investigation is conducted in a correct and agreed manner.

The **Whistle blowing Policy and Procedure** is designed to provide a process to raise concerns, allow feedback on action taken, allow matters to be further progressed if dissatisfied with the Authority's response, and reassure whistle blowers that they will be protected from reprisals or victimisation.

Our **Ethical Standards** outlines a code of ethics and operational standards of behaviour expected of Members and officers of the authority.

The **Equality Policy** addresses the Public Sector Equality Duty outlined in Equality Act 2010 and the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The intended outcomes of these activities:

We comply with, and where possible exceed, guidance on best practice for local authorities and pension funds.

A comprehensive range of individual processes which combine together to form the governance framework.

Demonstrably high standards of conduct by staff and Members.

Pensions Authority Members are effective in their roles.

The Pensions Authority is accountable to stakeholders and the public through timely reporting throughout the year.

Key performance measures – all performance measures and targets are detailed in our business plan and performance framework.

4. Conclusion

We hope that this strategy document has enabled you to understand our Vision, Mission, Values and each of our six strategic objectives.

These strategic objectives have not changed substantially as we believe that they provide the right focus for the Pensions Authority.

Our transformational change programme **Commitment to Excellence**, will we believe demonstrate that we do value our employees and provide them with the support that they need. It is expected that it will also do much to support our first objective to be The Best.

The Pensions Service has previously obtained Charter Mark status, our ambition is to ensure that we also obtain Customer Service Excellence accreditation. Our plans for **Commitment to Excellence** should do much to enable this ambition.

The overall intended outcomes of our strategy are to ensure that the Pensions Authority and service

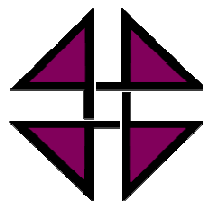
- continues to deliver a quality service which consistently meets agreed partner and customer requirements.
- maintains an investment strategy which obtains the best financial return, ensuring that the fund can meet both its immediate and long-term liabilities.



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The South Yorkshire Pension Authority's core roles are management of the Fund's investments and payment of pensions to former local authority employees.



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 FEBRUARY 2011

Report of the Clerk and Treasurer

EQUAL OPPORTUNITIES POLICY

1) Purpose of the report

To obtain Members' approval in principle to adopting an equal opportunities policy document.

2) Recommendation

That Members approve the draft policy put forward and authorise officers to consult further on the proposals.

3) Background information

3.1 The Equality Act 2010 introduces a new Public Sector Equality Duty and that will come into force on 6 April 2011.

3.2 The attached draft policy document includes references to the PSED and tries to embody the requirements of the Act into a set of understandable principles. It is officers' intention to consult with employees upon the policy proposals and to develop the necessary detailed procedures in due course.

3.3 Whilst this is only a draft document it is not anticipated that the final document will differ significantly from it.

4) Implications

4.1 Financial

There are no direct financial implications.

4.2 Legal

There are no legal implications other than those referred to in the report.

4.3 Diversity

There are no diversity implications.

4.4 Risk

Failure to comply with the Act might give rise to reputational and financial risk for the Authority. There are no other specific risks associated with this report.

W J Wilkinson
Clerk and Treasurer

Officer responsible:-
John Hattersley, Fund Manager

Telephone contact 01226 772887

Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority

Other sources and references: FRC: FSA

SOUTH YORKSHIRE PENSIONS AUTHORITY

Equal Opportunity Policy

Policy Statement

This Authority (SYPA) is committed to the Public Sector Equality Duty as defined by the Equality Act 2010. SYPA is an equal opportunity employer committed to ensuring that all employees, job applicants, Members, LGPS scheme members, clients and other people with whom we deal are treated fairly and are not subjected to unfair or unlawful discrimination.

This policy applies to all employees.

The policy is designed to ensure that current and potential workers are offered the same opportunities regardless of race, nationality, ethnic origin, age, religion or belief, sex, sexual orientation, marital status, domestic circumstances, disability, pregnancy, gender reassignment, civil partnership or any other characteristic unrelated to the performance of the job. The Authority seeks to ensure that no one suffers, either directly or indirectly, as a result of unlawful discrimination. This extends beyond the individual's own characteristics, to cover discrimination by association and by perception.

The Authority recognises that an effective equal opportunity policy will help all staff to develop to their full potential: that is clearly in the best interests of both staff and the Authority's business. The Authority aims to ensure that it not only observes the relevant legislation but also does whatever is necessary to provide genuine equality of opportunity.

The Authority expects everyone who works for it to be treated and to treat others with respect. The Authority aims to provide a working environment free from harassment, intimidation, or discrimination in any form that may affect the dignity of the individual.

The Authority further recognises the benefits of employing individuals from a range of backgrounds, as this creates a workforce where creativity and valuing difference in others thrives. It values the wealth of experience within the community in which it operates and aspires to have a workforce that reflects that.

Legal considerations

The main legislation that covers equal opportunities and discrimination is the Equality Act 2010. In addition, the following should be taken into consideration:

- the Rehabilitation of Offenders Act 1974
- the Protection from Harassment Act 1997

- the Human Rights Act 1998
- the Sex Discrimination (Gender Reassignment) Regulations 1999
- the Racial and Religious Hatred Act 2006
- any Codes of Practice issued by the Equality and Human Rights Commission
- plus any amendments to the above legislation

Discrimination may be direct or indirect, and can take different forms, for example:

- treating any individual less favourably than others on grounds of a protected characteristic (sex, race, marital status, religion or belief, sexual orientation, disability, age, pregnancy, gender reassignment or civil partnership)
- expecting a person, solely on the grounds stated above, to comply with requirements that are different to the requirements for others, for any reason whatsoever
- imposing on an individual requirements that are in effect more onerous than they are on others. This would include applying a condition (which is not warranted by the requirements of the position) which makes it more difficult for members of a particular group to comply than others not of that group
- harassment i.e. unwanted conduct which has "the purpose, intentionally or unintentionally, of violating dignity, or which creates an intimidating, hostile, degrading, humiliating or offensive environment" for the individual
- victimisation i.e. treating a person less favourably because he or she has committed a "protected act". "Protected acts" include previous legal proceedings brought against the employer or the perpetrator, or the giving of evidence at a disciplinary or grievance hearing or at tribunal, or making complaints about the perpetrator or the employer or their alleged discriminatory practices
- discrimination by association, ie someone is discriminated against because he/she associates with someone who possesses a protected characteristic
- discrimination by perception, ie discrimination on the grounds that the person is perceived as belonging to a particular group, eg sexual orientation, religion or belief, irrespective of whether or not this is correct
- any other act or omission of an act, which has the effect of disadvantaging one person against another, purely on the above grounds.

On all occasions where those in control of employees are required to make judgements between them, for example disciplinary matters, selection for training,

promotion, pay increases, awards etc it is essential that merit, experience, skills and temperament are considered as objectively as possible.

Responsibility for this policy

The overall responsibility for implementing and monitoring the effectiveness of this policy rests with the senior officers of the Authority.

Managers and supervisors have a crucial role to play in promoting equality of opportunity in their own areas of responsibility.

All staff, irrespective of their job or seniority, will be given guidance and instruction, through induction and other training programmes, as to their responsibility and role in promoting equality of opportunity and not discriminating unfairly or harassing colleagues or job applicants, nor encouraging others to do so or tolerating such behaviour. Disciplinary action, including dismissal, may be taken against any employee found guilty of unfair discrimination or harassment.

Recruitment and selection

The Authority aims, through written instruction, appropriate training and supervision, to ensure that all staff who are responsible for recruitment and selection are familiar with this policy and that it is applied in conjunction with the Authority's recruitment policy.

Selection will be conducted on an objective basis and will focus on the applicant's suitability for the job and their ability to fulfil the job requirements. The assessment will focus on the skills, abilities, qualifications, aptitude and the potential of candidates to do the job.

Person specifications will be reviewed to ensure that criteria are not applied which are discriminatory, either directly or indirectly, and that they do not impose any condition or requirement which cannot be justified by the demands of the post. Questions asked of candidates will relate to information that will help assess their ability to do the job. Questions about marriage plans or family intentions or any other issues which may give rise to suspicions of unlawful discrimination should not be asked. Selection tests will be specifically related to the job and measure an individual's actual, or inherent, ability to do or train for the job.

Job adverts should encourage applications from all types of candidates and should not be stereotyped.

All adverts will state: "South Yorkshire Pensions Authority is an equal opportunity employer and values diversity". Reference to this policy will also be made on job and person descriptions.

Training and development

SYPA recognises that equal opportunity responsibilities do not end at selection, and is committed to ensure that wherever possible all staff receive the widest possible range of development opportunities for advancement.

All employees will be encouraged to discuss their career prospects and training needs with their manager. Opportunities for promotion and training will be communicated and made available to all staff on a fair and equal basis.

The provision of training will be reviewed to ensure that provisions are made where necessary to enable part-time workers, shift or remote workers or those returning to work following a break to benefit from training. No age limits apply for entry to training or development schemes which are open to all employees.

Terms and conditions of employment

The Authority will strive to ensure that all of its policies including compensation, benefits and any other relevant issues associated with terms and conditions of employment, are formulated and applied without regard to race, nationality, ethnic origin, age, religion or belief, sex, sexual orientation, marital status, domestic circumstances, disability, pregnancy, gender reassignment, civil partnership or any other characteristic unrelated to the performance of the job.

These will be reviewed regularly to ensure there is no discrimination. Length of service as a qualifying criterion for benefits will not exceed five years unless clearly justifiable.

Grievances, disputes and disciplinary procedures

Staff who believe they have been discriminated against and have not been able to resolve this informally will be advised to use the internal grievance procedure. An employee who brings a complaint of discrimination must not be less favourably treated.

Harassment or bullying will not be tolerated, and any individual employee who feels that he/she has been subjected to harassment or bullying should refer to the bullying and harassment policy. Equally, any employee who witnesses incidents of harassment or bullying should report this to his/her manager or an appropriate senior member of staff.

When dealing with general disciplinary matters, care is to be taken that employees who have, are perceived to have, or are associated with someone who has, a protected characteristic are not dismissed or disciplined for performance or behaviour which could be overlooked or condoned in other employees.

Retirement

As from October 2011, there is no fixed retirement age and employees who wish to work beyond the age of 65 may choose to do so.

Positive action

The Authority also recognises that passive policies will not reverse the discrimination experienced by many groups of people. To this end, if certain groups are under-represented within the Authority it will seek to encourage applications from those groups.

Any measures taken to encourage applications should not be construed as positive discrimination. The decision as to which applicant is offered a post must be based entirely on the merit of the individual.

Communication of this policy

All job applicants, employees and workers will be made aware of this policy and a copy will be included in the Employee Handbook, given to all employees on joining the Authority. The employing bodies and LGPS scheme members we serve will also be made aware of this policy.

In addition, staff will be reminded of the policy via advertisements, job descriptions (which will refer to this), application forms, posters, training courses and memos etc.

Personnel policies and procedures

The Authority's personnel policies and procedures will be reviewed regularly to improve, amend or adapt current practices to promote equality of opportunity within the workforce.

Implementation, monitoring and review of this policy

This policy will take effect from 6 April 2011.

The Authority's Head of Service/Fund Manager has overall responsibility for implementing and monitoring this policy, which will be reviewed on a regular basis following its implementation and may be changed from time to time.

Relevant data will be collected to support this policy. Personal details provided by employees or job applicants for the purposes of equal opportunity monitoring will be treated as confidential, will be kept apart from all other records and not used for any other purpose.

Any queries or comments about this policy should be addressed to SYPA's Head of Service/Fund Manager.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 February 2011

Report of Clerk and Treasurer

MANAGEMENT ARRANGEMENTS

1. Purpose of the Report

To update members on the arrangements which will operate following planned retirements of senior managers.

2. Recommendations

Members are asked to note the position and to confirm agreement to the proposed interim and longer term arrangements.

3. Background Information

- 3.1 In connection with the recent budget discussions, members have been briefed on the future management arrangements for the Authority. As requested at the last meeting, this report is to update and confirm the position.
- 3.2 The Assistant Treasurer, David Wilkinson, will retire on 31 March. His position will be filled by Gary Chapman, currently the number two in the Pensions Administration team. The latter post will be removed from the establishment. This will create a redundancy, and will involve short term payments into the Fund to cover the bringing forward of the Assistant Treasurer's retirement. The costs can be accommodated in the base budget over the next 3/4 financial years, and it will result in permanent annual savings of £40,000 in 2011/12 rising to £70,000 p.a. from 2013/14.
- 3.3 The Clerk and Treasurer will retire formally from full time employment on 28 February. It is planned that he will continue in a different capacity for an interim period under the BMBC Flexible Retirement scheme. This will provide a transitional period and ensure cover during the period up to when a new appointment to the Clerk and Treasurer post is made. The post of Clerk and Treasurer is common to the four South Yorkshire Joint Authorities and holds similar responsibilities for Police, Fire and Rescue, and Transport. However, as far as this Authority is concerned the post holder also acts as Head of Service.

The details of the interim arrangement regarding the Clerk and Treasurer function have still to be finalised and discussions with the Chairs of the Authorities and the District Councils continue. It is hoped that a full replacement will be appointed. One Pensions Authority responsibility which will definitely remain with the Clerk and Treasurer until a new appointment is made is the statutory Treasurer/Section 151 role, as there are no other qualified accountants employed in the Fund. Depending on the interim arrangements which are established, the Deputy Clerk may be asked to cover some of the non-financial tasks associated with the Clerk and Treasurer role.

The Clerk and Treasurer's partial retirement will generate a small saving (around £800 per month) to the Authority for the period that the post is filled on an interim basis.

- 3.4 It is recommended that the Fund Manager, John Hattersley, takes on the role of Head of Service for the Fund. As noted above, this role also rests at present with the Clerk and Treasurer, although in practice the Clerk and Treasurer has concentrated on Authority matters, leaving the present Fund Manager and Assistant Treasurer to manage the service itself. Such a move will bring this Authority's structure into line with that of the other Joint Authorities, and members may wish to consider adopting this structure for the longer term. Due to the way that the management arrangements have been operated, the cost savings from the Clerk and Treasurer relinquishing the Head of Service role will be minimal. However given the wider changes within the service as a result of the restructure on the Pensions Administration side, it is reasonable to review the future responsibilities attaching to the present Fund Manager post once the new arrangement has settled down.
- 3.5 It is suggested that the management structure for the service going forward will be headed by the Head of Service with the present posts of Assistant Treasurer, Assistant Fund Manager and Operations Manager acting as the next tier. It is not yet clear what additional workload will fall upon the Fund Manager in the new role but it is to be expected that some adjustment to his current operational duties will be required. The opportunity should be taken to revise the job titles of the posts of Fund Manager, Assistant Treasurer, Assistant Fund Manager and Operations Manager. It should be noted that the current salary basis for these posts is a percentage based upon the Clerk and Treasurer's remuneration. It is suggested that the opportunity is now taken to convert their current salary levels to 'spot' salaries under the new structure.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Bill Wilkinson, Clerk and Treasurer

01226 772803, BWilkinson@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:

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