

# Public Document Pack

## **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 24 November 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](mailto: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**

**24 NOVEMBER 2011 AT 10.00 AM AT THE OFFICES OF THE SOUTH YORKSHIRE  
JOINT SECRETARIAT, 18 REGENT STREET, BARNSELY**

### **Agenda: Reports attached unless stated otherwise**

	<b>Item</b>	<b>Page</b>
1	Apologies	
2	Announcements	
3	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.	
4	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).	
5	Declarations of Interest.	
6	Minutes of the Authority held on 13 October	1 - 4
7	Work Programme	5 - 8
8	Section 41 Member Feedback from District Councils	
9	Amendment of Date for Future Meeting of the Authority for 2012/13	9 - 10
10	Revenue Estimates 2012/13 - Administration and Investment Management Expenses	11 - 22
11	Annual Review of the Risk Register	23 - 26

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13	LGPS Reform Proposals	Verbal Report
14	Local Government Pension Scheme Funds Data England 2010-11	31 - 46
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17	Loyal Service Award Scheme	59 - 64

# Agenda Item 6

## SOUTH YORKSHIRE PENSIONS AUTHORITY

13 OCTOBER 2011

PRESENT: Councillor Martin Lawton (Chair)  
Councillors: D Barker, A Sangar, R Wraith (Vice-Chair), D Baker,  
T Hussain, E Butler, B Ford, K Goulty, B Johnson, B Perrin and  
P Wootton

Officers: Gary Chapman (Head of Pensions Administration), Len  
Cooksey (Member Services Manager), John Hattersley (Fund Manager),  
Stephanie Barker (Head of HR & Business Support) and Martin  
McCarthy (Head of Policy and Performance)

1 APOLOGIES

None.

2 ANNOUNCEMENTS

The Chair informed the meeting that the Government announced last week proposals regarding changes to the Local Government Pension Scheme employee contribution and accrual rates. This was in response to the request from HM Treasury for savings to the tax payer of c£700m. The Chair informed the Authority that a report would be presented to the Authority meeting in November. This would allow the Authority sufficient time to prepare a considered response to CLG.

3 URGENT ITEMS

None.

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

RESOLVED –

- i) That the reports entitled “Barnsley MBC – Unpaid Employer Contributions” and “Treasury Management Policy” be considered in the absence of the public and press.
- ii) That the LGPS presentation by Mercers be considered as a training event and be received at the close of the meeting.

5 DECLARATIONS OF INTEREST.

The Authority noted that Councillors Perrin and Wraith would, because of their membership of Barnsley MBC, withdraw from the meeting during consideration of item 22 on the agenda.

6 MINUTES

RESOLVED – That the minutes of the Annual and Ordinary meetings held on 9 June 2011 be agreed and signed by the Chair as a correct record.

7 MATTERS ARISING

Councillor Wraith informed the meeting that there was no facility for Members to be paid a Special Responsibility Allowance. The Chair requested that Members raise this issue with their own Authorities as the Pensions Authority had no powers to pay allowances.

8 WORK PROGRAMME

RESOLVED – That the report be noted.

9 SECTION 41 MEMBER FEEDBACK FROM DISTRICT COUNCILS

None.

10 CALL-INS

None.

11 CORPORATE PLANNING AND GOVERNANCE BOARD: AUDIT COMMITTEE FUNCTIONS 2010/11

A report of the Clerk and Treasurer was submitted requesting the Authority to consider the Audit Committee Annual Report for 2010/11 as prepared and approved by the Corporate Planning and Governance Board at its last meeting. The Authority noted that the Board had fulfilled its Terms of Reference. The three main areas of work for the Board were monitoring governance arrangements, evaluating and responding to reports from external and internal audit and addressing any issues that arose as a result.

RESOLVED – That the Authority approves the Board's Annual Audit Committee Function Report for 2010/11 and further notes that it will be published on the Authority's website.

12 ANTI-FRAUD AND CORRUPTION STRATEGY

A report of the Clerk and Treasurer was submitted requesting the Authority to approve revisions to the Authority's Anti-Fraud and Corruption Strategy in light of the introduction of the Bribery Act 2010.

RESOLVED – That the Authority approves the revised Anti-Fraud and Corruption Strategy attached at Appendix A to the report now considered.

13 HUMAN RESOURCES - POLICY UPDATE

A report of the Clerk and Treasurer was submitted informing the Authority of the work currently taking place concerning employment policies. Officers were systematically reviewing each policy.

RESOLVED – That the report be noted.

14 HEALTH AND SAFETY AT WORK ACT 1974: COMMERCIAL PROPERTY PORTFOLIO

A report of the Clerk and Treasurer was submitted updating the Authority on the outcomes of the health and safety audit of the commercial property investment portfolio.

The Authority had previously appointed its commercial property advisor, Standard Life Investments, to monitor and report upon managing agents' health and safety performance. The Authority had also appointed S2 Partnership to provide the appropriate compliance systems. The Authority noted that 98% of the identified risks were controlled with the remaining 35 uncontrolled risks being addressed. It was also noted that the Authority employed two firms of managing agents; each firm was supplied by the Authority with a handbook which identified the types of risks the Authority wished to see controlled.

RESOLVED – That the Authority notes the annual health and safety report prepared by Standard Life Investments.

15 FREEDOM OF INFORMATION ACT 2000: ANNUAL UPDATE

A report of the Clerk and Treasurer was submitted which provided the Authority with an update on the number of Freedom of Information requests received. During the period October 2010 to September 2011 the Authority had received 12 requests for information; all requests were dealt with within the 20 day limit required by the Freedom of Information Act. The Authority spent 21 hours of officer time in completing requests. Members requested that responses be published on the Authority website to reduce multiple requests for the same information.

RESOLVED – That the report be noted.

16 COMPLIANCE WITH MYNERS PRINCIPLES: SELF ASSESSMENT

A report of the Clerk and Treasurer was submitted reminding the Authority that it did not have procedures in place for the assessment of its own performance or that of its advisors, as required by the Myners' Principles, although it did have them in place for its investment managers. The Authority had previously agreed to use the process adopted by the South Yorkshire Passenger Transport Pension Fund Committee (SYTPF) and officers have now prepared questionnaires that followed the SYTPF model for consideration by Members. The questionnaires would need to be completed by all Members of the Authority and would be used to measure the performance of the Authority, Chair and Vice-Chair and the Boards. The Clerk and Treasurer would report upon the findings to the Annual Meeting of the Authority.

RESOLVED – That the Authority agrees to adopt the self-assessment forms now considered and requires all Members to complete and return them accordingly.

17 MINUTES

RESOLVED – That the minutes of the meetings of the:

- i) Pensions Advisory Panel held on 14 June 2011
- ii) Corporate Planning and Governance Board held on 23 June 2011
- iii) Corporate Planning and Governance Board held on 28 July 2011

be noted.

18 EXCLUSION OF PUBLIC AND PRESS

RESOLVED – That under Section 110A (4) of the Local Government Act 1972, the public and Press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

19 TREASURY MANAGEMENT POLICY (EXEMPTION PARAGRAPH 3)

A report of the Clerk and Treasurer was submitted requesting that the Authority agrees a temporary relaxation of the lending criteria (increase in individual lending size from £10m to £15m with the option, subject to prior approval from the Chair and Vice-Chair to go to £20m, but no relaxation in rating criteria) as set out in the report now considered.

RESOLVED –

- i) That the temporary relaxation of lending criteria be agreed with immediate effect.
- ii) The temporary relaxation to be reviewed as part of the formal Strategy approval in February 2012.

Councillors Perrin and Wraith left the meeting at this point and took no further part in the discussion or voting thereon.

20 BARNSLEY MBC - UNPAID EMPLOYER CONTRIBUTIONS (EXEMPTION PARAGRAPH 3)

RESOLVED – That the Authority requests the immediate payment of the underpaid contribution plus the appropriate amount of interest for late payment.

CHAIR



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

## South Yorkshire Pensions Authority – cycle of future meetings

<b>Responsibilities</b>	<b>13 October 2011</b>	<b>24 November 2011</b>	<b>12 January 2012</b>	<b>16 February 2012</b>	<b>12 April 2012</b>
	<b>Strategic Overview of Business</b>	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context
	S41 feedback Members Newsletters	S41 feedback	S41 feedback	S41 feedback	S41 feedback
<b>Training &amp; Development</b>	LGPS update: Presentation by Mercers				
<b>Board Scrutiny</b>	Call-Ins	Call-Ins	Call – Ins	Call – Ins	Call – Ins
	CPGB Audit Committee Function Annual Report	Budgets and Revised Estimates	Budgets and Revised Estimates	Budgets and Revised Estimates	Annual Review of Risk Policy
		Risk Register Annual Review			
<b>Review of Strategies</b>	Anti Fraud and Corruption	Review of Corporate Strategy	Review of Funding Strategy Statement	Treasury Management Strategy Annual Report	Role of Pensions Advisory Panel
	Personnel Policies: Update		Annual Review AVC's		
	Treasury Management Strategy Amendment				
<b>Business</b>	Health & Safety SLI Report Chair	LGPS Reform Proposals		Write Offs	Meeting Cycle Dates

South Yorkshire Pensions Authority – cycle of future meetings

	<b>13 October 2011</b>	<b>24 November 2011</b>	<b>12 January 2012</b>	<b>16 February 2012</b>	<b>12 April 2012</b>
	FoIA Annual Report	LGPS Stats Update CLG			
	FoIA Publication Scheme	SYPA Agreements with SYITA			
	Compliance with Myners Principles: Self Assessment	SYPF Annual Meeting Report			
	BMBC Contributions	Loyal Service Award Scheme			

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2011

### Report of the Clerk and Treasurer

#### AMENDMENT OF DATE FOR FUTURE MEETING OF THE AUTHORITY FOR 2012/2013.

##### 1. Purpose of the Report

To amend the date of the Pensions Authority Annual General Meeting, in 2012.

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##### 2. Recommendations

**Members are recommended to agree to the proposed amendments as detailed in Section 3.**

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##### 3. Background Information

- 3.1 The Authority previously agreed to hold its' next Annual General Meeting on the 7 June, 2011.
- 3.2 We have subsequently discovered that this date clashes with another prearranged meeting.
- 3.3 We therefore request that the Authority agree to amend the meeting date as shown below.

<u>Current Date</u>	<u>Proposed Amendment</u>
7 June 2012	14 June 2012

All other dates will remain unchanged.

##### Financial Implications

There are no financial implications resulting from this report.

### **Equal Opportunities Implications**

There are no Equal Opportunities implications resulting from this report.

**W J Wilkinson**  
**Clerk and Treasurer**

**Officer responsible:** L Cooksey, Member Services,  
South Yorkshire Joint Secretariat

**Background papers** used in the preparation of this report are available for inspection at the South Yorkshire Joint Secretariat, Barnsley.

**Other sources and references:** None.

## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2011

### Report of the Clerk and Treasurer

## REVENUE ESTIMATES 2012/13 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

### **1 Matter for consideration**

To consider the Authority's draft revenue estimates for 2012/13 in respect of administration and investment management expenses, in the context of the financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

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### **2 Recommendations**

**Members are asked to:**

- (i) Approve the revised estimates for 2011/12 in the sum of £5,176,000**
- (ii) Approve a levy of £555,000 for 2012/13 in accordance with The Levying Bodies (General) Regulations 1992.**
- (iii) Note the preliminary forecasts for 2012/13, and refer the estimates to the District councils for comment.**

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## STRATEGIC PLANNING

### **3 Background**

- 3.1 The Pension Fund's 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 2010 valuation, this was equivalent to just under 0.4%(2007 was 0.5%). This reflects the budget plans for 2011/12 and subsequent years. This will be reviewed again within the actuarial calculations for the 2013 valuation, which will determine the employer contributions from 2014/15.
- 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 falls 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 Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is 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 Starting from last year local councils have been looking at cuts of 15-20% over 4 years. Translated directly into equivalent Pensions Authority terms this represented budget cuts ranging from £0.89m to £1.18m between 2011/12 and 2014/15.

3.6 The current climate around pensions is a turbulent one:

- The reductions in district council and other local public services budgets has resulted in an increase in the number of retirements well beyond normal levels. There has been, and continues to be, an even bigger expansion in the number of requests from employers and employees for information relating to pension entitlements.
- It is still unclear what the Government's intentions are for the reform of the LGPS following the Hutton review. Amongst the options being considered is a move away from the final salary basis to a new career average formula for calculating pensions entitlement; more tiered employee contribution rates; greater cost sharing etc and possibly the introduction of a money purchase option within the LGPS. This in turn would lead to a whole new set of regulations to be implemented in the next few years. In addition to the longer term reforms HM Treasury is seeking to achieve savings of c£900m from the LGPS over the short term. Whilst consultation on how these can be achieved is taking place at the moment it is clear that whatever the outcome there will be substantial implications for employee contribution rates. These will, in turn, filter through into enhanced administration requirements and probable changes to investment strategy.
- Members are already well aware of the long running problems around supply of accurate and timely information on starters, leavers and employment/salary changes from employers. While things are improving, 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 2012/13 for administration and investment management expenses together with a probable outturn for 2011/12.

The Authority is also asked to approve the levy for 2012/13 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 2011/12 estimates and 2012/13 estimates

Appendix B - variation statement showing main changes for 2011/12 probable outturn

Appendix C - variation statement showing main changes for 2012/13 estimate

Appendix D - statement of recharges to District Councils and levy for 2012/13



#### 4.1 Probable Outturn

The revised estimates for 2011/12 show a bottom line reduction of just under £510,000. This equates to a saving of £115,700 on the controllable budget and a saving of £394,000 on the investment management budget: this reflects a change in the method of accounting for the external bond manager fee to bring it into line with other investments in managed funds.

The main variations are shown in Appendix B.

This shows savings continuing to be achieved across various heads, these savings were started in 2010/11 and are now implemented along with further initiatives in 2011/12.

#### 4.2 Developments during 2011/12

The Authority is actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration is driving forward the plan for more electronic communication with Fund members and employers with the aim of achieving as much information as possible being transmitted by email, where appropriate. This is a long process but has already helped to cut costs in printing, postage and IT.

#### 4.3 The Corporate Strategy Officer appointment ended in March 2011 but officers continue to maintain the VFM initiatives that this post created.

There has been a significant change at senior management level within the Authority due to partial and early retirements. This has led to the absorption of one senior manager post within the Authority.

### 5 Budget Assumptions

#### 5.1 The initial planning guideline for 2012/13 was a 'continuation of service' budget based on maintaining current levels of service and current levels of price inflation of 5.2%. Some suppliers of services have already indicated that their fees will be increased by 5% this year.

No allowance for pay increases has been included in the estimates as it is difficult to predict what the outcome of pay negotiations will be this year. Unions have submitted a claim for "substantial increases across all pay scales" and staff have already endured a pay freeze for 2 years. This needs to be offset against inflation of over 5% on the one hand and continuing pressure to cut costs on the other hand. If a pay award was agreed at national level of, say 2% this would increase the Authority budget by about £55,000. No allowance has been made within the budget for developments or improvements in service.

#### 5.2 The budget for 2012/13 to maintain the current level of service is shown in Appendix A at £5,340,700 against the base 2011/12 budget of £5,685,700.

This is a reduction of £345,000 on the overall budget; however the controllable budget has been reduced by £1,000. This small reduction has been achieved despite the fact that substantial systems contracts have been increased by 5% inflation and allowance has been made for considerably more input from the Actuary.

Many budget heads have been held at cash which in real terms equates to a reduction in budget.

Appendix C shows the main variations and that the largest variations come in the same areas as for the 2011/12 revised estimates. The following table highlights the key savings / costs:-

	£
Increments	15,300
Reduction in strain contributions	30,000 CR
Increased actuarial fees	40,000
Reduced Joint Secretariat recharge	10,000 CR
Reduced Audit Fees	19,000 CR
Removal / Amalgamation of FTSE licence fees	10,000 CR
Lower property manager fees	14,000 CR
Change in accounting for external bond manager fee	330,000 CR
Price inflation on major contracts	18,900

Employee costs are basically increased by increments. The strain contributions for the management restructure were paid in 2010/11. It is anticipated that actuarial fees will increase in 2012/13 as the Authority draws on actuarial expertise as part of the LGPS reform proposals and the HM Treasury savings requirement.

Savings are being made in Joint Secretariat recharge and in audit fees.

The investment management expenses linked to market values have mainly decreased by £330,000 due to the change in accounting for the bond manager fees.

## **6 Developments over the next few years**

- 6.1 At the moment the government are looking at various proposals to achieve savings from the LGPS in the order of £900m. These involve a combination of revised contribution rates and different accrual rates etc.  
We are also in a consultation period following the Hutton report and major changes are expected to the Scheme by 2014/15. The full implications are not known at present but the implementation of changes will involve considerable consultation with the actuary, employers and Fund members and ultimately new documentation and management systems.
- 6.2 The pensions administration system that is used to store member data and perform benefit calculations is an ageing one and whilst it is working satisfactorily at the moment will soon be at the point where it will no longer be supported by the existing system supplier. The cost of transfer to a new product would be in the region of £150,000. It is possible that we may seek budgetary approval for this as early as 2012/13 but, in any event, before a revised scheme is implemented in 2014/15.
- 6.3 The Authority does have a computer development reserve but this will not be enough to fund the system. The Authority does also have a corporate strategy reserve, which at present is £184,000, which might need to be used to meet part of this expenditure. A detailed business case showing costs, funding options and potential costs / efficiencies / improvements will be brought to members for consideration.

## **7 Implications of making further reductions in the budget**

- 7.1 The budget has been produced on a standstill basis. However, it would be useful to assess the implications of any further cuts in 2012/13, 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 2011/12, and 2012/13.

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> <u>£000</u>	<u>Controllable budget</u> <u>£000</u>
2012/13 Base	5,340	4,390
1% reduction	53	44
2%	107	88
3%	160	132

- 7.3 In the past Members have indicated that the following assumptions should be made when addressing reductions in 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, most non-staff budgets have been cash limited in recent years as a way of reducing the annual increase. A high proportion of the Authority's budget is staff related (51% overall; 63% 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's costs are significantly lower than the average fund as a consequence. In addition, as noted earlier, the national benchmarking returns show Fund 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 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.
- 8.3 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.
- 9.3 Risk  
There are a number of possible risks for the Fund associated with the current proposals surrounding the future of the LGPS: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers and, perhaps, the longer term sustainability of the Scheme. At the present time it is impossible to be sure what the risks might be or how best to respond to them. Once the position is clearer the Authority will need to consider its position carefully.

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

**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

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION AND INVESTMENT EXPENSES**

**REVENUE ESTIMATES 2012/13 AT OUTTURN PRICES**

**SUMMARY**

	2011-12 ORIGINAL ESTIMATE £	2011-12 PROBABLE OUTTURN £	2012-13 ESTIMATE £
ADMINISTRATION EXPENSES	2,936,800	2,843,000	2,917,200
INVESTMENT EXPENSES	2,748,900	2,333,000	2,423,500
CONTINGENCIES	0	0	0
<b>TOTAL EXPENDITURE REQUIREMENT</b>	<b>5,685,700</b>	<b>5,176,000</b>	<b>5,340,700</b>
INVESTMENT COSTS LINKED TO MARKET VALUES	1,294,000	900,000	950,000
NET CONTROLLABLE BUDGET	4,391,700	4,276,000	4,390,700
RECHARGED TO:			
FUND	5,555,700	5,036,000	5,195,700
SYPT PENSION FUND	130,000	140,000	145,000
	<b>5,685,700</b>	<b>5,176,000</b>	<b>5,340,700</b>
<b>MEMORANDUM ITEM</b>			
DISTRICT OFFICES			
Barnsley	97,950	95,450	97,400
Doncaster	98,200	101,200	103,500
Rotherham	87,650	81,900	82,700
Sheffield	111,600	111,800	114,300
	395,400	390,350	397,900

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION EXPENSES**

**REVENUE ESTIMATES 2012/13 AT OUTTURN PRICES**

	2011-12 ORIGINAL ESTIMATE £	2011-12 PROBABLE OUTTURN £	2012-13 ESTIMATE £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	1,832,500	1,794,300	1,850,300
Training Expenses	14,600	13,000	14,500
Other Indirect Expenses	60,300	25,700	26,200
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	151,000	150,000	150,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	3,100	3,000	3,100
Car Allowances	7,400	7,400	7,400
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	13,600	13,600	13,900
Publications	200	200	200
Printing and Stationery	86,000	86,000	86,000
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	24,000	24,000	25,000
Imaging maintenance	17,600	17,600	18,000
<b>AXIS</b>	106,600	106,600	109,500
Subsistence and Conferences	2,100	2,100	2,200
Subscriptions	8,800	8,800	8,800
Actuarial Fees	30,000	60,000	60,000
Legal Services	2,100	2,000	2,000
Other Professional Fees	52,000	40,000	50,000
Miscellaneous Expenses	9,000	8,800	8,800
<b>CENTRAL EXPENSES</b>			
Joint Secretariat	313,000	303,000	303,000
IT Network	47,000	47,000	47,000
Insurances	25,400	25,400	26,000
Subscriptions	5,200	5,200	5,200
Audit Fee	86,000	74,000	67,000
Bank Charges	20,700	20,700	20,700
Democratic Representation	13,500	13,500	13,500
Member Training	7,200	7,200	7,200
Disaster Recovery	5,700	5,700	5,900
<hr/>			
<b>GROSS EXPENDITURE</b>	<b>3,044,600</b>	<b>2,964,800</b>	<b>3,031,400</b>
MISCELLANEOUS INCOME	107,800	121,800	114,200
<hr/>			
<b>NET EXPENDITURE</b>	<b>2,936,800</b>	<b>2,843,000</b>	<b>2,917,200</b>
<hr/>			

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES**

**REVENUE ESTIMATES 2012/13 AT OUTTURN PRICES**

	2011-12 ORIGINAL ESTIMATE £	2011-12 PROBABLE OUTTURN £	2012-13 ESTIMATE £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	905,000	892,000	901,000
Training Expenses	4,100	3,500	4,100
Other Indirect Expenses	6,200	5,600	5,700
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	51,000	50,000	50,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	8,000	8,000	8,400
Car Allowances	3,500	3,500	3,500
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	6,800	6,200	6,700
Publications	4,100	4,100	4,100
Printing and Stationery	3,800	3,800	3,800
Communications and Computing			
Postage and Telephones	500	500	500
Computer Services	7,500	7,500	8,400
Subsistence and Conferences	1,700	1,700	1,800
Subscriptions	28,000	28,000	28,000
Actuarial Fees	10,000	10,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	36,000	36,000	35,000
Miscellaneous Expenses	2,100	2,000	2,000
<hr/>			
INVESTMENT GENERAL EXPENSES	1,079,300	1,063,400	1,084,000
<b><u>INVESTMENT MANAGEMENT EXPENSES</u></b>			
Internal Information Systems	287,800	283,000	297,000
Custodian & Other Investment Expenses	251,100	201,000	251,000
External Management Fees	1,130,700	785,600	791,500
<hr/>			
INVESTMENT MANAGEMENT EXPENSES	1,669,600	1,269,600	1,339,500
<hr/>			
<b>NET EXPENDITURE</b>	<b>2,748,900</b>	<b>2,333,000</b>	<b>2,423,500</b>
<hr/>			

**APPENDIX B**

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**REVISED ESTIMATE 2011/12**

	£	£
<b>1</b>	<b>Original Estimate 2011/12</b>	<b>5,685,700</b>
	<i>Main Variations</i>	
<b>2</b>	<b>Employee Costs</b>	
	Reduced staff advertising / medical expenses	3,200 CR
	Reduced training requirement	2,200 CR
	Strain contributions paid from savings in 2010/11	30,000 CR
	Increased turnover	24,800 CR
	NI and super – less increase than anticipated	<u>26,400 CR</u>
		86,600 CR
<b>3</b>	<b>Rent</b>	
	Reduction in overall service charges	<u>2,000 CR</u>
		2,000 CR
<b>4</b>	<b>Supplies and Services</b>	
	Increased Actuarial Fees – more requests re academies And extra attendance at Authority events	30,000
	Reduced costs of medical advisors	<u>12,000 CR</u>
		18,000
<b>5</b>	<b>Central Expenses</b>	
	Reduced Joint Secretariat recharge	10,000 CR
	Reduced audit fees (and rebate)	<u>12,000 CR</u>
		22,000 CR
<b>6</b>	<b>Investment Management Expenses</b>	
	Increased cost of Investment Accounting system	5,000
	Removal/amalgamation of FTSE licence charges	10,000 CR
		5,000 CR
<b>7</b>	<b>Investment Management Expenses (linked to market value)</b>	
	Lower Property manager fees	14,000 CR
	Lower Custody fees	50,000 CR
	Change in accounting for external bond manager fees to bring it into line with other investments in managed funds	<u>330,000 CR</u>
		394,000 CR
<b>8</b>	<b>Miscellaneous Income</b>	
	More income generated than anticipated	<u>14,000 CR</u>
		14,000 CR
<b>9</b>	<b>Other Minor Variations</b>	<u>4,100 CR</u>
<b>10</b>	<b>Revised Estimate 2011/12</b>	<b><u>5,176,000</u></b>



**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**ESTIMATE 2012/13**

	£	£
<b>1</b>	<b>Original Estimate 2011/12</b>	<b>5,685,700</b>
	<i>Main Variations</i>	
<b>2</b>	<b>Employee Costs</b>	
	Increments	15,300
	No further strain contributions re early retirement	30,000 CR
	Reduced staff advertising/medical expenses	<u>3,200 CR</u>
		17,900 CR
<b>3</b>	<b>Rent</b>	
	Anticipated reduction in overall service charges (rent review due in April 2012 but no increase in rent anticipated)	<u>2,000 CR</u> 2,000 CR
<b>4</b>	<b>Supplies and Services</b>	
	Increased Actuarial Fees – more input from actuary anticipated due to government requirements	40,000
	Reduced costs of medical advisors	<u>3,000 CR</u>
		37,000
<b>5</b>	<b>Central Expenses</b>	
	Reduced Joint Secretariat recharge	10,000 CR
	Reduced audit fees (and rebate)	<u>19,000 CR</u>
		29,000 CR
<b>6</b>	<b>Investment Management Expenses</b>	
	Increased cost of Investment Accounting system	5,000
	Increased advisory panel fees	7,200
	Removal/amalgamation of FTSE licence charges	10,000 CR
		2,200
<b>7</b>	<b>Investment Management Expenses (linked to market value)</b>	
	Lower Property manager fees	14,000 CR
	Change in accounting for external bond manager fees to bring it into line with other investments in managed funds	<u>330,000 CR</u>
		344,000 CR
<b>8</b>	<b>Miscellaneous Income</b>	
	More income generated than anticipated	<u>6,000 CR</u> 6,000 CR
<b>9</b>	<b>Other Minor Variations</b>	<u>4,200 CR</u>
		5,321,800
<b>10</b>	<b>Inflation</b>	
	Prices (on major contracts) (assumed at 5%)	<u>18,900</u> <u>18,900</u>
<b>11</b>	<b>Estimate 2012/13</b>	<b><u>5,340,700</u></b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**BUDGET 2012/13**

**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 2011/2012**

	<b>Barnsley £'000</b>	<b>Doncaster £'000</b>	<b>Rotherham £'000</b>	<b>Sheffield £'000</b>	<b>Total £'000</b>
Rechargeable Pensions	2,442	1,868	1,276	6,529	12,115
Levy	<u>100</u>	<u>123</u>	<u>108</u>	<u>220</u>	<u>551</u>
	<u>2,542</u>	<u>1,991</u>	<u>1,384</u>	<u>6,749</u>	<u>12,666</u>

**2 Estimates 2012/13**

**(i) Payments due under 1987 Order (Levy)**

Ex SYCC and WYCC Employees	554
Gratuities	<u>1</u>

**Levy 2012/13 555**

**(ii) Total payments by District**

	<b>Barnsley £'000</b>	<b>Doncaster £'000</b>	<b>Rotherham £'000</b>	<b>Sheffield £'000</b>	<b>Total £'000</b>
Rechargeable Pensions	2,569	1,965	1,344	6,868	12,746
Levy	<u>101</u>	<u>124</u>	<u>109</u>	<u>221</u>	<u>555</u>
	<u>2,670</u>	<u>2,089</u>	<u>1,453</u>	<u>7,089</u>	<u>13,301</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.

## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2011

### Report of the Clerk and Treasurer

#### ANNUAL REVIEW OF THE RISK REGISTER

##### 1. Purpose of the Report

To present the Authority's Corporate Risk Register to the Authority for consideration.

---

##### 2. Recommendations

Members are recommended to receive the report.

---

##### 3. Background Information

3.1 In accordance with the Authority's Risk Policy the Authority's Corporate Risk Register is presented to Members to inform the annual review of the Authority's Budget and Corporate Strategy.

3.2 Appendices to the report:

A: Risk Register (as submitted to the Corporate Planning and Governance Board for approval on the 17 November 2011).

##### 4. Implications and risks

There are no financial, legal, diversity or risk implications attached to this report.

**W J Wilkinson**  
Clerk and Treasurer

**Officer responsible:** Maureen Oades, Deputy Clerk and Solicitor

01226 772856: [mvoades@syjs.gov.uk](mailto:mvoades@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:** None.

Risk No.	Date Raised	Bow Tie / RRAF Number	Risk (Threat to achievement of the business objective)	Current Risk Owner	Original Risk [No controls in place]			Control Measures	Residual Risk [Control measures implemented]		
					Impact (1 - 4)	Likelihood (1 - 4)	Risk Rating		Impact (1 - 4)	Likelihood (1 - 4)	Risk Rating
1	Jan 2010		<b>MEMBERS KNOWLEDGE &amp; EXPERTISE; PROCESSES</b>  • Member do not acquire appropriate knowledge and expertise to discharge their responsibilities	Pension Planning Group	3	3	<b>MEDIUM</b>	<b>CONTROL MEASURES IN PLACE</b> Induction training provided or new Members. Members attend LGPS 3 day fundamentals training course. Periodic awareness presentations delivered to Members. 13 October 2011 the Authority approved a performance self assessment framework for Members and Chairs. The annual findings will assist in identifying learning and development requirements. CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills - issued September 2011. A report will be presented to the Authority in early 2012 on adopting the Code.	2	2	<b>LOW</b>
2	2006/07		<b>LOSS OF KEY STAFF</b>  Loss of key staff i.e. Clerk and Treasurer, Head of Pensions Administration, Fund Director/Head of Service impacting upon people, reputation, continuity of operations and targets.	Clerk and Treasurer	3	4	<b>HIGH</b>	<b>CONTROL MEASURES IN PLACE</b> Training of staff. Sharing of information. Use of minutes and central resources to keep staff informed. Involvement in all issues of management teams to ensure continuity, management group and policy group meetings. Lack of immediate competitors for recruitment in the industry. Documentation of procedures. New Senior Management Structure implemented on retirement of Assistant Treasurer. <b>FURTHER PLANNED CONTROL MEASURES:</b> Continuing role of the Clerk and Treasurer being specified and role maps prepared for senior managers.	4	2	<b>MEDIUM</b>
3	2006/07		<b>INACCURATE PAY &amp; CONTRIBUTIONS DATA FROM DISTRICT COUNCILS or DATA NOT PROVIDED IN A TIMELY MANNER.</b>								

		Operations, Targets and Reputation and Assets Will affect the accuracy and production of the valuations and the information given to employees and pensioners.	Clerk & Treasurer Bill Wilkinson and Head of Pensions Admin Gary Chapman	3	3	MEDIUM	<b>CONTROL MEASURES IN PLACE</b> Section 41/District Officer and member monitoring meetings established . Regular report on progress to Corporate Planning & Governance Board, and standard item on SY Treasurers Association with practioner officer working group established.	3	3	MEDIUM
4	March 2009	<b>GLOBAL ECONOMIC PROBLEMS</b> Fund not immune from volatility of financial markets but strategy based upon allocation determined by liability profile. Pressure on asset values and size of liabilities with consequences for scale of deficit recognised.	Clerk & Treasurer Bill Wilkinson and Fund Director John Hattersley	4	2	MEDIUM	<b>CONTROL MEASURES IN PLACE</b> Protocol in place limiting financial exposure to any single organisation. • Investment advice obtained from professional organisations, including rating agencies. • Detailed contracts in place. Arrangements for interim actuarial valuations and liability checks made if necessary.	2	2	LOW
5		<b>SERVICE DELIVERY</b> <b>Financial, People, Reputation, Operational and Strategic Risks</b> Inability to continue providing an effective service; relatively few >55s who might be interested in voluntary redundancy; probability of having to rely upon compulsory redundancy to achieve budget cuts; impact upon staff morale and motivation; investment staff "savings" would probably impact upon investment returns.	Clerk & Treasurer Bill Wilkinson, Fund Director John Hattersley and Head of Pensions Admin Gary Chapman	4	3	HIGH	<b>CONTROL MEASURES IN PLACE</b> : Trade union consultation / liaison arrangements well established : SYJS HR function available and willing to discuss any personal concerns over staff issues. Authority provided support for forecast budget maintaining rank and file staffing levels.	4	2	MEDIUM
6	Sept 2010	<b>FUTURE CHANGES TO LGPS</b> <b>Financial, People, Operational, Strategic, Regulatory Targets</b> Fundamental, but still undefined changes to public sector pensions resulting from the Hutton report and HM Treasury requirement for savings affecting contribution rates. This may mean that the current Corporate Strategy will become unfit for purpose from that date.	Clerk & Treasurer Bill Wilkinson, Fund Director John Hattersley, Head of Pensions Admin Gary Chapman	4	3	HIGH	<b>CONTROL MEASURES IN PLACE</b> Ongoing monitoring. A full review of the Government's proposals for the LGPS Scheme following the Hutton report will have to be undertaken when received. At the earliest opportunity a new Corporate Strategy will be developed as necessary.	4	3	HIGH

## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2011

### Report of the Clerk and Treasurer

#### REVIEW OF CORPORATE STRATEGY

1) Purpose of the Report

To ask Members to defer reviewing the Authority's Corporate Strategy for 2011/14 until the implications of the outcome of the Hutton Report and the consultation on employees' contributions and accrual rates have been clarified.

-----

2) Recommendation

**Members agree that further review of the Authority's Corporate Strategy for 2011/14 be deferred until such time as the implications of the various proposed changes to the structure of the Local Government Pension Scheme have been clarified.**

-----

3) Background Information

3.1 At its meetings in November 2010 and February 2011 the Authority considered reviewing its Corporate Strategy for the period 2011/14. The Authority concluded that it would be inappropriate to implement changes until such time as the implications of the report produced by the Independent Public Service Pensions Commission (IPSPC), led by Lord Hutton could be assessed. Lord Hutton published his report at the end of March 2011.

3.2 The Government accepted his recommendations as a basis for consultation with public sector workers and interested parties. The Government has indicated that it intends to effect changes from 2015. Through the summer and autumn it emerged that the Government accepted that the funded nature of the Local Government Pension Scheme (LGPS) did mean that any proposals needed to differentiate it from the unfunded schemes.

3.3 The Government has also made it clear that it wishes to achieve short term savings to meet current cost pressures. Proposals regarding how savings of c£900m can be secured from the LGPS in England and Wales are currently out to consultation (see elsewhere on today's agenda).

3.4 Whatever the outcome of these various proposals there will be significant changes to the structure of the LGPS and, therefore, the duties and responsibilities of administering authorities of the LGPS. It is likely that these will, in turn, impact upon the resources of the Authority. There could be investment strategy implications for the Fund if, as seems possible, there are marked changes to the liability profile of the Fund's membership. It should not be forgotten that there will also be considerable changes required of LGPS employers and, consequently, on the service and liaison

the Authority will be expected to provide to them. At the same time, other significant administrative changes, such as the introduction of auto-enrolment, will need to be managed.

3.5 Accordingly, whilst it would normally be good practice to start reviewing the strategy now it is considered unrealistic to do so until the position is clearer. It is suggested, therefore, that the present position be maintained.

#### 4) Current Strategic Objectives

4.1 The present objectives are as follows:-

**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 a socially responsible 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.

#### 5) Implications and risks

5.1 Financial

There are no immediate financial implications arising from this report.

5.2 Legal

There are not thought to be any specific legal implications arising out of this report.

5.3 Diversity

There are no diversity implications.

5.4 Risk

There are a number of possible risks for the Fund associated with the current proposals: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers and, perhaps, the longer term sustainability of the Scheme. At the present time it is



impossible to be sure what the risks might be or how best to respond to them. Once the position is clearer the Authority will need to consider its position carefully.

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

W J Wilkinson  
Clerk and Treasurer

Officer responsible:-  
John Hattersley, Fund Director.

Telephone contact 01226 772873

**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:** CLG: HM Treasury

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2011

### Report of the Fund Director

#### LOCAL GOVERNMENT PENSION SCHEME FUNDS DATA ENGLAND 2010-11

1) Purpose of the Report

To bring to Members' attention the publication by Communities and Local Government of data relating to the LGPS in England.

---

2) Recommendation

**That Members note the report.**

---

3) Background Information

3.1 As Members are aware the South Yorkshire Pension Fund is but one of a number of funds established under the LGPS in the United Kingdom. Given the understandable focus on local issues it is sometimes easy to forget that simple fact. At a time of proposed national reform it is worth while remembering that SYPF does operate within a national context.

3.2 In mid October the Department for Communities and Local Government released data relating to the 81 LGPS funds in England. Extracts from the press release are attached. The main points were as follows:-

- LGPS expenditure on benefits in 2010-11 rose to £6.7bn from the previous year which was an increase of 7%
- Employees' contributions were £2.0bn which was a small decrease on 2009-10. Employers' contributions rose by 3% to £5.9bn
- Investment income rose by 5% from the previous year to £2.7bn
- The market value of all funds as at the end of March 2011 was £143bn which was an increase of 8% since March 2010 and 47% since March 2009
- There were 1.6m employees in the scheme at the end of March 2011 which represents a fall of 51,000 or 3% year on year
- The number of people leaving the LGPS during the year because of redundancy increased by over 40% to over 17,600
- The number of former employees entitled to deferred benefits rose to 1.3m which is an increase of 7% over 2009-10 and 41% over 2006-07.

3.3 This data is based upon returns submitted on so-called SF3 forms by all English administering authorities.

4) Implications

4.1 Financial

There are no financial implications.

#### 4.2 Legal

There are no legal implications.

#### 4.3 Diversity

There are no diversity implications.

#### 4.4 Risk

Members need to be adequately trained to carry out their responsibilities on the Authority and background knowledge of the LGPS assists with meeting that objective. There is, of course, a risk that if Members are not properly or adequately trained the performance and reputation of the Authority might be impaired.

John Hattersley  
Fund Director

Contact telephone: 01226 772873

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: CLG

www.communities.gov.uk

## Local Government Pension Scheme Funds for England 2010-11

Published	12 October 2011
Type(s)	Statistics
Site	Corporate
ISBN	9781409831914
Price	Free

### Summary

Details of the Local Government Pension Scheme in England in 2010-11 were announced on 12 October 2011.

The latest statistics release includes data from 2006-07 to 2010-11 and updates those statistics previously released on 13 October 2010.

The key points from the latest release are:

Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7 billion, compared with £6.3 billion in 2009-10, an increase of 7 per cent

Income from employees' contributions to the Local Government Pension Scheme in 2010-11 was £2.0 billion, a small decrease on 2009-10. Income from employers' contributions to the scheme rose by 3 per cent to £5.9 billion in the same period

Income from investments rose by 5 per cent on 2009-10 to £2.7 billion

The market value of the funds at end of March 2011 was £143 billion. This represents an increase of 8 per cent on March 2010 and an increase of 47 per cent on March 2009

There were 1.6 million employees in the Local Government Pension Scheme at the end of March 2011, a 51 thousand, or 3 per cent, decrease over the figure for March 2010

The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40 per cent over the 2009-10 figure to over 17,600

The number of former employees entitled to deferred benefits rose to 1.3 million in 2010-11, an increase of 7 per cent over 2009-10 and an increase of 41 per cent over 2006-07.

### Order

This publication is only available online - see below to download.

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MS Word, 503 kb, 12 pages

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# Statistical Release

12 October 2011

## LOCAL GOVERNMENT PENSION SCHEME FUNDS ENGLAND 2010-11

- Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7 billion, compared with £6.3 billion in 2009-10, an increase of 7%
- Income from employees' contributions to the Local Government Pension Scheme in 2010-11 was £2.0 billion, a small decrease on 2009-10. Income from employers' contributions to the scheme rose by 3% to £5.9 billion in the same period.
- Income from investments rose by 5% on 2009-10 to £2.7 billion.
- The market value of the funds at end of March 2011 was £143 billion. This represents an increase of 8% on March 2010 and an increase of 47% on March 2009.
- There were 1.6 million employees in the Local Government Pension Scheme at the end of March 2011, a 51 thousand, or 3%, decrease over the figure for March 2010.
- The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40% over the 2009-10 figure to over 17,600.
- The number of former employees entitled to deferred benefits rose to 1.3 million in 2010-11, an increase of 7% over 2009-10 and an increase of 41% over 2006-07.

This release provides information on Local Government Pension Scheme Funds (SF3) forms submitted by all 81 Administering Authorities in England that provide information on Local Government Pension Funds and associated information for the financial year 2010-11 and changes over previous years.

The release has been compiled by the Local Government Finance – Data Collection, Analysis and Accountancy division of Communities and Local Government.

**Responsible Statisticians:**

Steve Melbourne & Mike Young

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Email: [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk)Website: [www.communities.gov.uk](http://www.communities.gov.uk)Web-link (pensions statistics) : [www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/](http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/)**Local Government Pension Scheme Funds England 2010-11**

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## Local Government Pension Scheme Funds England 2010-11

### Expenditure: 2006-07 to 2010-11

1. **Table 1** and **Chart A** provide figures for Local Government Pension Scheme expenditure from 2006-07 to 2010-11.

- Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7 billion, compared with £6.3 billion in 2009-10, an increase of 7%.
- In 2010-11, 84% of Local Government Pension Scheme expenditure in England was on benefits in the form of pensions and annuities or lump sums, for retired members and their dependants.
- Expenditure on lump sums paid on retirement in 2010-11 was £1,441 million. This compares with £1,323 million in 2009-10 and is an increase of 9%.

**Table 1: Local Government Pension Scheme expenditure 2006-07 to 2010-11**

	2006-07(R)	2007-08(R)	2008-09(R)	2009-10	£ million 2010-11
Total expenditure on benefits	4,765	5,230	5,611	6,317	6,730
<i>of which:</i>					
<i>Pensions or annuities</i>	3,824	4,109	4,398	4,774	5,021
<i>Lump sums paid on retirement<sup>(a)</sup></i>	859	1,036	1,048	1,323	1,441
<i>Lump sums paid on death<sup>(b)</sup></i>	81	84	123	137	153
<i>Optional lump sum<sup>(c)</sup></i>	-	-	41	82	114
<i>Other benefits</i>	1	1	1	1	1
Disposal of Liabilities	620	553	513	858	829
<i>of which:</i>					
<i>Transfer values</i>	598	540	502	846	818
<i>Pensions Act premiums</i>	17	10	11	12	12
<i>Refunds of contributions<sup>(d)</sup></i>	5	4	0	0	0
Costs charged to the funds	349	375	359	384	437
<i>of which:</i>					
<i>Fund Management costs</i>	254	270	245	271	313
<i>Administration costs</i>	95	105	114	115	125
Other expenditure	19	27	19	19	10
<b>Total expenditure</b>	<b>5,754</b>	<b>6,185</b>	<b>6,502</b>	<b>7,578</b>	<b>8,007</b>

Source: SF3 forms

(a) The rules governing the payment of lump sums on retirement changed in 2006-07 and now allow beneficiaries to take more of their pension as a lump sum and less as a continuing pension.

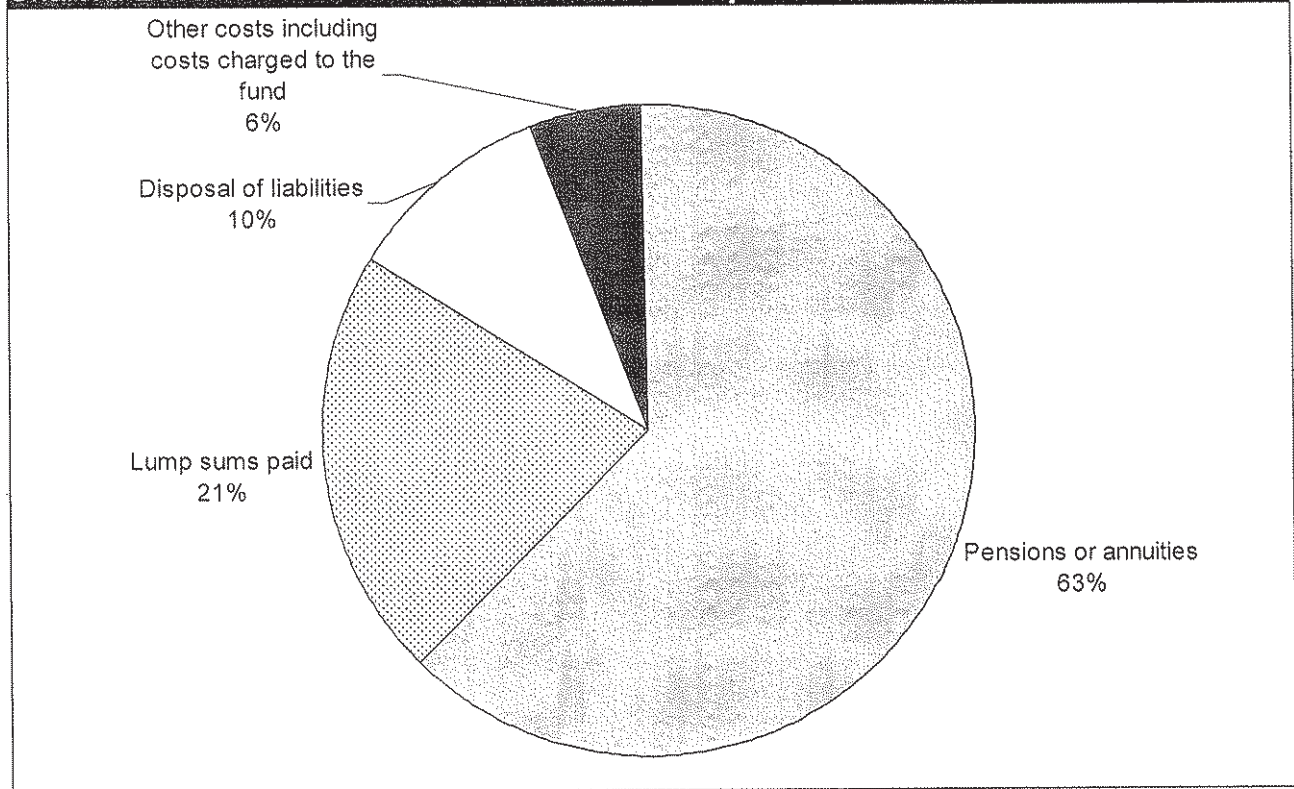
(b) The rules changed from 1 April 2008. Prior to this date death benefit was twice salary, after this date it is three times salary.

(c) This was introduced from 1 April 2008

(d) The rules changed from 1 April 2008. See *Terminology used in this release* for further details



**Chart A: Local Government Pension Scheme expenditure in 2010-11**



**Income: 2006-07 to 2010-11**

2. **Table 2** and **Chart B** provide figures of the income to the Local Government Pension Scheme income and the market value of the Local Government Pension Scheme from 2006-07 to 2010-11.

- Income from employees' contributions to the Local Government Pension Scheme in 2010-11 was £2.0 billion, a small decrease on 2009-10. Income from employers' contributions to the scheme rose by 3% to £5.9 billion in the same period.
- In 2010-11, 69% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments provided 23% of the total.
- Income from investments rose by 5% when compared with 2009-10 to £2.7 billion; this is still £0.5 billion, or 15%, below the level of 2007-08.
- The market value of the funds at end of March 2011 was £143 billion. This represents an increase of 8% on March 2010 and an increase of 47% on March 2009.

**Table 2: Local Government Pension Scheme income and market value of funds  
2006-07 to 2010-11**

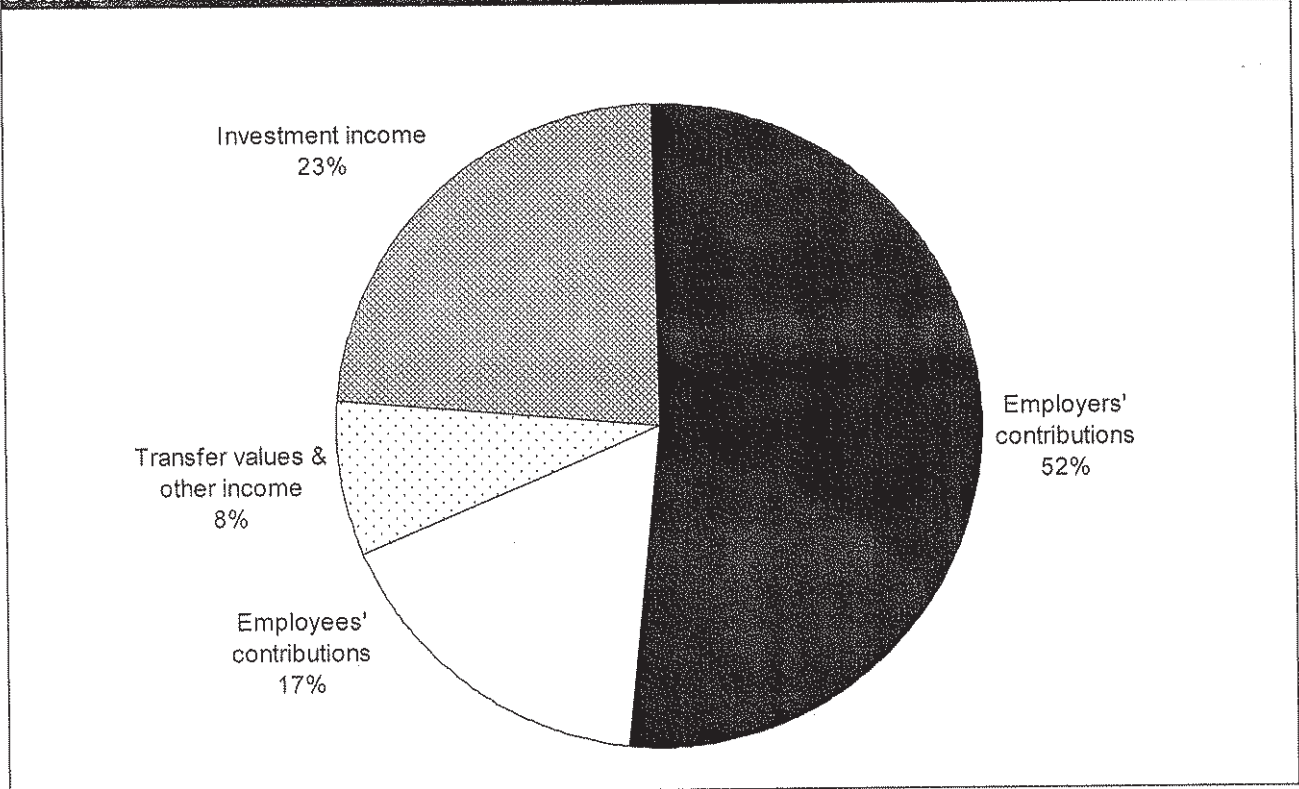
	2006-07	2007-08	2008-09	2009-10	£ million 2010-11
<b>Contributions (including those from admitted authorities)</b>					
Employees <sup>(a)</sup>	1,605	1,680	1,926	1,974	1,966
Employers <sup>(b)</sup>	4,626	5,009	5,400	5,759	5,947
Investment income (gross)	3,019	3,165	2,873	2,572	2,696
of which:					
Dividends receivable	1,959	2,080	1,999	1,754	1,708
Interest receivable	561	638	546	385	383
Income from property	283	303	302	305	345
Other investment income	216	144	25	128	259
Transfer values	754	707	557	800	791
Other income	59	50	50	58	96
<b>Total income</b>	<b>10,063</b>	<b>10,610</b>	<b>10,806</b>	<b>11,163</b>	<b>11,496</b>
<b>Market value of funds at end of year</b>	<b>122,402</b>	<b>119,959</b>	<b>97,272</b>	<b>132,012</b>	<b>£ million 142,716</b>

Source: SF3 forms

(a) The rate of employee's contribution to the scheme changed from 1 April 2008 from a flat rate for all employees to a variable rate dependent on salary.

(b) Includes employers secondary contributions

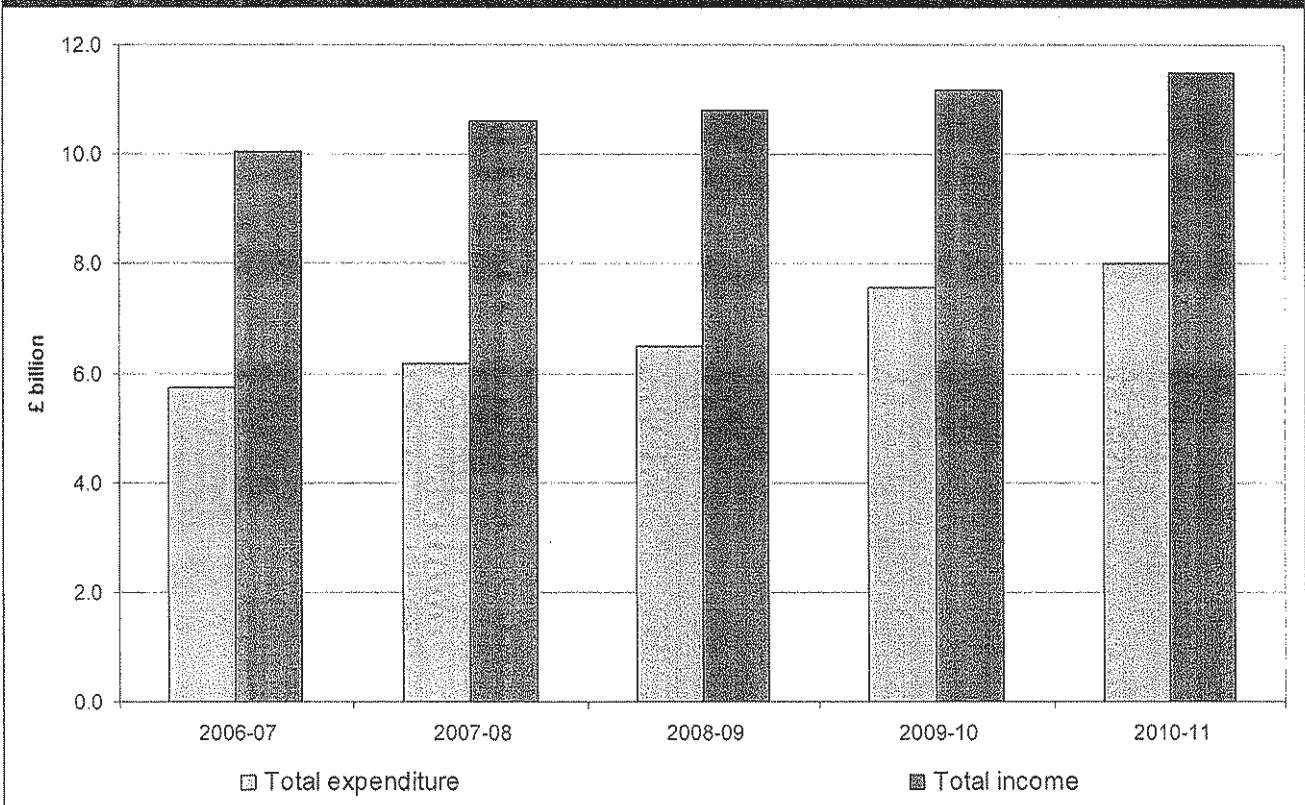
**Chart B: Local Government Pension Scheme income in 2010-11**



3. **Chart C** provides a comparison of total Local Government Pension Scheme expenditure and income from 2006-07 to 2010-11.

- In 2010-11, total expenditure accounted for 70% of the Local Government Pension Scheme income, up from 57% in 2006-07.

**Chart C: Local Government Pension Scheme total expenditure and income 2006-07 to 2010-11**



#### Membership: 2006-07 to 2010-11

4. **Table 3** and **Chart D** provide figures of the membership of the Local Government Pension Scheme at the end of each year from 2006-07 to 2010-11.

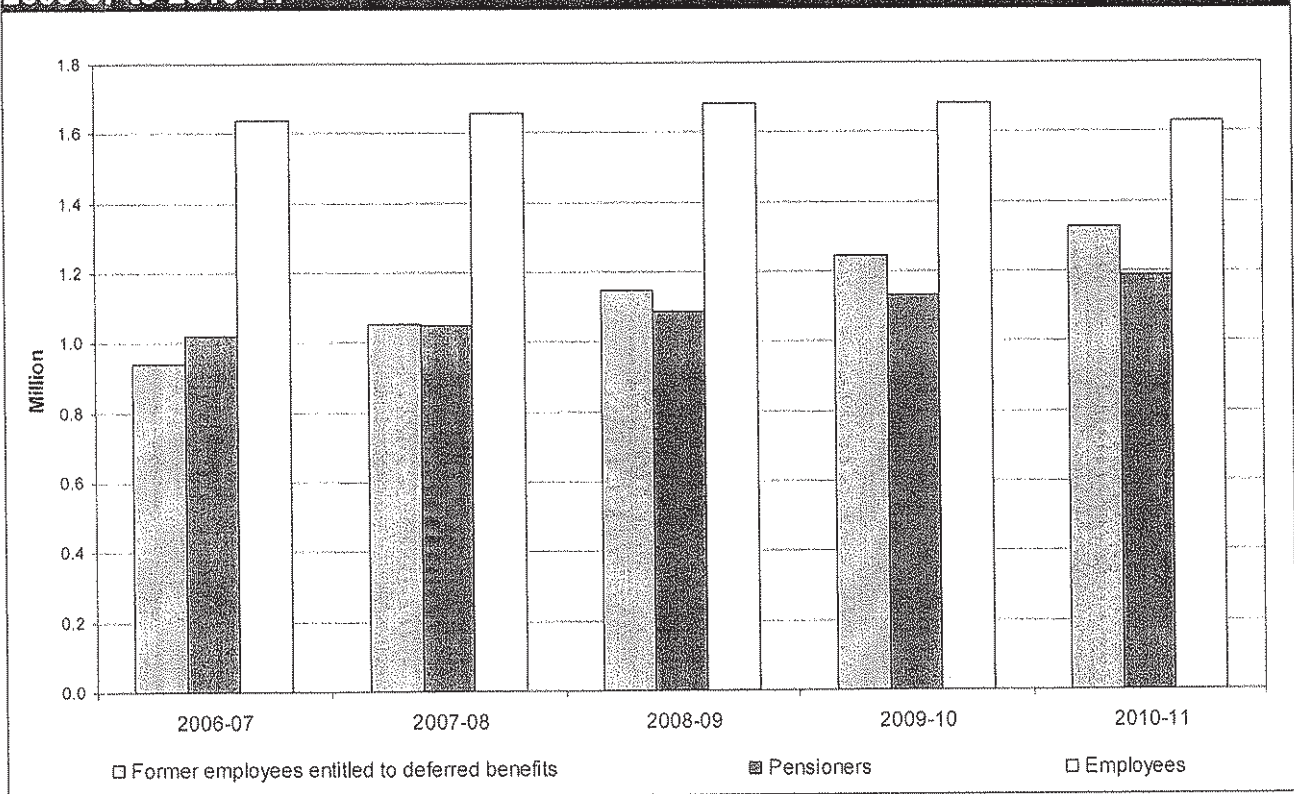
- There were 1.6 million employees in the Local Government Pension Scheme at the end of March 2011, a 51 thousand, or 3%, decrease over the figure for March 2010. There are now fewer employees in the Local Government Pension Scheme than at the end of March 2007.
- During 2010-11 the number of pensioners rose by 56 thousand to 1.2 million an increase of 5% over the figure for the end of 2009-10.
- In 2010-11, the number of former employees entitled to deferred benefits rose by 81 thousand to 1.3 million, an increase of 7% over 2009-10, and an increase of 41% over 2006-07.

**Table 3: Number of Local Government Pension Scheme members at the end of each year 2006-07 to 2010-11**

	2006-07	2007-08	2008-09	2009-10	Thousand 2010-11
<b>Number of scheme members</b>					
Employees	1,638	1,656	1,685	1,684	1,633
Pensioners	1,019	1,049	1,088	1,131	1,187
Former employees entitled to deferred benefits	942	1,055	1,149	1,245	1,326
Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies	0	1	2	4	9

Source: SF3 forms

**Chart D: Membership of the Local Government Pension Scheme 2006-07 to 2010-11**



**Retirements from the Local Government Pension Scheme: 2006-07 to 2010-11**

5. **Table 4** and **Chart E** provide figures of the type of retirement from the Local Government Pension Scheme from 2006-07 to 2010-11.

- The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40% over the 2009-10 figure to over 17,600.
- By 2010-11, the number of people leaving the Local Government Pension Scheme each year due to retirement has increased by more than 30% over the number for 2006-07.

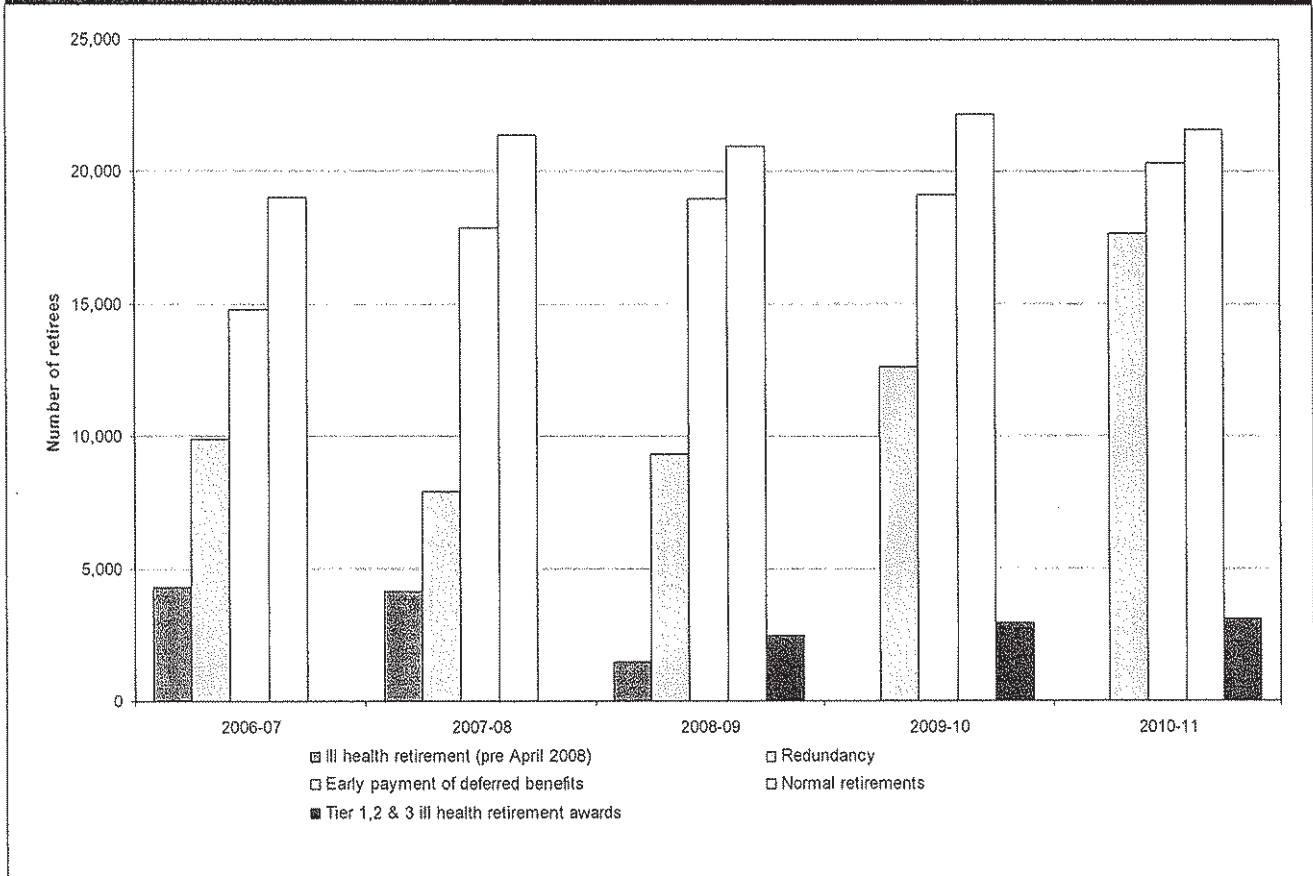
**Table 4: Type of retirements from the Local Government Pension Scheme 2006-07 to 2010-11**

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Number of scheme members</b>					
Redundancy	9,923	7,927	9,346	12,637	17,657
Ill health retirement (pre April 2008)	4,279	4,134	1,470	-	-
Tier 1, 2 & 3 ill health retirement awards under LGPS <sup>(a)</sup>	-	-	2,475	2,952	3,111
Early payment of deferred benefits	14,804	17,867	18,952	19,150	20,344
Normal retirements	19,038	21,393	20,967	22,180	21,585
<b>Total retirements</b>	<b>48,044</b>	<b>51,321</b>	<b>53,210</b>	<b>56,919</b>	<b>62,697</b>

Source: SF3 forms

(a) This was introduced on 1 April 2008. See *Terminology used in this release* for further details

**Chart E: Type of retirement from the Local Government Pension Scheme 2006-07 to 2010-11**



## **Terminology used in this release**

A list of terms relating to local government finance is given in the Glossary of Terms to the *Local Government Financial Statistics England No. 21 2011*. This is accessible at [www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011](http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011)  
The most relevant terms for this release are explained below.

### **Administering authority**

A body responsible for administering a Local Government Pension Scheme fund on behalf of its members who may be drawn from a number of local authorities.

### **Admitted bodies**

Administering authorities may admit employees of non-scheme employers to the scheme under an admission agreement.

### **Former employees entitled to deferred benefits**

Members who leave the scheme having completed the minimum period of service but who are not entitled to the immediate payment of a pension benefit, are awarded a deferred benefit which, under normal circumstances, becomes payable when the person reaches their normal retirement age.

### **Grant payable on death**

This is payable to the estate of a scheme member who dies in service. Prior to 1 April 2008 this was 2 times final pay. Since 1 April 2008, when the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 came into effect, this has increased to 3 times final pay. This accounts for the significant increase shown in **Table 1** for 2008-09 compared to earlier years.

### **Ill Health retirement**

Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 which came into effect on 1 April 2008, there are now three levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition which gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

### **Local Government Pension Scheme**

The pension funds in the Local Government Pension Scheme operate under regulations made under the Superannuation Act 1972. Schedules to the regulations list the scheme employers, most of these are local authorities. In England there are 81 pension funds in the Local Government Pension Scheme, each administered by an administering authority.

The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Employers' and employees' contributions, part of the income of the funds, are recorded as expenditure by local authorities in their revenue accounts, either directly or indirectly under employees' expenses.

On 1 April 2008, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 came into effect. The new Scheme included some new and different provisions which may affect comparison with previous data sets.

### **Lump sum on retirement**

Prior to 1 April 2006-07, scheme members on retirement became entitled to both an annual pension based on  $1/80^{\text{th}}$  of pensionable pay for each year of membership and a lump sum of three times that amount. Under the new regulations, entitlement is to a pension only based on a higher accrual rate of  $1/60^{\text{th}}$  but with the option to commute pension into lump sum.

### **Pension arrangements for fire fighters, police and teachers**

Separate arrangements apply for the pensions of the police, fire fighters and teachers. The police and fire fighters' pensions are provided through unfunded schemes administered locally, and the cost of police and fire fighters' pensions are therefore included in local authority expenditure. Teachers' pensions are provided through a notionally funded scheme administered by the Department for Education (DfE). There is no fund of assets, and teachers' pensions are paid by the DfE. Employers' and employees' contributions are paid by local authorities to the DfE and are recorded as expenditure in their revenue accounts.

It should be noted that non-operational staff in the police, fire and rescue service support staff, and non-teaching staff in the education sector are covered by the Local Government Pension Scheme.

### **Refunds of contributions**

Contributions refunded when a person leaves a pension scheme before completing a minimum period of service. Under earlier schemes, a refund of contributions could be paid to those leaving the scheme with less than 2 years service. Under the 2008 scheme, a refund of contributions can only be made to a person who has been a member of the scheme for less than 3 months.

### **Transfer Values**

A cash value assigned to a person's pension pot that is transferred with them when they move from one pension fund to another.

### **Data quality**

The information in this release is based on data returned to Communities and Local Government by all 81 administering authorities in England on Local Government Pension Funds and associated information for the financial year 2010-11 (SF3) forms.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority and also in the Department for Communities and Local Government as the data are received and stored.

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

## Uses made of the data

The data in this statistical release are essential for a number of different purposes. A central and immediate purpose is to provide Ministers with information about the Local Government Pension Scheme. The data are also used by local authorities, their associations and regional bodies.

In addition, the data provides a benchmark on the administration and fund management of the Local Government Pension Scheme. The data are also used in compiling the National Accounts and to show the role of pension funds in the economy.

## Background Notes

1. Statistical Releases are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer demands.
2. The information for 2010-11 in this Statistical Release is derived from Local Government Pension Scheme Fund (SF3) forms submitted by all 81 Administering Authorities in England only.
3. The pension funds in the Local Government Pension Scheme provide pensions for most local authority employees. In England and Wales there are 89 pension funds in the Local Government Pension Scheme. The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Separate arrangements apply for the pensions of the police, fire fighters and teachers.
4. For press enquiries about this Statistical Release please contact the Local Government press desk on 0303 444 1201 or email [press.office@communities.gsi.gov.uk](mailto:press.office@communities.gsi.gov.uk). For other enquiries please telephone John Farrar on 0303 444 2116 or email [sf3.statistics@communities.gsi.gov.uk](mailto:sf3.statistics@communities.gsi.gov.uk).
5. The responsible statisticians for this release are Steven Melbourne or Mike Young who can be contacted on 0303 444 2116
6. This Statistical Release can be found at the following web address:  
[www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/](http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/)
7. Timings of future releases are regularly placed on the Department's website, [www.communities.gov.uk](http://www.communities.gov.uk) and on the National Statistics website, [www.statistics.gov.uk/hub/release-calendar/index.html](http://www.statistics.gov.uk/hub/release-calendar/index.html)
8. Further information is also available on the department's website [www.communities.gov.uk/localgovernment/localgovernmentfinance/](http://www.communities.gov.uk/localgovernment/localgovernmentfinance/)
9. For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Financial Statistics England No.21 2011* which is available in hard



copy from Wetherby Publications Centre at [communities@twoten.com](mailto:communities@twoten.com) (Tel. 0870 1226 236) and electronically from the Department for Communities and Local Government website

[www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011](http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011)

10. In addition to data for England, DCLG also collect data for 8 administering authorities in Wales. Data for 2010-11 and comparisons with previous years can be found at:

[www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/summarydata/](http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/pensionscheme/summarydata/)

11. The Scottish Government also collect local government pension fund data. Their information can be found at the following website:

[www.scotland.gov.uk/Publications/2011/02/21143624/5](http://www.scotland.gov.uk/Publications/2011/02/21143624/5)

12. DCLG also collect and publish data on the Firefighters' pension scheme. This information can be found at the following website:

[www.communities.gov.uk/documents/statistics/pdf/19559041.pdf](http://www.communities.gov.uk/documents/statistics/pdf/19559041.pdf)

#### **Symbols and convention used in this release**

(R)	=	some data have been revised since the last statistical release
...	=	not available
–	=	not relevant
-	=	negative
0	=	zero or negligible
	=	discontinuity in data

#### **Rounding**

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent items

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2011

### Report of the Clerk and Treasurer

#### ADVISORY AND INVESTMENT MANAGEMENT AGREEMENTS WITH SOUTH YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

1) Purpose of the report

To seek Members' approval to enter into revised advisory and investment agreements with South Yorkshire Integrated Transport Authority.

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2) Recommendation

**That Members approve the contracts and authorise the Clerk and Treasurer to sign on the Authority's behalf.**

-----

3) Background information

3.1 The management agreements between this Authority and the South Yorkshire Integrated Transport Authority (SYITA) to cover the general advisory and investment management services provided by this Authority were last reviewed in July 2005.

3.2 As part of a wider review of dated documentation the opportunity has been taken to bring the contracts up to date and reflect the changes in both legislation and best practice since 2005. In particular, the Agreement now complies with the EU Markets in Financial Instruments Directive (MiFID) which came into force in November 2007. The Agreement covers such material matters as the management of conflicts of interest, best execution, fair treatment of customers, suitability of products and services etc. For the purposes of the Financial Services Authority (FSA) Rules SYPA regards SYITA as a professional client which means that SYPA expects the Authority to have already assessed the risks involved in the strategies, investments and related services covered by the Agreement with it. The draft Agreements have been drawn up in consultation with the legal services unit of the South Yorkshire Joint Secretariat (SYJS) and have been approved by the SYITA Committee.

3.3 There are no material changes to these documents which are quite lengthy. Therefore, rather than attach them to this report copies will be made available to Members upon request.

4) Implications

4.1 Financial

There are no 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.

W J Wilkinson  
Clerk and Treasurer

Officer responsible:  
John Hattersley, Fund Director

Contact telephone number: 01226 772873

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: None

## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2011

### Scheme Members' AGM

#### 1. Purpose of the Report

To report on the meeting held on 13 October 2011.

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#### 2. Recommendations

**Members are recommended to note the contents of the report.**

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#### 3. Information

**3.1** This year's AGM for scheme members was held at The Carr House Centre in Doncaster on the evening of 13 October. There were 105 members present, as follows –

- 86 Pensioners
- 7 Contributors
- 4 Deferred members
- 3 Representatives from employing bodies
- 5 Councillors

**3.2** After introductions and welcome from Martin McCarthy (Head of Policy & Performance for Fire and Transport) and the Chair of the Authority, presentations were made by -

- John Hattersley – Fund Director
- Gary Chapman – Head of Pensions Administration

Questions were taken in an open forum at the end of the meeting.

#### **3.3 Cllr Lawton – Chair**

Cllr Lawton opened by welcoming members to the meeting.

He explained that there had been a change in the membership of the Pensions Authority following the Local Authority elections in May. Cllr Lawton thanked the previous Chair, Andrew Sangar for all his hard work and also thanked the other councillors.

Cllr Lawton went on to say that last year was a year of two halves; first half concerned the actuarial valuation of the fund leading to an overall assessment

of funding level at 79% which was better than in some other funds. Despite employers having to deal with budget cuts following discussion with the fund actuary and employers he was pleased to report that employers were happy with the final results.

Cllr Lawton went on to talk about the Hutton report saying the Government has recognised that the LGPS is different to other public sector funds and has agreed to hold separate negotiations. The Government has said that the LGPS should continue to be a defined benefit scheme but should switch from being a final salary to a career average scheme. He also commented that the Government is looking for a £900m savings within the LGPS.

Finally he added that we have a double whammy at the present time with investments are all over the place, the problems in Greece and low interest rates. We have a very challenging year ahead.

### **3.4 John Hattersley – Fund Director**

John opened his presentation with ‘fun’ slides which were investment related quizzes.

John went on to talk about the Fund Accounts saying they are in a different format this year to previous years because of a new accounting standards that local authorities have to adopt this year. The rules have changed to increase transparency and make accounts more comparable with those of the private sector.

The first point John made about the accounts was that contributions received (£232m) were similar when compared to the previous year. Employers’ contributions are fixed for 3 years by the actuary and employees’ contributions but normally you would see employees’ contributions rise in accordance with salaries. However due to the local government pay freeze this hasn’t happened. 25% of contributions came from employees which is relatively low as over time the normal ratio has been 2-1, employers have normally paid twice what the employees have paid and if you look at the various proposals coming out of the Government at the moment that ratio is likely to get closer to 1-1 over time.

John went on to say benefits payable certainly weren’t stable over the period; they rose from £184m last year to more than £211m this year. The biggest increases were in lump sum commutations and retirement benefits now running at about £62m per year, and higher pension payments of £144m, clearly part of that increase is a consequence of the decisions made by district councils to reduce its workforce in response to the spending review from central government. Nonetheless contributions received were still slightly more than benefits paid. This is not true in the first half of this year where contributions received have consistently been less than benefits paid.

John went on to say that investment income increased to £109m during the year in discussion and more than half of that came from company dividends (£63m), bond interest (£25m) rents and property income (£12m) accounted for the remainder. Investment markets got off to a slightly shaky start in 2010 and we were never likely to follow as strong a performance as we saw in 2009 after a very poor performance in 2007/2008. Overall most investment markets ended the year higher than they began, and by the end of the year the market value of the fund had risen from £4082m to £4464m, a rise of £380m. So on the face of it, a good performance, the fund did well.

John covered how the fund had performed against its own benchmark over the last 10 years. Saying apart from the years 2004 and 2010 it has beaten its benchmark, so as a result we are ahead of our benchmark over 1, 5 and 10 years. Although the out performance numbers look relatively small, when you are talking about a £4bn - £5bn fund, actually they are quite considerable, we are adding a lot of value. So last year, the fund has returned 9.1% against a notional benchmark return of 8.3%. The average local authority fund returned 8.2%.

John went on to say that we shouldn't directly compare one fund against another because our underlying liabilities profiles are markedly different. But it is reassuring just to see what we are doing against the local authority universe. The fund has consistently outperformed its peer groups, again the worst two years were on 2004 and 2010 but we ranked 19<sup>th</sup> last year, and over the last 10 years we ranked 13<sup>th</sup>.

John covered market Volatility, saying the fund is a living entity which will go on but we can't escape to notice that markets have been very volatile and nervous. There are major economic issues out there across the globe and it can be exasperating when we in the office are trying to invest in shares and markets that are moving up and down so swiftly and unpredictably. For a long time over the last 6 months or so it has appeared that the politicians either here, in Europe or the US don't quite understand the scale of some of the issues the world faces and their inertia has certainly contributed to the unease and nervousness, and their inaction will ultimately mean that when a solution is found it will be both more complex and much more costly had they taken earlier action.

John went on to say day by day share prices have swung violently, by hundreds of points, for instance during the first week of September, New York share prices fell by 3% in the first 90 minutes of trading on the Tuesday morning, they climbed back up by nearly 3% on the Wednesday only to fall back down by 3% on the Friday. Similar behaviour was experienced in August. Prices have been more volatile than they were 20 years ago. 10 of the largest daily upswings and 11 of the largest daily drops over the last 30 years have all occurred within the last 3 years. That maybe a as a result of technology making it possible, it may be a function of short term trading but the volatility is increasing which is why it is very dangerous to make decisions just based upon the outcome of a single day or indeed month.

John finished with where the Fund is now. Saying at the actuarial valuation it was valued at just over £4bn, at the end of March it had gone up to £4.46bn, by the end of June it had gone up further to £4.5bn, at the end of September it had fallen down to £4.2bn. It reflects the volatility.

So on a brighter note, just remember, it's only money!

### **3.5 Gary Chapman – Head of Pensions Administration**

Gary opened his presentation by referring to the one he did four years ago, the last time the AGM was held in Doncaster when the main topic of discussion was scheme changes aimed at ensuring the long terms affordability and sustainability of the scheme. He said that it was surprising that second part of his presentation was about the pension scheme changing again.

The first slide showed membership numbers for 2010/2011. Active membership has fallen over the last few years and one of the main reasons is the downsizing of councils due to their spending review leading to a large number of leavers. As the active membership falls pensioners and deferred members increase leading to an overall increase in the number who we have to continue to provide information and customer service.

Gary then moved on to SYPA performance saying it's something we keep a close eye on placing a great deal of emphasis on meeting targets and delivering the service. We are proud of overall results achieved as we completed nearly 30,000 cases with 99% within our published service standards. Gary went on to say we don't always get it right and received 5 complaints over the year. Gary announced we achieved the Customer Service Excellence award which is something we are very proud of as we are a customer service organisation that always aims to put the customer first.

Benchmarking is where we compare ourselves against other local authority pension funds that do the same job as us. We achieved a service rating that shows us to provide a high level of service for a below average cost. Gary said that we don't stand still constantly aiming to work smarter and coming up with new ways of doing things. He went on to say that we have also developed a system for our employers called EPIC which allows employers to submit changes online etc. which means we get the information faster.

We are also spending a lot of time developing data analysis tools to profile members and target people with specific information. Gary went on to say we webcast Authority meetings where members can view authority business as it happens. Members can ask questions via the webcast and maybe influence decisions taken by Councillors.



On the subject of communications, we still do the traditional things like writing letters and making telephone calls but as times are moving on things are changing. We currently have 18000 email addresses so we can communicate with those members electronically. We can answer questions quickly. We can streamline information and at the same time save money on postage etc.

Mobile phones, we have 12000 members we can text, again quicker and cheaper. Mypension - is our interactive service where pensioners can go online and view their payslips and active members can produce estimates. There is also our website which we aim to keep up to date and keep fresh.

Social media i.e. Facebook and Twitter gives us the opportunity to exploit a massively growing market. At the moment we have low numbers but we have only just started to promote it. Social media allows our member's access to us in a way that they want. Even websites are becoming old fashioned as people log into feeds via twitter and facebook and get information that way. We also have a Youtube channel where last years AGM was uploaded and can be viewed by members who cannot make the meeting.

Gary went on to talk about an opt out strategy created as a result of us detecting an increase in the number of members starting to opt out of the scheme. Gary said this was not surprising in terms of the pressures people are under with job loses, pay freezes and inflation. A part of our strategy is to make people more aware of the benefits they will be giving up and what it would cost to get the same level of benefit somewhere else.

Consultation - through surveys we are trying to find out what our members want from us. We consult on everything we do as we want to make sure that members are happy with the service we provide and want they want. As well as general survey's we have focus groups and new in 2010/11 a Pensions Advisory Panel that meets quarterly with the Chair and Vice-Chair of the authority. At the moment we are currently looking for a deferred member to join the group. The role will entail scrutinising authority reports and putting questions to the group amongst other things.

Gary gave an advance estimate of the 2012 Pensions increase award saying that CPI in August was running at 4.5% although it's the September CPI that we use to uprate benefits.

Gary went on to discuss the future of the scheme but stressed this will have no effect on pensioners or preserved benefit members as their pensions are will not change. He stressed the future holds lots of challenges the main one being ensuring the member understands the changes.

In the short term we have auto enrolment where if you're not in pension scheme your employer will have to enrol you in one so the councils will all have employees who will have to made members of the LGPS. Changes in the annual allowance resulting in possible tax charges for members will need to be communicated and will not just affect high earners as originally thought.

Gary went on to say the short term scheme changes have to be made because the Government wants to recoup £900m from the LGPS to save the tax payer over the next 3 years. The fear is that if employee contributions increase it will lead to more scheme members leaving the scheme which is clearly not desirable. The opt-out strategy previously mentioned will be useful here.

Gary finished his presentation by covering the long term future of the scheme from 2015. Gary briefly covered accrued benefits being protected, cost ceiling, contributions, career average revalued earnings scheme, accrual rate and benefit package saying we have challenging times ahead.

### **3.6 Questions from the Floor**

**Q.** Have you got a contingency plan in the case of a Greek default?

**A.** In terms of investment market returns that have already been taken on board and the Euro stock markets have responded as we saw in the slides so we cannot predict what the European politicians are going to do, we cannot predict whether it will be a structured orderly default. Certainly something has to happen in Greece, whether Greece will actually leave the Euro, which is probably something which the Germans in particular don't want to happen, but recently with all the tensions within the member countries of a Eurozone it is not a particularly attractive option for some of the northern countries to bail out what they perceive to be the rather spurious policies of the southern countries. So it is basically a political solution. Now the Euro has traditionally been seen as a second world currency after the US dollar, despite all the problems the US has in terms of its own deficit the irony has been that in periods of nervousness investors have gone back to the US and to the US dollar, because it is the largest western economy in the world. So a flight of safety has taken place to the US dollar. We cannot predict what will happen within the Eurozone and so we don't need to have a contingency plan 'per se'. All markets are affected, all markets are inter-connected and again as the slides showed the equity markets fall but bond markets go up. So the diversification of risk across the whole fund, all the assets are there to act as a limiter in terms of volatile periods. So the answer to your question is no we don't have a contingency plan if Greece falls out of the Euro.

**Q.** Can you give us an update on the Icelandic Bank situation?

**A.** The appeals from the bond holders of the two main Icelandic Banks are being heard this month and we expect decisions by the end of the October. The preliminary courts have accepted that all local authority deposits rank as priority claims and therefore there is a very good chance that between 85% and ninety odd % of those deposits will be recovered from those two banks. The authority's exposure to Icelandic Banks was £18.5m and in total so far we have got back £4.7m. If the courts do uphold their process we are confident, all things being equal, of getting somewhere between £15m - £16m back. The

LGA is acting as a co-ordinator for all local authority pension funds and the legal counsel has been in Iceland this month as part of the appeal process.

**Q.** In relation to contributions, as you have stated this evening, new members and members that are paying into the scheme now will have to pay more contributions, but such as I, and many more members, we don't pay any more contributions because we are receiving our pension. Will they subsidise us in the future- which I think will be unfair to them?

**A.** The actuary makes the calculations, there are two parts of the contributions from an employer's point of view, there is past service and future service so everybody is paying a bit for what happens in the future and clearly one of the things the government is trying to do overall is to reduce the cost of pensions to tax payers going forward, so all contributors are likely to pay more

**Q.** The rate of increase of pensions has been reduced to the CPI rather than the RPI, are there any plans to reinstate the RPI?

**A.** Definitely not at the moment. There is no indication that that will be the case now that it has moved to the CPI.

**Q.** Following on from the previous question, I understand there has been a legal challenge between RPI and CPI for pensioners. Is that the same with Local Government as it is certainly that way with the Civil Service?

**A.** I am not aware of this at the moment.

**Q.** Could you explain why there is no investment between the Mersey and the Wash, and the Clyde and the Forth? There are plenty of shopping centres like the Metro Centre, Meadowhall, and the Trafford Centre and I wonder why you have disregarded the North East, Yorkshire and the North West. They say that the money is down South but I'm afraid, like the position is at the moments, it's not South Yorkshire's money, it's not your money, it's our money and I think we ought to have a say that, since 1984 this region has had a very chequered past with the political situation, and I just wondered why you are not investing in it?

**A.** If you are talking about the direct property portfolio then clearly the reason why it is situated across the UK as it is, is to represent the best possible return we can get for the investments. Going across the diversification argument, the focus has been in the South East of England because that is where the best returns from property investments can be obtained. There is a mixture of investments and it is done on a very carefully calculated basis. We pick across various sub sectors, retail, high street retail, out of town retail, industrial, offices. We also do it on a geographic basis so that there is exposure throughout the UK. But we cannot concentrate all our investments just on the basis of where we think it is opportunatative to do so. What we are trying to do is obtain the best return for the fund and historically that has been in the South East of England, and certainly over the last two years the differences have been quite marked, where as the London office market has

strengthened considerably. It is therefore our job as investment managers to obtain the best return and that is why, although we do spread risk, we have tended to concentrate on the more fluid and more liquid property markets. I think you have also got to realise those properties are the ones from a property portfolio but within our equities we have investments in companies that own things like Meadowhall.

**Q.** This is the first time I've been to an AGM and I do notice that the kind of age of most people here from what I can see looks as if it tends to be people who are retired already. I've just newly joined the ranks myself, not willingly because I was kind of forced out of my job, but I do think that it's fairly alarming that the opt out rate is increasing and I think as a scheme (you were talking about introducing new things) do you not think it is very important at this point to be promoting the value of the scheme to younger members to prevent a drain out of the system, or people not joining at all, and in that sense, to make sure that there is very punchy publicity saying what are the benefits and it is our right to deferred wages and in fact, one thing coming up to the strike on Nov 30th, if we get a yes ballot, it's important that clearly brings it home to people is to have a ready reckoner to show how much people will lose if the government proposals go ahead, and I'm just interested to know if you have got a ready reckoner because it brings younger people up against the fact of what this scheme is about and what the government proposals are and how damaging they are.

**A.** I went to the meeting with the employers last week and this was one of the things we were discussing with a view to how we can make sure that people stay in the scheme and that they across the board all were very supportive in saying it is a good scheme and we want our employees to be in it. The difficulty we have at the moment is where you can get the balance. In my view between the trade unions saying look the scheme is going to change and we don't like it, but keeping the people within it. I think we all need to get together to say this is a good scheme. We recognise this and this is why we earlier this year started to develop an opt out strategy and really it is a case of making sure that members are aware of the benefits of the scheme.

3.7 A full recording of the meeting is available to view at <http://www.youtube.com/user/SYPensions>

#### **4. Implications**

- Financial - none
- Legal - none
- Diversity - none

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

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2011

### Report of the Clerk and Treasurer

## LOYAL SERVICE AWARD SCHEME

### 1. Purpose of the Report

To seek Members views on whether or not the Authority should introduce a Loyal Service Award Scheme for Authority employees who have achieved 25 years continuous service with the South Yorkshire Pensions Authority and/or its predecessors.

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### 2. Recommendations

**Members are recommended to:**

**Consider the benefits or otherwise of introducing a Loyal Service Award Scheme for all employees who have achieved 25 years continuous service along the lines of the options outlined in the report.**

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### 3. Background Information

- 3.1 The four district councils have operated long-service award schemes for some time now. These vary and some only award a certificate or letter of appreciation, whilst some purchase a gift to a particular value or issue some type of voucher. It is fair to say that some of the council's are looking to withdraw their current schemes.
- 3.2 Earlier this financial year, during regular management consultations with the Trade Unions, the departmental representatives requested that the Authority consider implementing a scheme similar to that operated by Barnsley MBC, given that the Authority's terms and conditions are so closely aligned.
- 3.3 Management agreed to look at this and have attached at Appendix A, a draft policy for Members discussion and consideration.
- 3.4 The Pensions Authority has a low staff turnover. This is in part due to the flexible working arrangements that are offered to staff and the relatively good terms and conditions of employment; in particular flexi-time and the generous annual leave entitlements given. Members are asked to consider this in the context of possibly introducing a scheme that demonstrates that the Authority values its employees.

#### **4. Alternatives**

- 4.1 Members may feel uncomfortable in the current financial climate in introducing a scheme that includes a direct monetary reward and this is understandable. However, there are other ways in which long or loyal service can be recognised and these could include one or more of the basic options outlined below:
- The presentation of a citation/certificate by the Chair or Vice-Chair of the Authority.
  - The presentation of High Street vouchers to the value of £100 (as an example).
  - The giving of one day paid special leave to be taken during the anniversary year.

#### **5. Other matters**

- 5.1 Members will need to consider an effective date if such a scheme is to be introduced. It would be more manageable to administer the awards once per year (ie 1 April) rather than on actual anniversary dates.
- 5.2 Members will also need to consider what service to include if it chooses to introduce a Loyal Service Award Scheme. The Pensions Authority has been in existence since April 1988 but there were staff employed by the Residuary Body prior to that working on Pensions matters. Some schemes only include service with the current employer whilst others include all local government service.

#### **6. Implications and risks**

- 6.1 *Financial:* If we include those employees working for the Authority prior to 1988, there are 12 employees that have achieved 25 years service as of 1 April 2011. All things being equal, the same 12 employees would be eligible if implementation was 1 April 2012. Therefore if the scheme as from either 1 April 2011 or 1 April 2012 and the voucher option adopted, the immediate cost would be £1200. There would be one further employee eligible in 2013 and six employees eligible in the years 2014 and 2015.

There is of course, a “hidden” cost associated with the granting additional days leave. This cost will vary depending on the grade of the employee at the appropriate date. If Members wish to pursue that option, more detailed financial data can be supplied.

- 6.2 *Legal:* None directly.
- 6.3 *Diversity:* The scheme would apply to all staff equally.
- 6.4 *Risk:* None directly arising from this report.



**W J Wilkinson**  
**Clerk and Treasurer**

**Officer responsible:** Stephanie Barker, Head of HR & Business Support  
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**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:**

Sheffield City Council: Public Service Award Scheme  
Rotherham MBC: Long Service Award Scheme  
Doncaster MBC: Long Service Award Scheme  
Barnsley MBC: Employee Long Service Scheme  
Berneslai Homes: Loyal Service Scheme  
South Yorkshire Fire & Rescue Authority: Long Service Award Scheme

## Loyal Service Award Scheme

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| 1. <b>Introduction</b>                           | <p>1.1 South Yorkshire Pensions Authority considers that it is important to acknowledge and reward its long serving employees in recognition of their commitment and loyalty to the organisation.</p> <p>1.2 This scheme recognises and rewards employees who have attained 25 years continuous service with South Yorkshire Pensions Authority. (Previous local government service will not be included).</p> <p>1.3 In supporting the principles of equality and equal pay, the loyal service award is applicable to all employees regardless of role or grade. This equally applies to part-time employees.</p> |
| 2. <b>Long Service Provisions</b>                | <p>2.1 When an employee reaches their 25<sup>th</sup> year of continuous service with South Yorkshire Pensions Authority, they will be presented with a citation and High Street vouchers valued at £100.</p> <p>2.2 In addition, employees will be awarded one day's special leave, with pay, on a 'one-off' basis to be taken within the anniversary year.</p> <p>2.3 Only continuous service will count for this purpose. Periods of maternity leave and career breaks from South Yorkshire Pensions Authority if no other paid employment has been undertaken for the full period, will be included.</p>       |
| 3. <b>Procedure: 25 Years Continuous Service</b> | <p>3.1 Human Resources will produce a report at the beginning of each financial year to indicate those employees who have attained 25 years continuous service as at 1 April each year. This report will be passed to the Fund Director</p> <p>3.2 Employees will be invited to attend a suitable Pensions Authority meeting where they will be presented with a citation and</p>  |

their vouchers from the Chair or Vice-Chair of the Authority.

- 3.3 Details of employees receiving the Loyal Service Award will be publicised in Newsletters and on the Intranet.
- 3.4 Human Resources will add the one day's special leave to the employee's entitlement on the Time and Attendance System for them to take at their discretion within the relevant leave year.

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4. **Tax and NI Implications**

- 4.1 The provision of high street vouchers to the value of £100 meets with the exemption criteria for long service awards contained within Section 323 ITEPA 2003 and S1 2003 No 1361 and therefore, will not give rise to a tax charge to the employee or a national insurance contribution charge to either the employee or the organisation.

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5. **Impact Assessment**

This policy has been impact assessed by Human Resources. If on reading this policy/procedure you feel there are any equality and diversity issues, please contact HR who will, if necessary, ensure the policy/procedure is reviewed.

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