

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2011

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

Trade Unions: Glyn Boyington and Gary Warwick

Apologies for absence were received from: Councillor Barry Johnson JP
and Councillor Brian Perrin

Officers: Gary Chapman (Head of Pensions Administration), Bev
Clarkson (Head of Finance), Len Cooksey (Member Services Manager),
John Hattersley (Fund Manager), Maureen Oades (Deputy Clerk &
Solicitor & Monitoring Officer) and Bill Wilkinson (Clerk & Treasurer)

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

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

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE AUTHORITY HELD ON 13 OCTOBER

RESOLVED - That the minutes of the meeting of the Authority held on 13
October, 2011 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

A report of the Clerk and Treasurer was submitted setting out the Pensions
Authority work programme. The Chair informed the meeting that it may be
necessary to have an extra meeting of the Authority to discuss the proposed
reforms to the Local Government Pensions Scheme.

RESOLVED- That the report be noted.

8 SECTION 41 MEMBER FEEDBACK FROM DISTRICT COUNCILS

Members informed the Authority that Rotherham and Barnsley Councils had passed motions noting that the Local Government Pension Scheme was a sustainable, good quality pension scheme that benefited from being funded and locally managed. The motions expressed concerns that current Government proposals were not a genuine attempt to make the Scheme more sustainable.

9 AMENDMENT OF DATE FOR FUTURE MEETING OF THE AUTHORITY FOR 2012/13

A report of the Clerk and Treasurer was submitted requesting the Authority to amend the date of the Pensions Authority Annual meeting in 2012.

RESOLVED – That the June, 2012 meeting of the Authority now be held on the 14 June 2012.

10 REVENUE ESTIMATES 2012/13 - ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

The Authority considered the Authority's draft revenue estimates for 2012/13 for administration and investment management expenses, and the levy under the Levying Bodies (General) Regulations 1992.

Members approved the budget for 2012/13 which had been prepared on a continuation of service basis. In doing so Members reinforced their commitment to resist budget cuts wherever possible and restated their ambition to:-

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

RESOLVED –

- 1 That approval be given to the revised estimates for 2011/12 of £5,176,000.
- 2 That a levy of £555,000 be approved for 2012/13 in accordance with the Levying Bodies (General) Regulations 1992.
- 3 That the budget for 2012/13 be approved.

11 ANNUAL REVIEW OF THE RISK REGISTER

The Authority considered the updated Risk Register. This had been reviewed by the Corporate Planning and Governance Board at its last meeting and approved. Members noted that the need for proper councillor training and knowledge was cited on the register.

RESOLVED – That the report be noted.

12 REVIEW OF CORPORATE STRATEGY

A report of the Clerk and Treasurer was submitted requesting the Authority to defer reviewing the Authority's Corporate Strategy for 2011/14 until the implications of the Hutton Report and the current Government consultation on employees' contributions and accrual rates had been concluded.

RESOLVED – That the Authority agrees 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 had been clarified.

13 LOCAL GOVERNMENT PENSION SCHEME FUNDS DATA ENGLAND 2010-11

A report of the Fund Director was submitted bringing Members' attention to the publication by the Department for Communities and Local Government of data relating to the Local Government Pension Scheme in England. 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 was an increase of 7% over 2009-10 and 41% over 2006-07.

RESOLVED – That the report be noted.

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

A report of the Clerk and Treasurer was submitted seeking Members' approval to enter into revised advisory and investment management agreements with South Yorkshire Integrated Transport Authority (SYITA).

The Authority noted that the current management agreements were last reviewed in July 2005 although they had been amended by side letter when necessary.

As part of a wider review of dated documentation the opportunity had been taken to bring the contracts up to date and reflect the changes in both legislation and best practice since 2005. The revised Agreement complied with

the EU Markets in Financial Instruments Directive (MiFID) and also covered 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, this Authority (SYPA) regarded SYITA as a professional client which meant that SYPA expected SYITA to have already assessed the risks involved in the strategies, investments and related services covered by the Agreement with it. The draft Agreements had been drawn up in consultation with the legal services unit of the South Yorkshire Joint Secretariat (SYJS) and had been approved by the South Yorkshire Passenger Transport Pensions Fund Committee.

RESOLVED – That the Authority approves the contracts and authorises the Clerk and Treasurer to sign on the Authority's behalf.

15 SCHEME MEMBERS AGM

The Authority considered the proceedings of the Scheme Members Annual General Meeting held at The Carr House Centre in Doncaster on the evening of 13 October. There were 105 members present of whom 86 were pensioners. A wide range of queries were raised from the floor during the question and answer session.

RESOLVED – That the report be noted.

16 LOYAL SERVICE AWARD SCHEME

A report of the Clerk and Treasurer was submitted seeking the views of the Authority on whether or not it should introduce a Loyal Service Award Scheme for its employees. Reference was made to similar schemes managed by other Local Authorities in the area.

RESOLVED –

- i) That the Authority agrees to introduce a Loyal Service Award for all employees who have achieved 25 years continuous pensions service.
- ii) Employees who have achieved 25 years continuous service would receive a certificate recognising their long service and the presentation of High Street vouchers to the value of £100.

17 LGPS REFORM PROPOSALS

The Authority received a presentation from the Head of Pensions Administration which set out proposals and options contained in the Department for Communities and Local Government consultation paper.

The consultation paper asked five questions of the Pensions Authority:

1. Did proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS?

Yes. Advice from the Pension Fund actuary suggests that the example options generally meet the policy objectives.

2. Were there any consequences or aspects of the proposal that had not been fully addressed?

The Authority noted that communicating the message of paying for less would be difficult and that there may be an increase in members who opt-out. The effect on administration of the changes had not been specifically considered including the cost and time involved in changing systems.

3. Was there a tariff or alternative measures that would help minimise opt-outs from the scheme?

The Authority agreed that measures should be sought to minimise opt-outs. However no alternative proposal was commissioned.

4. Were there any equality issues that could result in any individual groups being disproportionately affected?

The Authority took the view that the lower paid would be disproportionately affected by the reduction on benefits although it was recognised that lower accrual rates may be reversed by 2015.

5. Views were required of introducing into the LGPS a link with the state pension age.

The Authority agreed that normal retirement age within the scheme should be linked to state pension age in the future but that there should be no change to normal retirement age before then.

In addition to responding to the five specific questions the Authority agreed that a response to the consultation paper would include the following:

A suggestion that the short-term changes should be withdrawn and instead that the proposed long-term changes be brought forward by one year to April 2014.

No preference for any of the three suggested approaches.

A statement that if the short-term changes are implemented our own scheme member survey suggests that the opt-out rates would be significantly higher than the Government estimate.

A statement about the effect that short-term changes would have on administration and communication.

A comment that greater understanding was needed by the Government on the differences between the funded Local Government Pension

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Scheme and the unfunded other public sector schemes and that scheme specific discussions continue.

Recognition that despite the proposed changes the Local Government Pension Scheme continues to be an excellent scheme for existing and prospective members.

CHAIR