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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of the South Yorkshire Joint Secretariat on Thursday 12 January 2012 at 10.00 am for the purpose of transacting the business set out in the agenda.

M V Oades
Deputy Clerk and Solicitor

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

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Distribution

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

**12 JANUARY 2012 AT 10.00 AM AT THE OFFICES OF THE SOUTH YORKSHIRE
JOINT SECRETARIAT, 18 REGENT STREET, BARNSELY**

Agenda: Reports attached unless stated otherwise

	Item	Page
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 Meeting held on 24 November 2011	1 - 6
7	Minutes of the Corporate Planning & Governance Board held on 17 November 2011	7 - 14
8	Work Programme	15 - 18
9	Section 41 Member Feedback from District Councils	
10	Training and Education: CIPFA Code of Practice	19 - 26
11	LGPS Reform Proposals	Verbal Report

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Agenda Item 6

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

Pensions Authority: Thursday 24 November 2011

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING & GOVERNANCE BOARD

17 NOVEMBER 2011

PRESENT: Councillor Richard Wraith (Chair)
Councillors B Ford and P Wootton

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

J Prentice and L Wild (Audit Commission)

Trade Unions: G Boyington (Unison)

Apologies for absence were received from: Councillor D Baker, D Barker and E Butler and Mr G Warwick

1 URGENT ITEMS.

None.

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

RESOLVED – That the following agenda items be considered in the absence of the public and press.

Item 21 EU Member State Tax Rules
Item 22 Treasury Management Update

3 ANNOUNCEMENTS

The Board noted that the Government had issued a consultation paper on short term changes to the Local Government Pension Scheme. Members noted that there would be an opportunity for the Authority to discuss an appropriate response to the consultation paper at the November meeting of the Authority.

4 DECLARATIONS OF INTEREST

None.

5 MINUTES OF THE BOARD HELD ON 28 JULY 2011

RESOLVED – That the minutes of the meeting of the Board held on 28 July 2011 be signed by the Chair as a correct record.

6 WORK PROGRAMME

The Board's Work Programme up to 17 May 2012 was noted.

7 BUDGET MONITORING

A report of the Clerk and Treasurer was submitted advising Members of current expenditure incurred compared to the approved budget up to 30 September 2011. Variances were highlighted and explained.

RESOLVED - That the report be noted.

8 QUARTERLY PERFORMANCE FRAMEWORK REPORT

A report of the Clerk and Treasurer was submitted setting out the Performance Report for 2011/12 Quarter 1. The Deputy Clerk and Treasurer apologised to the Board, pointing out that the information on pages 14 and 15 of the agenda had not been updated. This had occurred because a member of staff who had originated the report had left and had not been replaced. It was hoped that a shorter and more streamlined report would be submitted to future meetings of the Board.

The investment strategy followed during the year was introduced in 2009/10. A new benchmark, to be implemented during 2011/12, was agreed in March 2011. Fund performance for the quarter was 2.3%, 0.3% ahead of the notional benchmark. As at 30 June 2011 the value of the Fund's assets was £4,509m.

Members noted that staff turnover was over target, but the percentage of staff with over 10 years experience had increased. The only outstanding training at Quarter 1 was for people who were either on a career break or maternity leave. Training for those would resume when they returned to work.

The Board noted that the target for the number of members submitting forms via EPIC had not been met. However, the use of EPIC continued to be promoted and for all new employers it was compulsory.

In respect of effective and transparent corporate governance, it was noted that the Authority failed to meet 2 of the 16 sub-sections in DCLG's best practice guidance relating to structure and representation. However, in April 2011 the Authority established a Pensions Advisory Panel which included deferred and pensioner members.

RESOLVED – That the report be noted.

9 RISK REGISTER

A report of the Clerk and Treasurer was submitted presenting the Authority's Risk Register to the Board for consideration. The Board noted that two risks relating to Member knowledge and expertise had been removed. Risks associated with the receipt of inaccurate data from employers and the global financial environment had

been amended. The description of risks regarding future changes to the Local Government Pension Scheme had been revised in light of recent developments

RESOLVED – That the report be noted.

10 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted requesting the Board to consider the work completed by the Internal Audit Team during the period April 2011 to October 2011 and the outstanding recommendations as at 31 October 2011 from the reports issued prior to May 2011.

The Audit Manager informed the meeting that the Internal Audit Team had faced difficulties following the retirement of the previous Chief Internal Auditor in January 2011 and the absence of the Audit Manager because of illness for an extended period. The Audit Manager felt that the assistance now being received from Barnsley MBC meant that the team could get back on track.

RESOLVED –

- i) That the report be received.
- ii) The Board acknowledged the need for the Head of Internal Audit to exercise his professional judgement to use resources flexibly in order to maximise the assurance to the Board.

11 INTERNAL AUDIT CONSULTATION PAPER

A report of the Head of Internal Audit was submitted requesting Members' views regarding projects for inclusion in the Internal Audit Plan for 2012/13.

The Board noted that the Strategy and Annual Plan 2012/13 report would be presented to the Board in February 2012 in order for the Board to approve the Strategy and Plan prior to commencement of that work.

RESOLVED – That the report be noted.

12 ANNUAL AUDIT LETTER

John Prentice and Linda Wild of the Audit Commission attended the meeting of the Board and presented the Audit Commissions Annual Audit Letter for the 2010/11 audit.

The District Auditor had issued an unqualified audit opinion on the Authority's financial statements on 29 July 2011. Two significant issues had arisen from the audit:

- A material presentational error had been identified on the Operational Accounts. As a result of the basis of pensions increases changing from Retail Price Index (RPI) to Consumer Prices Index(CPI), the negative past

service should have been disclosed as an exceptional item on the face of the Comprehensive Income and Expenditure Statement (CIES); and

- Submission of the draft financial statements for audit was two weeks after the agreed timescales. They were incomplete due to the omission of some significant disclosure notes which had been required for the first time this year.

The Board noted that the financial statements were otherwise supported by adequate working papers.

With regard to Value for Money, the District Auditor had again issued a qualified (except for) conclusion on the Authority's corporate arrangements for securing economy, efficiency and effectiveness in its use of resources on the basis that:

- It did not have fully accurate, good quality and timely data from its contributing bodies. This had impacted on the criteria regarding the production of relevant and reliable data and information to support decision making and manage performance

Within the Annual Audit Letter the District Auditor commented on four areas which he believed were important and had implications for the Authority.

- The economic downturn and pressure on the public sector's finances
- Income streams
- Treasury management
- International Financial Reporting Standards

With regard to the economic downturn and pressures on the public sector's finances the District Auditor warned that it was important for Members to recognise that when they considered budget savings they need to carefully select target areas. Given the composition of the Authority's budget, cutting costs would be a challenge if it strived to maintain levels of service. It would not be reasonable for the Authority to cut back on members of staff who generated funds, for example.

Members expressed the view that a possible area of future risk could be the admission of the staff of academies to the Fund.

RESOLVED – That the contents of the Audit Commissions Annual Audit Letter 2010/11 be noted.

13 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

A report of the Clerk and Treasurer was submitted requesting the Board to renew the current internal investment mandate for a further twelve months.

The Board noted that for the last seven years the Authority had formally entered into a written mandate with its internal fund managers similar to that which would be entered into with external fund managers. The District Auditor was of the opinion

having such a mandate complied with best practice and the spirit of the Myners' Principles.

RESOLVED – That the Board agrees to renew the current internal investment mandate for a further twelve months.

14 CONSTITUTION UPDATE

A report of the Clerk and Treasurer was submitted informing the Board of changes made and proposed to procedural documents included within the Authority's Constitution.

RESOLVED – That the report be noted.

15 ANTI-FRAUD AND CORRUPTION STRATEGY

A report of the Clerk and Treasurer was submitted reporting on the annual Vulnerability Assessment carried out in accordance with the Authority's Anti-Fraud and Corruption Strategy.

The report identified a number of improvement actions which had been implemented; they had been reported to the Board in November 2010. Since then further actions had been taken to update policies, procedures and guidance.

The Monitoring Officer, in conjunction with the Head of Internal Audit, had reviewed the areas of vulnerability which had been identified and recommendations had been drawn up and enacted. Fraudulent transactions had been detected on a purchasing card earlier in the year and although the correct reporting procedures had been followed, due to inaction by the relevant bank, further fraudulent transactions had taken place. The Head of Operations was liaising with the bank to improve lines of communication.

RESOLVED – That the report be noted.

16 LGPS REFORM PROPOSALS UPDATE

The Board noted that the Head of Pensions Administration would brief the Authority on the latest proposed changes to the Local Government Pension Scheme at the Authority meeting on 24 November 2011.

17 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

The Head of Pensions Administration submitted a quarterly report which informed the Board of employers' performance and any known levels of outstanding workload. The report covered the quarter ending 30 September 2011.

RESOLVED – That the contents of the report now considered be noted.

18 CONSULTATION PROGRAMME - AGM SURVEY

A report of the Communications and Training Manager was submitted informing the Board of the results of a survey carried out amongst Fund members who had attended the Annual Meeting. The survey was designed to measure customer satisfaction levels. All delegates were issued with a survey form and, of the 105 people who attended, 65 returned a completed survey. Overall, the event received an overwhelmingly positive review. The AGM had been recorded and uploaded to You Tube.

RESOLVED – That the report be noted.

19 BENCHMARKING RESULTS

A report of the Head of Pensions Administration was submitted advising the Board of the results of participation in the CIPFA Administration Benchmarking Club 2011.

The Board noted that the average unit per member was below average at £20.29 per member compared with an average fund cost of £22.14 per member of the Benchmarking Club.

Performance of the Pensions Administration team continued to be constantly higher than the average provided by members of the Benchmarking Club in each of the key service standards. The Authority was also able to provide performance data across a whole range of services, unlike a significant number of Local Authority Funds participating in the survey.

Using the Capita Hartshead Annual Pensions Scheme Admin Survey 2010, for Funds in excess of 10,000 members, the Fund was able to demonstrate that it had significantly lower costs than private sector in-house and externally managed Funds.

RESOLVED – That the report be noted.

20 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED- That under Section 100A (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.

21 EU MEMBER STATE TAX RULES: POTENTIAL TAX REFUNDS

A report of the Clerk and Treasurer was submitted informing the Board of the progress in pursuing potential claims for refunds of tax arising out of legal challenges to the legality of member state tax rules.

RESOLVED – That the report be noted.

22 TREASURY MANAGEMENT UPDATE

A report of the Clerk and Treasurer was submitted which provided an update to the Board on the treasury management operations of the Authority.

The report referred to recent decisions regarding interest rates and Quantative Easing taken by the Bank of England; the decision of the Icelandic Supreme Court regarding test case creditor claims; the increase in lending limits approved by the Authority in October and the counterparties used by the Authority over the last six months.

RESOLVED – That the report be noted.

CHAIR

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

South Yorkshire Pensions Authority – cycle of future meetings

Responsibilities	24 November 2011	12 January 2012	16 February 2012	12 April 2012	7 June 2012 AGM
	Strategic Overview of Business	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context
	S41 feedback	S41 feedback	S41 feedback	S41 feedback	S41 feedback
Training & Development		Training & Education: CIPFA Code of Practice	Training & Education: CIPFA Code of Practice		
Board Scrutiny	Call-Ins	Call-Ins	Call – Ins	Call – Ins	Call – Ins
	Budgets and Revised Estimates			Annual Review of Risk Policy	
	Risk Register Annual Review		Investment Board Supplementaries?		
Review of Strategies	Review of Corporate Strategy		Treasury Management Strategy Annual Report	Role of Pensions Advisory Panel	CPGB Audit Committee Functions Annual Report
			Review of Funding Strategy Statement		
			Annual Review AVC's		
Business	LGPS Reform Proposals	LGPS Reform Proposals	Write Offs	Meeting Cycle Dates	Appointment of Chair and Vice Chair
	LGPS Stats Update CLG				Membership of the Authority
	SYPA Agreements with SYITA				Appointment of Boards and

South Yorkshire Pensions Authority – cycle of future meetings

					Committees
	24 November 2011	12 January 2012	16 February 2012	12 April 2012	7 June 2012
	SYPF Annual Meeting Report				Questions in meetings of District Councils
	Loyalty Service Award Scheme				Annual Report on Member Training and Development Strategy
					Web Casting Report

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SOUTH YORKSHIRE PENSIONS AUTHORITY

12 January 2012

Report of Clerk and Treasurer

TRAINING AND EDUCATION: CIPFA CODE OF PRACTICE

1. Purpose of the Report

To inform Members of the publication by the Chartered Institute of Public Finance and Accountancy (CIPFA) of a Code of Practice governing the requirements for pensions finance knowledge and skills with effect from April 2012.

2. Recommendations

Members are recommended to receive the report and note that further reports on the implementation of the Code will be presented to the Authority's next meeting.

3. Background

- 3.1 In June of last year Members were informed of proposals by CIPFA to introduce a Code of Practice governing the requirements for pensions finance knowledge and skills with effect from April 2012. This Code was published in September 2011.

A copy of the report presented to Members is attached at Appendix A for information.

4. CIPFA Code

- 4.1 The Code published by CIPFA is very much as outlined in the report presented to Members last year. Its purpose is to support administering authorities in developing their governance arrangements to provide for effective decision making. The Code, which applies to officers as well as Members is intended to be used in conjunction with the *Pensions Finance Knowledge and Skills Framework – Technical Guidance for Elected Representatives and Non-executive Members in the Public Sector* and the *Pensions Finance Knowledge and Skills Framework – Technical Guidance for Pensions Practitioners in the Public Sector*.
- 4.2 The Code recommends that all organisations responsible for the financial management of public sector pension schemes adopt, as part

of their standing orders, financial regulations or other formal policy documents appropriate to their circumstances, the following statement:

‘1. This organisation adopts the key recommendations of the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.

2. This organisation recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills.

3. Accordingly this organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision - making.

4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Knowledge and Skills Frameworks.

5. This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.

6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to [*.....], who will act in accordance with the organisation’s policy statement, and, where he/she is a CIPFA member, with *CIPFA Standards of Professional Practice* (where relevant).’

*Note CIPFA recommend that the officer in question should be the senior officer responsible for the financial administration of the pension scheme. In our case this would be the Clerk and Treasurer.

5. Implementation of the Code

5.1 The statements set out in paragraph 4.2 above could be incorporated into the Authority’s Financial Regulations. These are currently being updated and I will be presenting a report to the Authority’s next meeting outlining the amendments proposed.

5.2 CIPFA also recommends that an organisation’s knowledge and skills policy statement adopt the following form of words (or similar):

‘1. This organisation recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

2. It therefore seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The implementation of this aspect of the Code requires a review of existing policies and procedures. A further report with recommendations will be presented to the Authority's next meeting on this aspect of the Code.

6. Implications

6.1 Financial

Depending upon the range of training options selected there will be costs associated with the process.

6.2 Legal

There are no legal implications.

6.3 Diversity

There are no diversity implications.

6.4 Risk

Failure to have regard to the Code may result in adverse comment by the Audit Commission.

W J Wilkinson
Clerk and Treasurer

Officer responsible: Maureen Oades, Deputy Clerk and Solicitor

01226 772856 mvoades@sypa.gov.uk

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

Other sources and references: CIPFA Code of Practice on *public sector pensions finance knowledge and skills*.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

9 JUNE 2011

Report of the Clerk and Treasurer

MEMBERS' TRAINING AND EDUCATION: CIPFA CODE OF PRACTICE

1) Purpose of the Report

To bring to Members' attention proposals from the Chartered Institute of Public Finance and Accountancy (CIPFA) to introduce a Code of Practice governing requirements for pensions finance knowledge and skills with effect from 1 April 2012.

2) Recommendations

That Members consider the report and determine how the Authority should prepare to comply with the requirements of the anticipated Code.

3) Background

3.1 Members are aware that a LGPS fund administering authority has been obliged since 2009 to report in its Statement of Investment Principles (SIP) on the extent to which it complies with the six Myners' Principles. In the interests of transparency, if an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them. The Secretary of State has directed funds towards guidance notes published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and these are intended to complement the Myners' requirements.

3.2 The CIPFA guidance covering investment decision-making and disclosure require LGPS funds to ensure that:-

- *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and*
- *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*

3.3 This Authority has accordingly disclosed its compliance in accordance with the Regulations. The current SIP extract is:-

H M Treasury updated the original Myners' Principles in 2008 and established six higher level ones. These have subsequently been adapted to meet the needs of the LGPS and administering authorities are required by regulation to report against these on a 'comply or explain basis'. There is no requirement that authorities implement every element of the Principles but the Authority aims to comply fully with them and this Statement has been drawn up with the Principles in mind.

The Authority believes it complies fully with four out of the six Principles (2, 3, 5 and 6) and complies substantially with the other two. In accordance with Principle 1 the Board has prepared, but not fully documented, a training policy for Members and the Authority has developed a medium term strategy. With regard to Principle 4 the Board does not yet have procedures for the assessment of its own performance or those of its advisors though it does have them in place for its investment managers. This shortcoming is being addressed by the Authority.

- 3.4 CIPFA formally consulted on introducing a Code of Practice earlier this year following the publication of its good practice guide in January 2010. At that stage the recommendations had persuasive rather than mandatory force. Since then the Hutton Report has been published and that included a recommendation that “every public sector pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent pension board”.
- 3.5 CIPFA now intends to publish a Code of Practice to come into effect on 1 April 2012 which will require annual formal reporting on compliance. Although the emphasis is on accountability rather than prescription there will be a formal requirement for the Chief Financial Officer (s151 officer) to adhere to the Code.
- 3.6 Please note that the Code applies to officers as well as Members. CIPFA is concerned that given the current financial climate the risks of expertise being lost have increased. Furthermore, political trends are leading to a higher turnover of elected Members on pensions decision-making bodies.

4) CIPFA Code

4.1 The Code of Practice has four key principles. These are:-

1. *Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management and decision-making can only be achieved where those involved have the requisite knowledge and skills.*
2. *Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills, for those in the organisation responsible for financial management and decision-making.*
3. *The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.*
4. *The organisation will designate a named individual to be responsible for ensuring that policies are implemented.*

4.2 CIPFA recognises that no two organisations will necessarily interpret the principles in the same way and therefore will not be prescriptive as to implementation. However, the Institute recommends that all organisations adopt the following wording or similar somewhere within its formal policy documents in an appropriate format:-

1. *This organisation adopts the key recommendations of Public Sector Pensions Finance – Knowledge and Skills: A CIPFA Code of Practice.*

2. *This organisation recognises that effective financial management and decision-making can only be achieved where those involved have the requisite knowledge and skills.*
3. *Accordingly this organisation will create and maintain formal and comprehensive objectives, policies and practices and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial management and decision-making.*
4. *These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.*
5. *This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.*
6. *This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to an officer who will act in accordance with the organisation's policy statement and, where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).*

4.3 The suggested policy statement referred to in point 4.2.3 above should adopt the following form of words or similar:-

1. *This organisation recognises the importance of ensuring that all staff and members charged with the financial management and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.*
2. *It therefore seeks to appoint individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.*

5) Current position

5.1 At its meeting in June 2009 the Authority reviewed that its Member training strategy going forward would be that newly appointed Members be given an induction training session; that all Members should attend the Pensions Fundamentals training programme provided by the Local Government Employers organisation; that internally run training sessions be held after Authority meetings as appropriate; that personal development interviews be held for Members of the Authority; that the Authority's approach to Member training be prudent and vigilant.

5.2 It is suggested that it would be appropriate for the Authority to review the above.

6) Way forward

6.1 CIPFA has produced a technical guidance booklet for both Members and officers. These are assessment tools rather than training manuals.

6.2 The Financial Skills Partnership has developed National Occupational Standards for pension scheme trustees and some investment related jobs. Whilst effectively job

descriptions rather than training manuals they do provide an indication of required skill sets. They cover pensions, investment strategy, investment operations and risk management. A sample programme runs to roughly forty pages.

6.3 Officers bring forward to Members specific relevant conferences and seminars as and when they become aware of them.

7) Implications

7.1 Financial

Depending upon the range of training options selected there will be costs associated with the process. A limited training budget has been provided for.

7.2 Legal

There are no legal implications.

7.3 Diversity

There are no diversity implications.

7.4 Risk

It is already an expectation of the Myners' Principles that Members are adequately trained to carry out their responsibilities on the Authority. Accordingly, the Authority has determined that Members' training be approached prudently but vigilantly. 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. Compliance with the Code, once introduced, will be an accounting and audit requirement.

W. J. Wilkinson
Clerk and Treasurer

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

Other sources and references: CIPFA; Financial Skills Partnership