

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 22 November 2012 at 10.00 am for the purpose of transacting the business set out in the agenda.

**M V Oades
Deputy Clerk and Monitoring Officer**

**Member Services Officer: Gill Garrety
Tel: 01226 772806 Email: ggarrety@syjs.gov.uk**

WEBCASTING NOTICE

This meeting may be filmed for live or subsequent broadcast via the Authority's web site. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed.

You should be aware that the Authority is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Authority's published policy.

Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

Distribution

Councillors M Lawton (Chair), R Wraith (Vice-Chair), D Baker, E Butler, R Ford, K Goulty, B Lodge, C McGuinness, B Perrin, L Rooney, A Sangar and P Wootton

Contact Details

For further information please contact:

<p>Gill Garrety South Yorkshire Joint Secretariat 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772806 ggarrety@syjs.gov.uk</p>	<p>Andrew Shirt South Yorkshire Joint Secretariat 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772207 ashirt@syjs.gov.uk</p>
---	---

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 NOVEMBER 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 11 October 2012	1 - 6
7	Minutes of the Investment Board held on 20 September 2012	7 - 14
8	Minutes of the Pensions Advisory Panel held on 23 October 2012	15 - 18
9	Work Programme	19 - 20
10	Section 41 Feedback from District Councils	
11	Annual Review of the Risk Register	21 - 26

	Item	Page
12	Annual Report of the Audit Committee 2011/12 (If approved by the Corporate Planning & Governance Board on 15 November 2012)	To Follow
13	Members' Training and Education: Draft Training Programme	27 - 28
14	Performance Snapshot Report 2012/13: Q2	29 - 34
15	Revenue Estimates 2013/14 - Administration and Investment Management Expenses	35 - 48
16	Actuarial Valuation 2013 Timetable	49 - 50
17	Board Chairs' Reports	Verbal Report
18	LGPS Reform Proposals Update	Verbal Report
19	Scheme Members' AGM	51 - 56
20	Pensions Advisory Panel Feedback	Verbal Report
21	Freedom Of Information Act 2000: Annual Update	57 - 60
22	Protocol: Usage of Social Media	61 - 62
23	Officer Contact Details	63 - 64

SOUTH YORKSHIRE PENSIONS AUTHORITY

11 OCTOBER 2012

PRESENT: Councillor M Lawton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors; D Baker, E Butler, B Ford, K Goulty, B Lodge,
B Perrin, L Rooney, A Sangar and P Wootton

Trade Unions: G Warwick (GMB)

Officers: G Chapman (Head of Pensions Administration),
J Hattersley (Fund Director), S Pick (Clerk and Treasurer) and
A Shirt (Member Services Officer)

Apologies for absence were received from Councillor
C McGuinness and Mr G Boyington (Unison)

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

The Chair reported receipt of two urgent items entitled:

- i) Minutes of the Annual Authority meeting held on 14 June 2012.
- ii) Minutes of the Ordinary Authority meeting held on 14 June 2012.

RESOLVED – That the Authority agrees to consider the urgent items at 6a and 6b on today's agenda.

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

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

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE MEETING HELD ON 26 JULY 2012

Members welcomed Steve Pick, the newly appointed Clerk and Treasurer to his first meeting of the Authority.

Councillor Wraith commented that following the retirement of several members of staff, it would be beneficial for Members to receive a paper identifying current officer contact details. Members welcomed this suggestion.

RESOLVED –

- i) That the minutes of the Authority meeting held on 26 July 2012 be agreed and signed by the Chair as a correct record.
- ii) That an updated officer contact list be circulated to Members of the Authority.
- a) Minutes of the Annual Authority meeting held on 14 June 2012

RESOLVED – That the minutes of the Annual Authority meeting held on 14 June 2012 be agreed and signed by the Chair as a correct record.

- b) Minutes of the Ordinary Authority meeting held on 14 June 2012

RESOLVED – That the minutes of the Ordinary Authority meeting held on 14 June 2012 be agreed and signed by the Chair as a correct record.

7 MINUTES OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 26 JULY 2012

Councillor Wraith referred to minute 11 of the Corporate Planning and Governance Board held on 26 July 2012, enquiring if separate letters to the Chief Executives at Sheffield CC, Barnsley MBC and Doncaster MBC had been sent drawing their attention to the issues which needed to be addressed regarding their performance data flows.

The Head of Pensions Administration informed Members that meetings with all district officers had taken place following the July meeting to address this issue. However, due to an oversight, letters had not been sent to the separate Chief Executives.

Members expressed their disappointment that the action had not yet been carried out. The Authority requested the Clerk and Treasurer to issue the letters as a matter of urgency.

RESOLVED –

- i) That the minutes of the Corporate Planning and Governance Board held on 26 July 2012 be received.
- ii) That separate letters be sent to the Chief Executives at Sheffield CC, Barnsley MBC and Doncaster MBC as a matter of urgency to make them aware of the data flow issues that need addressing.

8 WORK PROGRAMME

Members considered the Authority's Work Programme, highlighting that no training and development session had been arranged to take place at today's meeting.

The officer responsible for Member training and development was currently on long-term sickness absence. An outline programme for training would be presented to the November Authority meeting.

Members were reminded that a treasury management training session had been arranged to take place on Wednesday 21 November 2012, commencing at 10:30 am at the Offices of the Joint Secretariat.

RESOLVED –

- i) That the contents of the Work Programme now submitted be noted.
- ii) That an outline programme for training and development be made available at the November Authority meeting.

9 PERFORMANCE SNAPSHOT REPORT 2012/13: Q1

The Head of Pensions Administration presented a report setting out a snapshot of performance results for Quarter 1 of 2012/13.

Members noted that the 'Best' performance in Quarter 1 related to two areas, namely, the online Pensions Forecast Survey which had a target of 100% on schedule with a result of 96.1% of Members been satisfied. The second area related to Transactions with Members. 13,275 cases had been dealt with during Quarter 1, of which 99.8% been on target. It was noted that case numbers were down on the previous Quarter.

In relation to Strategic Objective 5 'Pensions Planning' it was noted that seven new employers had registered for EPIC, bringing the total of registered employers to 136 (75%). 62% of registered employers had submitted a change via EPIC.

Members commented that this result was disappointing and requested the Authority to set a date when they would no longer accept paper based changes from employers and only accept these via the EPIC system.

The Head of Pensions Administration informed the Authority that internal investigations were taking place as to why employers had chosen not to submit change requests via EPIC. It was noted that a report would be brought back to the Authority when analysis had taken place, along with a suggested date when the Authority would only accept data via the EPIC system.

Members were pleased to note that 577 Advisory Sessions had been held during Quarter 1, along with no complaints been received.

During Quarter 1, 11 new employers (9 Academies and 2 Community Admission Bodies) had joined the Fund. There had been 1 employer termination.

RESOLVED –

- i) That the report be noted.

- ii) That a report be submitted to a future meeting setting out the analysis as to why employers had chosen not to submit change data via EPIC, along with a suggested date when the Authority would no longer accept paper based changes from employers.

10 BOARD CHAIRS' REPORT

The Chair reported upon proceedings of the Investment Board held on 20 September 2012. The Board had welcomed the two new Investment Advisors and thanked the out-going Investment Advisors for their work on-behalf of the Fund.

Members had received a detailed presentation from WM Company which looked at the industry as a whole, together with the work achieved by other local authority pension funds during the year to give context and then looked at the Fund's performance.

RESOLVED – That the update be noted.

11 LGPS REFORM PROPOSALS UPDATE

The Head of Pensions Administration provided Members with an update in relation to the LGPS Reform proposals.

The Head of Pensions Administration had hoped that in accordance with the timetable, Members would have been possibly looking at the draft regulations today and the headline proposals. However, due to CLG/LGA slippages it was anticipated that the Draft Regulations would now be available around late December 2012, with possible Regulations coming into force around April/May 2013.

In order to inform scheme members of the significant changes to the scheme, the Authority had carried out a number of presentations for a number of employers including the districts, which had been well attended.

RESOLVED – That the update be noted.

12 EMPLOYER DISCRETIONS

A report of the Head of Pensions Administration was submitted requesting the Authority to agree a Policy for the exercise of discretions on behalf of former fund employers who no longer function as a scheme employer.

RESOLVED – That the Authority agrees to adopt SYPA staff discretionary policies for scheme members of employers who no longer function as a scheme employer.

13 PUBLIC PENSIONS SERVICE BILL

A report of the Clerk and Treasurer was submitted to inform Members that the Government had published the above Bill.

The Government had published the Public Service Pensions Bill in September 2012, which covered all of the main UK public sector pension schemes, including the Local

Government Pension Scheme (LGPS) and a number of smaller ones. The Bill included provision to be based upon career average earnings rather than defined benefit final salary schemes, as present, and would link pension ages under the schemes to State Pension Age. The Bill also introduced measures for cost sharing between employers and members.

The Fund Director commented that the Bill was sponsored by HM Treasury and had been clearly written with the unfunded schemes in mind. The Bill introduced a role for the Pensions Regulator which would be new to the LGPS and this might include the power to question and scrutinise actuarial assumptions and valuations and appoint a representative to sit on the administering entity.

The Bill was an enabling Bill and detailed Regulations would still need to be issued by the sponsoring department (CLG).

RESOLVED – That the report be noted.

CHAIR

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

20 SEPTEMBER 2012

PRESENT: Councillor M Lawton (Chair)
Councillors: K Goulty, R Wraith (Vice-Chair), B Perrin and A Sangar

Officers: S Pick (Treasurer), J Hattersley (Fund Director), S Smith (Head of Investments), F Bourne (Administration Officer) and M McCoole (Senior Member Services Officer)

Trade Union Members: G Warwick (GMB)

Investment Advisors: S Arkle, T Gardener, R Gillson, T Hardy and L Robb

Apologies for absence were received from Councillors B Lodge and C McGuinness

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

Councillor Lawton congratulated S Arkle on behalf of the Board, on her new appointment at Hendersons.

S Arkle and T Hardy were thanked for their sterling work on behalf of the Fund over the last ten years, and were presented with leaving gifts.

3 URGENT ITEMS

None.

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

RESOLVED – That:-

- i) Item 19 – ‘Emerging Market Equities’
- ii) Item 20 – ‘Currency Hedging’
- iii) Item 21 – ‘FRC: Consultation on Corporate Governance Code and Audit Committees’
- iv) Item 22 – ‘Local Authority Pension Fund Forum: Commissioned Research’
- v) Item 23 – ‘Winterhill Retail Park, Milton Keynes: Refurbishment’

be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 24 MAY 2012

The minutes be amended to include the Advisors' attendance at the meeting.

RESOLVED – That subject to the above amendment, the minutes of the meeting of the Investment Board held on 24 May 2012 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to 23 May 2013.

Members were reminded of the all day seminar on the future of LGPS to be held on Friday 28 September 2012; and the forthcoming training on treasury management.

RESOLVED – That the Work Programme be noted.

8 VERBAL UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

The Fund Director reported on the following matters which had arisen since the last meeting of the Board:-

- i) A Freedom of Information enquiry had been received in relation to investment in activist funds.
- ii) A Freedom of Information enquiry had been received in relation to securities class actions.
- iii) An enquiry had been received from a Fund member regarding the Fund's holding in Lonmin.
- iv) There had been on-going developments at Marathon Asset Managers, who managed part of the Japanese equity portfolio. One of the three founding partners had left the company, restructuring had taken place, and further staff departures were expected in December 2012. This would not directly affect the Fund.
- v) There had been some press coverage of the Fund's involvement in the class action instigation against BP regarding the Gulf of Mexico spill.

A Member asked for an update on the Icelandic bank situation and was advised that the bulk of the monies had now been received in one currency or another. The outstanding recoveries included monies due from Landsbanki and the UK subsidiaries. The latest expectation was that there would be a full recovery of monies although it may take as long as 2018 to achieve.

The outgoing Advisors informed the Board of the handover meeting with the new Advisors in London.

RESOLVED – That the update be noted.

9 LOCAL AUTHORITY PENSION FUND FORUM: MARCH 2012 BUSINESS MEETING

A report of the Fund Director was submitted informing the Board that the minutes of the March 2012 Business Meeting had been issued.

The 2012 Annual Conference would be held in Bournemouth on 28 – 30 November 2012 and Members were invited to attend.

RESOLVED – That the report be noted.

10 FRC: EFFECTIVE COMPANY STEWARDSHIP - CONSULTATION

A report of the Fund Director was submitted to inform Members that the Financial Reporting Council had issued a consultation paper regarding proposed changes to the UK Stewardship Code.

RESOLVED – That the report be noted.

11 KAY REVIEW OF UK EQUITY MARKETS AND LONG-TERM DECISION MAKING

A report of the Fund Director was submitted, which informed Members that the government sponsored Kay Review to examine investment in UK equity markets, and its impact on the long-term performance and governance of UK quoted companies, had been published.

The Kay Review was published on 23 July 2012, and had received a mixed response. Most reactions had been favourable, although many had referred to the lack of detail and concrete recommendations. The Secretary of State was considering the Review, and was expected to report back in detail later in the year.

RESOLVED – That the report be noted.

12 VOTING TRENDS

A report of the Fund Director was submitted to report to Members on discernible trends in UK proxy voting.

A six monthly summary report was produced by Pensions and Investment Research Consultants (PIRC), the Authority's corporate governance contractor, on voting trends at UK Annual General Meetings which was published in August 2012 and covered the first two quarters of 2012.

RESOLVED – That the report be noted.

13 ACTUARIAL VALUATION AND ASSET AND LIABILITY STUDY 2013: EFFECT OF QUANTITATIVE EASING ON PENSION FUNDS

A report of the Fund Director was submitted to draw to Members' attention that the Bank of England had published a report upon the effects of its policy of quantitative easing on UK pension funds and their members.

The pension industry had expressed a degree of scepticism to the Bank of England's report, in particular to the monetary easing policy which had repeatedly been singled out for criticism as it led to a reduction in bond yields and an increase in pension fund liabilities.

RESOLVED – That the report be noted.

14 RESPONSIBLE INVESTMENT AND THE COMMERCIAL PROPERTY PORTFOLIO

A report of the Fund Director was submitted to seek Members' approval of a policy statement regarding the application of responsible investing to the management of the commercial property investment portfolio and the Fund's involvement in the IPD Sustainability Index.

The Board had agreed to establish a responsible investment policy at its meeting in December 2008, for use in conjunction with its property portfolio. As a result of industry developments minor revisions had since been made to the policy.

IPD were launching a Sustainability Index to establish a greater understanding of the relationship between the financial and environmental performance of real estate assets. Aviva and PruPIM were contributors to the Index, and Standard Life Investments were planning to submit a number of Funds for inclusion in the Index.

RESOLVED – That:-

- i) The revised Responsible Investment policy be agreed.
- ii) The Fund would participate in the proposed IPD Sustainability Index and approved the appropriate fee.

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

A report of the Fund Director was submitted to update Members on the health and safety audit of the commercial property investment portfolio.

The Authority had appointed Standard Life Investments, as its commercial property advisor, to monitor and report upon the portfolio's health and safety performance and also S2 Partnership to provide appropriate compliance systems.

RESOLVED – That the Board noted the annual health and safety report prepared by Standard Life Investments.

16 CUSTOMISED BENCHMARK: REVIEW

A report of the Clerk and Treasurer was submitted to seek Members' approval to proposed changes to the Fund's customised benchmark and targets.

Members had approved the changes to the manner in which the Fund's emerging market equity portfolios were managed at the May 2012 meeting of the Board, and the changes were due to come into effect on 1 October 2012.

A question was raised regarding the reporting methodology of any range breaches. S Smith commented that if there was a breach at the quarter end it would be reported in the quarterly review. The Advisors commented that it would be normal practice to produce an exceptions report whenever a breach occurred stating the action taken to ensure an audit trail of investment actions. After further discussion it was agreed to identify in the quarterly report any breaches that had occurred during the period and provide an update to the reporting meeting.

The target indices were reviewed and it was agreed that they be left unchanged.

S Smith suggested that the proposed benchmark weightings were changed but that implementation of the benchmark indices be delayed until the management of the emerging markets portfolio had been agreed.

RESOLVED – That Members agreed to adopt the new benchmark weightings with effect from 1 October 2012 but that implementation of the proposed changes to the benchmark indices be delayed until such time as the management of the emerging market equity portfolio had been resolved.

17 PRESENTATION BY WM COMPANY

The Board received a presentation from WM Company which looked at the industry as a whole, together with the work achieved by other pension funds during the year to give context and then look at the Fund's performance relative to our own benchmark and relative to everyone else.

In relation to the 2011/12 returns and ranges the Board noted that UK equities returns had ranged from 7% to zero and produced an average of 2.2%. There had been a large range of results regarding UK government bonds, which were as wide as those in UK private equity, and indicated the unusual nature of returns last year. Duration had been a crucial factor. The asset allocation decisions had a bigger effect last year. In terms of alternatives private equity had a good year of 5%, and hedge funds had done nothing. Over the last 3 to 4 years a great deal of money had gone into alternatives, and last year there had been a total asset return of 2%.

The Board noted a slow down on alternative performance and noted that funds who had invested in active currency had lost considerable amounts of money. K Thrumble stated that few funds held infrastructure in their benchmarks.

Regarding the longer term asset allocation, K Thrumble stated that LGPS funds still remained very equity dependant with the strong belief that equities were a good investment. The average LGPS fund now had over 10 managers, and it was

expected that funds would become even more complex. The average fund underperformed its benchmark by ½% last year.

Over the last 12 months the Fund had a return of 5.5%, which was a very positive outturn of almost 3% ahead of the average fund. Generally the internally managed funds had performed very well. In comparison to other funds during the last 3 years, the Fund had taken a much lower risk due to the Fund having more bonds than equities.

K Thrumble was thanked for her informative presentation.

RESOLVED – That the presentation be noted.

18 SYPA QUARTERLY REPORT TO 30 JUNE 2012

The Board reviewed the performance of the Fund during the Quarter ended 30 June 2012 and noted the Fund had returned -1.4% against the expected benchmark return of -2.1%, with the Fund valuation declining from £4652.6m to £4577.6m.

Activity within the portfolios was dominated by the transition to the new benchmark. The final holdings within conventional gilts were sold and part of the proceeds invested into emerging market bonds and high yield bonds. £25m from these proceeds plus £50m from cash was invested into the European, US and OFE portfolios.

During the quarter value had been added from stock selection and asset allocation. The main reason for this was being overweight UK equities versus international equities and the asset distribution across international equities (being underweight Europe, and within that portfolio underweight banks, and underweight emerging markets, whilst being overweight in the US), and being overweight in cash. S Smith commented upon the increasing importance of yield in achieving returns and whether forecast earnings would be met.

Over the quarter investors became more risk averse as European concerns and slowing growth, particularly in China, weighed on sentiment.

A surge towards safe haven assets pushed core bond markets to peak at new record low yields. The European summit in June announced measures that were better than anticipated and the markets then posted a positive return for June.

Momentum in the UK commercial real estate market slowed further as the fragile health of the domestic economy continued to affect sentiment towards the sector. Capital values fell over the quarter, with pronounced declines in the retail sector. The London City and West End office markets remained the most resilient sector.

There was a broad discussion regarding the absolute return portfolio and the rationale for investing in alternative assets generally. Both T Gardener and L Robb suggested that a review be included within the broader discussion surrounding the forthcoming asset and liability study arising out of the 2013 actuarial valuation but that an earlier examination would not be amiss. R Gillson noted the current underweight position versus a benchmark that had just been re-endorsed.

S Smith commented that going forward volatility would be an on-going feature. She said that the recent announcement regarding QE3 from the Federal Reserve had been well received by the market and the Fund had not participated fully in the rally. It was noted that each tranche of QE appeared to be less effective: The law of diminishing marginal returns. S Smith said that managers were still concerned that the market exuberance was misplaced though there were pockets of value in equity markets. Bonds appeared to be too expensive everywhere.

T Hardy agreed with this view as did L Robb. Both would prefer equities to any other asset class. T Hardy suspected that US had cooled off and queried what was happening within China. The UK might have slipped back into recession, and UK private debt remained an issue. L Robb added that thoughts were bobbling around but probably with an upwards bias.

RESOLVED – That the report be noted.

19 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That, under Section 100A(4) of the Local Government Act 1972, the public 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 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

20 EMERGING MARKET EQUITIES (EXEMPTION PARAGRAPH 3)

A report from AllenbridgeEpic Investment Advisors Limited identifying potential managers for the emerging market equity portfolios was tabled.

Advisors thought that the report lacked information and would have expected at minimum to be advised whether the managers listed were open to business; discreet years of service; how much do they run and fees. It was agreed that the Fund Director ought to seek this information.

After a wide ranging discussion it was agreed that the Fund Director, after seeking advice from the Panel, should submit a report to the next Board meeting identifying not more than five potential managers of pooled funds who could do all or part of the two geographical remits. The list of potential managers need not be restricted to those included in the AllenbridgeEpic report just received.

RESOLVED – That a report identifying five potential managers of pooled funds appropriate for this portfolio be brought to the next meeting of the Board.

21 CURRENCY HEDGING (EXEMPTION PARAGRAPH 3)

The Fund Director gave a verbal update on the strategy to date.

The Board noted that approximately 50% of overseas exposure in Euros and US Dollars was being rolled over. The next rollover date was 16 October 2012, and a detailed report on the full year giving details of costs etc. would be brought to the December meeting of the Board.

RESOLVED – That the verbal update be noted.

22 FRC: CONSULTATION ON CORPORATE GOVERNANCE CODE AND AUDIT COMMITTEES (EXEMPTION PARAGRAPH 3)

A report of the Fund Director was submitted to inform Members that the Financial Reporting Council had been consulting on proposed changes to the UK Governance Code and Guidance on Audit Committees.

RESOLVED – That the report be noted.

23 LOCAL AUTHORITY PENSION FUND FORUM: COMMISSIONED RESEARCH (EXEMPTION PARAGRAPH 3)

A report of the Fund Director was submitted to advise Members that the draft report arising out of research commissioned by LAPFF into social and local benefit investing had been issued for consultation.

The Fund Director commented that it was a little disappointing and there were not any strong recommendations. The report would be launched at this season's political party conferences.

RESOLVED – That the report be noted.

24 WINTERHILL RETAIL PARK, MILTON KEYNES: REFURBISHMENT (EXEMPTION PARAGRAPH 3)

A report of the Fund Director was submitted to seek Members' approval of action taken by the Chairman and Vice Chairman regarding the letting of a contract for refurbishment works at the Milton Keynes property.

Members noted that the report was now redundant due to a change in prospective tenant but, had been brought to Members' attention for transparency reasons.

RESOLVED – That the report be noted and Members endorsed the action taken.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

PENSIONS ADVISORY PANEL

23 OCTOBER 2012

PRESENT: Councillor M Lawton (Chair)
Councillor R Wraith (Vice-Chair)

Trade Unions G Boyington (Unison), M Clegg (GMB), M Eeles (UCATT), R Padley (Unison) and G Warwick (GMB)

Pensioners & Deferred Representatives D Carr, D Tomkins and J Weston

Officers G Chapman (Head of Pensions Administration), G Garrety (Member Services Officer), J Hattersley (Fund Director), M McCarthy (Deputy Clerk) and S Pick (Clerk and Treasurer)

Apologies were received from: G Johnston and D Stevenson

1 WELCOME

The Chair welcomed Members to the October meeting of the Pensions Advisory Panel.

2 MINUTES OF THE MEETING OF THE PANEL HELD ON 12 JUNE 2012

RESOLVED – That the minutes of the Pensions Advisory Panel held on 12 June 2012 be agreed as a correct record.

3 MINUTES OF THE AUTHORITY AND BOARDS

The Panel considered the minutes of the Authority and Board meetings held since the last meeting of the Panel on 12 June 2012.

Ordinary Meeting of the Authority held on 14 June 2012

With regard to minute 15, a member queried whether the new appointments had been made to the Investment Advisory Panel. J Hattersley confirmed that Tim Gardener and Leslie Robb had been appointed. Tim Gardener had previously been a consultant with Mercers and was currently employed by AXA Investment Managers; he was also an advisor to another local authority fund. Leslie Robb was a senior partner with Baillie Gifford in Edinburgh. These appointments meant that the Authority now had 3 advisors with actuarial training. A hand over meeting had been held in London with the previous advisors who also, together with the newly appointed advisors, attended the Investment Board meeting on 20 September.

Corporate Planning and Governance Board held on 26 July 2012

With regard to minute 14 and the annual review of ill health retirements, a member queried why, although less people had retired on ill health grounds than the previous year, it had cost more? G Chapman explained that costs depended on several factors, for example the rates of enhancement. The age and seniority of the member could also add to costs.

With regard to minute 17 in relation to the SLA Annual Contribution Returns, a member of the Panel queried whether Barnsley MBC had paid their contributions. G Chapman explained that the contributions had already been paid; it was the annual returns that were outstanding. He confirmed the returns had now been received. D Tomkins commented that the returns were an ongoing problem, but improvements were beginning to be seen. S Pick reported that he had written to the Chief Executives at Barnsley, Doncaster and Sheffield, detailing their performance and stressing the need to improve.

4 LGPS 2014 UPDATE

G Chapman reported that the production of the draft regulations had been delayed. CLG had confirmed that the statutory consultation would not now commence until the end of the year. This would mean some slippage in the production of the actual regulations which had been due on 1 April 2013, to allow a year of preparation for implementation and to give actuaries time to build in potential savings from the new scheme into the 2013 valuation. It was unclear if the draft regulations would contain sufficient information for the software providers to begin development of the new software that would be required.

He reported that the presentations to employers were still ongoing; the next series had been arranged in Sheffield in November. There was a continual communications project to keep everyone informed of what the changes were likely to be.

It was noted that the Scheme would be complicated because of the nature of the proposals. The LGA were working behind the scenes in terms of protections and it was reported that they were struggling to find many people who would be worse off, although it was acknowledged that people would have to work longer for the same money.

M Eeles commented that he had been to one of the presentations, which he had found useful, but there was still confusion; he welcomed the constant communications.

G Warwick commented that the trades unions were concerned about the delay in producing draft Regulations. They appreciated the potential consequences for systems providers should the timetable slip considerably.

G Chapman commented that the delays were not unexpected and hopefully would not cause any major problems, but it was very difficult to get across to employers what they needed to do now, especially with regard to auto-enrolment. Auto-enrolment applied fully to Local Authorities, as to any other employer, although full auto-enrolment could be deferred to 2017. Workshops for employers would be run in the New Year.

5 AVC COMPENSATION SCHEME

G Chapman reported that he had finally been contacted by the body administering the compensation scheme on behalf of Equitable Life. A disclosure agreement regarding the details of members involved had been signed and further contact was now awaited. He commented that this had been good news, as it had not been clear previously that Local Government Scheme members were included in the compensation scheme.

6 INVESTMENT UPDATE

J Hattersley reported that it had been a positive quarter; the Fund had probably returned 2.8%. The sentiment in markets remained largely unchanged; it was still a "risk on, risk off" situation. The Federal Reserve in the US had announced that it would make sure that the unemployment situation was dealt with. This would mean open-ended Quantitative Easing and in this situation markets would rise for a time. He reported that shares were up but yields in the bond markets were slowly rising. At the end of September the Fund was worth roughly £4.7bn. With regard to the US deficit, this would have to be tackled at some point but due to the elections the Presidential candidates were buying time; at some stage there was a price to be paid.

7 MEMBER TRAINING UPDATE

M McCarthy reported that R Bywater had presented a draft Training and Development Strategy to the Pensions Authority on 14 June 2012. The Authority had broadly agreed to this strategy and also agreed that the training should be extended to members of the Pensions Advisory Panel. Unfortunately, shortly afterwards she had gone on sick leave which had turned out to be long-term. In view of this he had now asked a colleague who works for the Fire and Rescue Authority to take up Pensions Authority member training and she would begin by sending Advisory Panel Members a 'Training Needs' form to determine areas where Members thought training would be useful. This would lead to a much more tailored approach to training. Hopefully at the January meeting he would have something more tangible for Members' responses.

M Lawton suggested that Advisory Panel members be invited to the training sessions scheduled for after Authority meetings. G Warwick commented that although the Trade Union representatives were invited to observe Authority meetings, they did not have the same training as Authority members. He felt that with more training they could make much more of a contribution. S Pick commented that it was in everyone's interests to have a well-informed workforce, the Trade Union representatives could help employees make informed decisions.

8 MEETINGS OF THE PENSIONS ADVISORY PANEL

The Panel noted that the next meetings had been scheduled as follows:

- 22 January 2013
- 16 April 2013
- 11 June 2013

All to commence at 10am at the Joint Secretariat.

9 AOB

R Padley asked that thanks be conveyed to Rebecca Middleton, who had recently gone on maternity leave, for the sterling work she and her colleagues did at Howden House. G Warwick commented that he wanted to echo those thanks on behalf of the GMB, adding that the team should be congratulated for the wonderful service provided at Howden House.

CHAIR

South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	11 October 2012	22 November 2012	17 January 2013	21 March 2013
Strategic Overview of Business	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context	Meeting Overview & Context
	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins	Call-Ins	Call-Ins
		Annual Review of Risk Register		
		CPGB Audit Committee Functions Annual Report		
Training & Development		Draft Training Programme		
Review of Strategies	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
		Budgets and Revised Estimates	Budgets and Revised Estimates	Treasury Management Strategy Annual Report
		Actuarial Valuation Timetable		Funding Strategy Statement
Business	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports

	LGPS Reform Proposals Update	LGPS Reform Proposals Update		AVC's Annual Review
	11 October 2012	22 November 2012	17 January 2013	21 March 2013
		Scheme Members AGM		
	Public Service Pensions Bill	Pensions Advisory Panel Feedback		Consultation Strategy
		FoIA Annual Report FoIA Publication Scheme		
			Members Self-Assessment Report	Write Offs
		Protocol: Use of social media		
Training & Development	Training Session	Training Session	Training Session	Training Session

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

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 15 November 2012).

4. Implications and risks

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

S Pick
Clerk and Treasurer

Officer responsible: Maureen Oades, Deputy Clerk and Solicitor

01226 772856: 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.

This page is intentionally left blank

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likelihood (1-4)	Risk Rating		Impact (1-4)	Likelihood (1-4)	Risk Rating
1	Jan 2010	<u>MEMEBRS KNOWLEDGE & EXPERTISE: PROCESSES</u> Members do not acquire appropriate knowledge and expertise to discharge their responsibilities.	Pensions Planning Group	3	3	MEDIUM	Induction training provided for new Members. Members attend LGPS 3 day fundamentals training course. Periodic awareness presentations delivered to Members. October 2011 the Authority approved a performance self-assessment framework for Members and Chairs. The annual findings will assist in identifying learning & development requirements. CIPFA Code of Practice on Public Sector Pensions Finance Knowledge & Skills came into effect April 2012. June 2012 Members agreed new training regime.	2	2	LOW
2	2006/07	<u>LOSS OF KEY STAFF</u> Loss of key staff i.e. Clerk & Treasurer, Head of Pensions Admin, Fund Director impacting upon people, reputation, continuity of operations & targets.	Clerk & Treasurer	3	4	HIGH	Training of staff. Sharing of information. Use of minutes & 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 Clerk & Treasurer appointed September 2012. Awaiting impact of PCC before assessing whether any further responsibility changes desirable.	4	2	MEDIUM

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likelihood (1-4)	Risk Rating		Impact (1-4)	Likelihood (1-4)	Risk Rating
3	2006/07	<u>INACCURATE PAY & CONTRIBUTIONS DATA FROM DISTRICT COUNCILS or DATA NOT PROVIDED IN A TIMELY MANNER</u> Operations, Targets, Reputation & Assets. Will affect the accuracy and production of the valuations and the information given to employees and pensioners.	Clerk & Treasurer/Head of Pensions Admin	3	3	MEDIUM	Section 41/District Officer & member monitoring meetings established. Regular report on progress to Corporate Planning & Governance Board, and standard item on SY Treasurers Association with practitioner officer working group established. I-Connect being investigated as a possible long term solution.	2	3	MEDIUM
4	Mar 2009	<u>GLOBAL ECONOMIC PROBLEMS</u> 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/Fund Director	4	2	MEDIUM	Protocol in place limiting financial exposure to any single organisation. Investment advice obtained from professional organisation, including rating agencies. Detailed contracts in place. Arrangements for interim actuarial valuations and liability checks made if necessary.	2	2	LOW
5		<u>SERVICE DELIVERY</u> Financial, People, Operational and Strategic Risks. Inability to continue providing an effective service; relatively few >55s who might be interested in voluntary redundancy; compulsory redundancy probably necessary to achieve any more budget cuts; impact upon staff morale & motivation; investment staff "savings" would probably impact upon investment returns.	Clerk & Treasurer/Fund Director/Head of Pensions Admin	4	2	MEDIUM	Trade union consultation/liaison arrangements well established; SYJS HR function available & willing to discuss any personal concerns over staff issues. Authority indicated support for maintaining present levels of service.	4	2	MEDIUM

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likelihood (1-4)	Risk Rating		Impact (1-4)	Likelihood (1-4)	Risk Rating
6	Sept 2010	<p><u>FUTURE CHANGES TO LGPS</u></p> <p>Financial, People, Operational, Strategic Regulatory Targets. Broad proposals for new LGPS 2014 announced. Awaiting detailed benefit regulations prior to consultation and more work from stream 2 regarding governance matters. On basis of information to date will require significant changes to systems for all employers and the admin authority. Need to ensure changes communicated to all members. Auto-enrolment ongoing but probably be deferred by DCs.</p>	Clerk & Treasurer/Fund Director/Head of Pensions Admin	4	3	HIGH	<p>Ongoing monitoring.</p> <p>FURTHER PLANNED CONTROL MEASURES: Talks between the Government, employers and the unions resulted in proposals for new scheme from April 2014. Agreement in principle on structure of LGPS 2014. Formal consultation awaited. Timetable very tight. Will require Member training as and when info available. Corporate strategy will need to be reviewed once impact known.</p>	4	3	HIGH

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Report of the Clerk and Treasurer

MEMBERS' TRAINING AND EDUCATION: DRAFT TRAINING PROGRAMME

1. Purpose of the Report

To bring to Members' attention the draft Training Programme.

2. Recommendations

That Members note the draft Training Programme.

3. Information

Training sessions are planned after meetings of the Authority and its Boards as follows:

Authority Meetings

22 November 2012 – National Fraud Initiative
17 January 2013 – PIRC presentation on responsible investment
21 March 2013 – Service Level Agreements

Corporate Planning & Governance Board

14 March 2013 – Internal Team presentation
16 May 2013 – Member and Officers Training Strategies
20 June 2013 – Internal Team presentation

Investment Board

13 December 2012 – Internal Team presentation
28 February 2013 – Henderson Corporate Bond Presentation
23 May 2013 – Standard Life Presentation

3.1 In addition, all Members will be invited to the following Joint Authorities training sessions:

January 2013 – Read Faster Workshop.
Early 2013 – Practical Sessions on Social Media – this training has been funded by the Regional Improvement and Efficiency Partnership.

3.2 When further information is received regarding the LGPS Reform Proposals a further training day may be required.

3.3 Fundamentals Training will be offered as usual in the autumn of 2013.

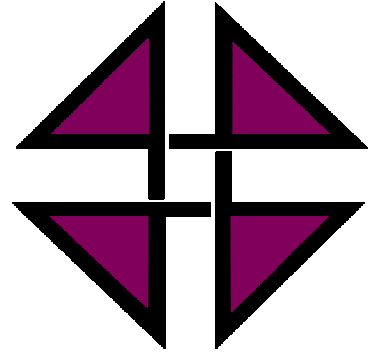
4. Implications

- Financial** There is provision in the Democratic Representation Budget.
- Legal** None.
- Diversity** None.
- Risk** It is 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.

S Pick
Clerk and Treasurer

Officer responsible:
Gill Garrety – Member Services Officer
Phone 01226 772806
E-mail: ggarrety@syjs.gov.uk

Background papers used in the preparation of this report are available for inspection at the offices of the Joint Secretariat



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Business Planning and
Performance Framework 2012/13
for the Pensions Service
and Pensions Authority

**Performance Snapshot Report
2012/13: Q2**

ISSUED: November 2012

The strategic framework in outline

Pensions Service Strategic Objectives	Area of Impact
1: The Best	1.1: Engaging with all our partners, including employers, to ensure that we understand and meet their agreed needs 1.2: Providing an accurate and timely service to all customers 1.3: Gaining and retaining external recognition through quality standards awards such as Charter Mark and Customer Service Excellence 1.4: Ensuring that we continue to provide Value for Money
2: Investment returns	2.1: Monitoring performance against the adopted benchmark and targets
3: Responsible Investment	3.1: Developing and implementing a responsible investment policy that is compatible with the fiduciary duties of the Fund 3.2: Adopting a voting strategy and guidelines specific to the Fund's requirements and ensuring that it is regularly reviewed in accordance with industry best practice
4: Valuing our Employees	4.1: Maintaining a competent, valued and motivated workforce. 4.2: Encouraging personal development to improve knowledge, skills and effectiveness.
5: Pensions Planning	5.1: Providing information through written material to all customers 5.2: Developing interactive website facilities 5.3: Encouraging attendance at annual events to provide forums for discussion 5.4: Maintaining an "on-site" presence to address personal concerns
6: Effective and Transparent Corporate Governance	6.1: Clarifying functions and roles towards delivering a common purpose 6.2: Promoting good governance through upholding high standards of conduct and behaviour 6.3: Developing the capacity and capability of members and officers to be effective 6.4: Ensuring robust accountability

Snapshot performance results for each Strategic Objective and Area of Impact appear on the following pages

Pensions Service Strategic Objectives

1. The Best

Area under Review	Activity During Quarter	Target	Status/Comment
Consultation Strategy	Online Deferred Pension Forecast	100% on Schedule	94.0% Satisfied
Transactions with Members	12004 Cases of which 99.9% on target	97%	Performance Improved & Target Achieved. Just 11 cases out of time.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£4721.7	N/A	£4577.6m at end June
Performance Against Benchmarks	Qtr 3.3% YTD 1.9%	Qtr 3.4% YTD 1.2%	Equity markets rebounded on the back of central bank intervention. Asset allocation was neutral but stock selection detracted by 0.1%

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	FRC Corporate Governance Code and FRC Effective Stewardship Code reported in September.	-	

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	2 leavers 0 New Starters	Annual 4.25%	Transfer of Facilities Management function to SYJS
Staff Training	MS Office Foundation/Intermediate	Plan 100% up to date	On target

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	25 new employers registered for EPIC	N/A	161 employers (83%) now registered for EPIC
	67% of registered employers submitted a change via EPIC		Better than previous quarter but significant improvement required
	563 new members registered for MyPension		11666 Members now registered in total. 34% increase from last quarter.
Annual Meetings	N/A	Increase/Maintain Attendance	No meetings held during the review period
Face to Face Communication	532 Advisory Sessions Held	Less than 0.5% complaints	No complaints received. Numbers seen consistent with previous quarter.

Employer Activity	17 New Employers (14 Academies and 3 Transferee Admission Bodies)	N/A	Number of new employers continues to increase due to schools converting to Academy status.
	1 Employer Termination		

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit Annual and Quarterly Reports	July Quarterly Progress Report reviewed by CP&GB	100%	On target
External Audit Reports /Plans	July– Audit Commission Annual Governance Report 2011/12 considered by CP&GB	100%	On target
Risk Management Annual and Quarterly Reports	July - Risk Register reviewed by CP&GB July - Annual Review of Risk Management Policy and Risk Register by the Authority.	100%	On target
Constitution Policy/Procedure Revision Dates	No updates reported.	100% Up to date	

Financial Reporting	Budget Monitoring report – Quarter 1 considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion		No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Audit Committee – Annual Self Assessment			Reviewing format will be presented later in the year
Member Training	9 Members attended training on LGPS 2014 Scheme	100% Induction & Fundamentals Training	85% had induction. 75% had fundamentals.

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Report of the Clerk and Treasurer

REVENUE ESTIMATES 2013/14 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2013/14 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) **Approve the revised estimates for 2012/13 in the sum of £5,242,800**
 - (ii) **Approve a levy of £546,000 for 2013/14 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) **Note the preliminary forecasts for 2013/14, and refer the estimates to the District councils for comment.**
-

STRATEGIC PLANNING

3 Background

- 3.1 The Pension Fund's pensions and investment management costs do not fall directly on Council Tax. Instead 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 2012/13 and 2013/14. This will be reviewed again within the actuarial calculations for the 2013 valuation, which will determine the employer contribution rates 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 Since 2010 local councils have been considering cuts of 15-20% over 4 years. If this was translated directly into equivalent Pensions Authority terms it would represent budget cuts ranging from £0.89m to £1.18m between 2011/12 and 2014/15.

The Authority has always strived to manage the Fund within the budgetary constraints imposed and, as shown in the table below, has consistently achieved an underspend over the last few years. Although the Authority has built up a reserve of around 3% of budget the resulting savings have meant a smaller charge to the Fund each year.

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2007/08	5,912,100	5,928,100	5,751,346	-176,754
2008/09	6,078,300	5,898,700	5,524,211	-374,489
2009/10	5,976,000	5,809,500	5,184,506	-624,994
2010/11	5,808,750	5,796,350	5,369,973	-426,377
2011/12	5,685,700	5,176,000	4,957,594	-218,406
2012/13	5,340,700	5,242,800		

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.

Year	2008/09	2009/10	2010/11	2011/12	2012/13 (estimate)
No of leavers	5,075	4,653	6,333	5,347	5,790

The biggest increase was in 2010/11 but the Authority has seen a steady increase in 2011/12 and a further increase anticipated by the end of 2012/13 as all of the major employers have redundancy schemes in operation.

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.

Year	Oct 2010 / Sept 11	Oct 2011 / Sept 12
Casework received	50,316	56,791

- The Government has now announced proposals regarding the future structure of the LGPS. The key features are due for consultation later this year. The target date for the introduction of the new Scheme which Government states will reduce costs is 1st April 2014.
 - i. The new Scheme will be a career average scheme with different accrual rates to the current scheme.
 - ii. The new Scheme retirement age will be linked to state pension age.
 - iii. Contribution rates and bands will change.
 - iv. There will be new options available to Scheme members and current benefits will be protected.
 - v. This will lead to increased workload as the Authority implements the new Scheme in line with a full new set of Regulations.

All the above will involve enhanced administration requirements and probable changes to investment strategy. Furthermore, the introduction of Auto-Enrolment will add to the Authority's workload.

4 **Preliminary financial forecasts**

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2013/14 for administration and investment management expenses together with a probable outturn for 2012/13.

The Authority is also asked to approve the levy for 2013/14 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 2012/13 estimates and 2013/14 estimates

Appendix B - variation statement showing main changes for 2012/13 probable outturn

Appendix C - variation statement showing main changes for 2013/14 estimate

Appendix D - statement of recharges to District Councils and levy for 2013/14

4.1 **Probable Outturn**

The revised estimates for 2012/13 show a bottom line reduction of just under £98,000. This equates to a saving of just under £48,000 on the controllable budget and a saving of £50,000 on the investment management budget: this reflects the fact that market values have not increased as significantly as we would have liked.

The main variations are shown in Appendix B.

This shows savings continuing to be achieved across various budget heads. These savings are becoming harder to achieve as the budgets are held at cash and most inflation is absorbed.

4.2 Developments during 2012/13

The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration is still driving forward the greater use of electronic communication with Fund members and employers where appropriate. This is a long process but has already helped to cut costs in printing and IT. Unfortunately the rise in the cost of postage has caused the savings to be reduced slightly; but this is an area that is being monitored continuously and alternatives are being investigated.

4.3 The administration / payroll section has been reorganised and this will create a saving over coming years and a more streamlined management structure.

4.4 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. As these academies come on board the actuarial costs related to them are being paid out immediately by the Authority and then being recharged to the academy via the deficit calculation. This causes an unbalanced view on what is being spent by the Authority on actuarial fees. The figures in this report only include genuine actuarial costs incurred by the Authority. Appendix A shows the amount that is estimated to be spent in respect of academies and recharged via the deficit for 2012/13 and 2013/14 as a separate line for information. The amount spent so far this year (to end of September) is just over £72,000. It is extremely difficult to try to estimate how much this will be for the full year and for next year as it depends entirely on how many schools elect for academy status.

5 Budget Assumptions

5.1 The initial planning guideline for 2013/14 was a 'continuation of service' budget based on maintaining current levels of service and current levels of price inflation of about 2.5% although some suppliers have already indicated price rises of up to 4% this year.

Allowance has been made for a pay increase of 1% in the estimates as it is anticipated that employers will award a pay increase for 2013/14, although it is difficult to predict what the outcome of pay negotiations will be. Unions have submitted a claim for "substantial increases across all pay scales" and staff have already endured a pay freeze for 3 years.

No allowance has been made within the budget for developments or improvements in service.

5.2 The budget for 2013/14 to maintain the current level of service is shown in Appendix A at £5,417,900 against the base 2012/13 budget of £5,340,700.

This is an increase of £77,200 on the overall budget and the majority of this (£50,000) is due to actuarial fees as this is the triennial valuation year.

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 2012/13 revised estimates. The following table highlights the key savings / costs:-

	£
Increments	14,200
Administration / payroll reorganisation	10,800 CR
Increased actuarial fees	50,000
Reduction in service charges re accommodation	20,000 CR
Reduced Audit Fees	17,000 CR
Pay inflation	27,800
Price inflation on major contracts	14,500

Employee costs are increased by increments and an allowance has been made for a nominal 1% pay increase. This is a valuation year and therefore actuarial costs will be substantially higher this year. Audit fees have been reduced following the transfer from the Audit Commission to KPMG. However, it is not yet clear whether KPMG will require additional work from internal audit in order to fulfil their needs. If this transpires there will be a consequent increase in recharge costs.

Service charges are expected to be lower as a result of the reconfiguring of the reception / caretaking requirements of the building.

- 5.3 As can be seen at paragraph 3.5 the Authority has consistently endeavoured to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts such as the Triennial Valuation. It is suggested that £77,000 of this Reserve be utilised for 2013/14 in order to maintain a cash standstill position. This would leave the Contingency Reserve at a level of around £108,000 and in a position to absorb any costs associated with future workload uncertainties and/or other unforeseen cost pressures e.g. the implementation of a new LGPS Scheme from April 2014.

6 Developments over the next few years

- 6.1 As already mentioned 2013/14 is a valuation year and this always brings additional work as we strive to ensure the data is as up to date as possible. This also involves an asset and liability study and extra work across the Authority.
- 6.2 The new LGPS scheme comes into force on 1st April 2014 and we will need to fully interpret and implement the new scheme and then communicate this to scheme members.
- 6.3 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 Authority has participated in a framework agreement to look at systems available, this work is ongoing. The current system will be updated for the new scheme and this will incur a cost which is, as yet, not quantified however it is not anticipated to be significant. It is anticipated that we would move to a new system in 2014/15 and members will be kept up to date with progress on this and any budgetary consequences.

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 2013/14, 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 2012/13, and 2013/14.

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>
2013/14 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 implementation of the new LGPS scheme: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers.

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.

S Pick
Clerk and Treasurer

Officer responsible: Bev Clarkson, Head of Finance, 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 2013/14 AT OUTTURN PRICES

SUMMARY

	2012-13 ORIGINAL ESTIMATE £	2012-13 PROBABLE OUTTURN £	2013-14 ESTIMATE £
ADMINISTRATION EXPENSES	2,917,200	2,892,200	2,955,600
INVESTMENT EXPENSES	2,423,500	2,350,600	2,462,300
CONTINGENCIES	0	0	-77,200
TOTAL EXPENDITURE REQUIREMENT	5,340,700	5,242,800	5,340,700
INVESTMENT COSTS LINKED TO MARKET VALUES	950,000	900,000	950,000
NET CONTROLLABLE BUDGET	4,390,700	4,342,800	4,390,700
RECHARGED TO:			
FUND	5,195,700	5,092,800	5,190,700
SYPT PENSION FUND	145,000	150,000	150,000
	5,340,700	5,242,800	5,340,700
ACTUARIAL WORK CHARGED TO FUND	0	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	97,400	98,800	98,100
Doncaster	103,500	101,300	105,100
Rotherham	82,700	80,600	81,200
Sheffield	114,300	115,300	115,900
	397,900	396,000	400,300

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2013/14 AT OUTTURN PRICES

	2012-13 ORIGINAL ESTIMATE £	2012-13 PROBABLE OUTTURN £	2013-14 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,850,300	1,756,300	1,874,500
Training Expenses	14,500	14,500	14,500
Other Indirect Expenses	26,200	127,500	26,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	150,000	150,000	140,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,100	3,000	3,000
Car Allowances	7,400	7,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,900	13,800	13,800
Publications	200	200	200
Printing and Stationery	86,000	75,000	75,500
Communications and Computing			
Postages and Telephones	100,000	110,000	110,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	18,000	18,000	18,000
AXIS	109,500	109,500	109,500
Subsistence and Conferences	2,200	2,000	2,200
Subscriptions	8,800	8,800	9,000
Actuarial Fees	60,000	70,000	90,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	40,000	50,000
Miscellaneous Expenses	8,800	8,000	9,000
CENTRAL EXPENSES			
Joint Secretariat	303,000	303,500	310,000
IT Network	47,000	47,000	47,000
Insurances	26,000	24,000	26,000
Subscriptions	5,200	4,500	5,000
Audit Fee	67,000	42,000	50,000
Bank Charges	20,700	20,700	22,000
Democratic Representation	13,500	13,500	14,000
Member Training	7,200	7,000	8,000
Disaster Recovery	5,900	5,500	5,900
<hr/>			
GROSS EXPENDITURE	3,031,400	3,008,300	3,067,100
MISCELLANEOUS INCOME	114,200	116,100	111,500
<hr/>			
NET EXPENDITURE	2,917,200	2,892,200	2,955,600
<hr/>			

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2012/13 AT OUTTURN PRICES

	2012-13 ORIGINAL ESTIMATE £	2012-13 PROBABLE OUTTURN £	2013-14 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	901,000	894,000	921,000
Training Expenses	4,100	4,100	4,100
Other Indirect Expenses	5,700	3,700	4,700
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	50,000	50,000	40,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	6,000	8,400
Car Allowances	3,500	2,000	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	6,700	6,500	6,700
Publications	4,100	3,600	4,100
Printing and Stationery	3,800	2,500	3,000
Communications and Computing			
Postage and Telephones	500	300	300
Computer Services	8,400	8,400	8,500
Subsistence and Conferences	1,800	1,500	1,500
Subscriptions	28,000	28,000	30,000
Actuarial Fees	20,000	20,000	40,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	20,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
<hr/>			
INVESTMENT GENERAL EXPENSES	1,084,000	1,053,600	1,113,800
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	297,000	297,000	304,000
Custodian & Other Investment Expenses	251,000	221,000	251,000
External Management Fees	791,500	779,000	793,500
<hr/>			
INVESTMENT MANAGEMENT EXPENSES	1,339,500	1,297,000	1,348,500
<hr/>			
NET EXPENDITURE	2,423,500	2,350,600	2,462,300
<hr/>			

APPENDIX B

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2012/13

	£	£
1	Original Estimate 2012/13	5,340,700
	<i>Main Variations</i>	
2	Employee Costs	
	Administration/payroll reorganisation	18,100 CR
	Redundancy / fund strain costs paid in full rather than over 3 years (re Admin/payroll)	103,800
	Career grade progressions not attained/delayed	1,700 CR
	Reduced staff advertising	4,000 CR
	Increased turnover including restricted cover for Maternities (both admin and investments)	62,700 CR
	NI and super – less increase than anticipated	<u>18,500 CR</u> 1,200 CR
3	Transport expenses	
	Reduction in public transport / car allowances	<u>4,400 CR</u> 4,400 CR
4	Supplies and Services	
	Further efficiencies in printing costs	10,000 CR
	Increased cost of postage	10,000
	Reduced stationery costs	1,500 CR
	Increased Actuarial Fees – more requests re academies and extra attendance at Authority events	10,000
	Reduced costs of medical advisors and less consultancy used for investment advice	<u>25,000 CR</u> 16,500 CR
5	Central Expenses	
	Insurance costs lower than anticipated	2,400 CR
	Reduced audit fees	<u>25,000 CR</u> 27,400 CR
6	Investment Management Expenses (linked to market value)	
	Lower Property manager fees	20,000 CR
	Lower Custody fees	30,000 CR
	Lower costs of agricultural property advisor	2,500 CR
	Increase in advisory panel fees and overlap of old and new advisors	<u>10,000</u> 42,500 CR
7	Miscellaneous Income	
	More income generated than anticipated	<u>1,900 CR</u> 1,900 CR
8	Other Minor Variations	<u>4,000 CR</u>
9	Revised Estimate 2012/13	<u>5,242,800</u>

APPENDIX C

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2013/14

	£	£
1 Original Estimate 2012/13		5,340,700
<i>Main Variations</i>		
2 Employee Costs		
Increments and career grade progression	14,200	
Administration/payroll reorganisation	10,800 CR	
Increase in NI and superannuation contributions	13,700	
Reduced staff advertising	<u>1,000 CR</u>	16,100
3 Rent		
Anticipated reduction in overall service charges (rent review was due in April 2012 but no increase in rent anticipated)	<u>20,000 CR</u>	20,000 CR
4 Supplies and Services		
Further efficiencies in printing costs	10,000 CR	
Increased cost of postage	10,000	
Increased subscription costs	2,000	
Increased Actuarial Fees – more input from actuary anticipated due to triennial valuation year and asset and liability study	<u>50,000</u>	52,000
5 Central Expenses		
Increase in bank charges due to increased BACS	1,300	
Increase in member training / democratic representation	1,300	
Reduced audit fees	<u>17,000 CR</u>	14,400 CR
6 Investment Management Expenses		
Increased advisory panel fees	<u>1,500</u>	1,500
7 Other Minor Variations		<u>300 CR</u>
		5,375,600
8 Inflation		
Pay assumed 1%	27,800	
Prices (on major contracts only) (assumed at 2.5%)	<u>14,500</u>	<u>42,300</u>
9 Estimate 2013/14		<u>5,417,900</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2013/14

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 2012/2013

	Barnsley	Doncaster	Rotherham	Sheffield	Total
	£'000	£'000	£'000	£'000	£'000
Rechargeable Pensions	2,533	1,944	1,334	6,698	12,509
Levy	<u>101</u>	<u>123</u>	<u>109</u>	<u>222</u>	<u>555</u>
	<u>2,634</u>	<u>2,067</u>	<u>1,443</u>	<u>6,920</u>	<u>13,064</u>

2 Estimates 2013/14

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	546
Gratuities	<u>-</u>

Levy 2013/14 **546**

(ii) Total payments by District

	Barnsley	Doncaster	Rotherham	Sheffield	Total
	£'000	£'000	£'000	£'000	£'000
Rechargeable Pensions	2,589	1,981	1,365	6,844	12,779
Levy	<u>99</u>	<u>121</u>	<u>108</u>	<u>218</u>	<u>546</u>
	<u>2,688</u>	<u>2,102</u>	<u>1,473</u>	<u>7,062</u>	<u>13,325</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.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 NOVEMBER 2012

Report of the Fund Director

ACTUARIAL VALUATION 2013 TIMETABLE

1) Purpose of the Report

To advise Members about the provisional timetable for considering aspects of the actuarial valuation due at the end of March 2013.

2) Recommendation

Members are asked to note the report.

3. Information

3.1 The next triennial actuarial valuation of the Fund is due as at 31 March 2013. As Members are aware, the preparation of the valuation involves a lot of work from the employers, the actuary and the Authority and given the other pressures on the parties, not least the progression of the proposals regarding the 2014 LGPS and budget preparations, it might be helpful to know what the provisional timetable is:-

- Consideration of data requirements by employers : Jan/Feb 2013
- Valuation effective date : 31 March 2013
- First discussions re assumptions between actuary and administering authority : April/May 2013
- Employers supply data to Fund : April 2013
- Fund supplies data to actuary : July 2013
- Actuary processes data : July/August 2013
- Actuary discusses results with Fund : Sept 2013
- Actuary discusses funding strategy with Fund : Sept 2013
- Individual employer results finalised by actuary : October 2013
- Liaison with employers re contributions from 2014 : Oct/Nov 2013
- Production of formal report : March 2014
- Production of certificates : March 2014.

The Authority has retained responsibility for the production of the actuarial valuation to itself and has not delegated it to a Board.

3.2 The Fund normally commissions an asset and liability study to check the continuing relevance and suitability of the Fund's investment strategy following an actuarial valuation. At the very least it is important to ensure that the assumptions being used to determine that strategy agree with and/or are compatible with those used by the actuary in the valuation process. As such the Investment Board will need to input into the discussion during the first quarter of 2013. The study itself can be commissioned to start once the preliminary valuation results are known, say in September 2013, with a view to the strategy being agreed by December for implementation with effect from April 2014.

3.3 As already mentioned, the negotiations and discussions and consultation regarding the proposed changes to the LGPS structure will be taking place in parallel during the early stages of the valuation process. Indeed, dependent upon the extent of the changes agreed there might be implications arising out of those deliberations for the valuation and for future investment strategy.

3.4 It goes without saying that the timeliness, quality and reliability of the underlying membership data will affect both the speed and accuracy of the valuation process. The validation of data received is a significant aspect of the process and the risk of slippage resulting from the need to estimate or substitute data must be minimised as much as possible. Materiality is important for each employer: the results must have credibility.

4) Implications

4.1 Financial

Provision has been made within this year's budget and estimates will be included in the 2013/14 budget.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are no risk implications.

Officer responsible:-

John Hattersley
Fund Director

Telephone contact 01226 772873

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Scheme Members' AGM

1. Purpose of the Report

To report on the meeting held on 11th October 2012.

2. Recommendations

Members are recommended to note the contents of the report.

3. Information

3.1 This year's AGM for scheme members was held at The Civic in Barnsley on the evening of 11th October. There were 59 members present, as follows -

- 49 Pensioners
- 1 Contributor
- 2 Deferred members
- 3 Representatives from employing bodies
- 4 Councillors

3.2 After introductions and welcome by the Steve Pick - Clerk and Treasurer, 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 Steve Pick – Clerk and Treasurer

Steve opened proceedings by introducing the 'panel' of Cllr Lawton, Cllr Wraith, Gary Chapman and John Hattersley. He then handed over to the first presenter of the evening, John Hattersley.

3.4 John Hattersley – Fund Director

John began his presentation by referring to the new accounting standards and the changes imposed by the Audit Commission which have given the Investment Section much more work to do than in previous years.

John then went on to talk about the Fund Account which was illustrated by a snapshot of the account which ended March 2012. The snapshot showed that contributions received fell from last year (from £232m to £220m). Both contributions from members and employers fell, which reflects the changing membership of the fund. An important fact is that only about a quarter of all contributions actually come from employees, over time the ratio has been closer to a third.

John went on to say that the amount of money paid out in benefits rose, this year the fund paid out £232m in pensions, lump sums and death benefits. Last year the sum was £211m, the year before £184m, so there is a gradual increase in benefits being paid. This largely reflects the decisions of the main employers (District Councils and other employers) to reduce their workforce in response to cuts imposed by central government.

John reported that this year is the first time that total contributions were less than monies paid out. It is not the size of the shortfall that is significant, at only £12m, but the fact that there is a deficit at all. Like most pension funds in the UK we are maturing and this is only expected to continue. He went on to say that there was no need to panic; money is not running out, far from it. Recent work by the fund's actuaries confirm that based upon current assumptions, current contribution patterns and return of valuation assumptions the fund is cash flow positive for approximately 15 years and has enough assets for another 60 years or so and increased contributions will extend that even further. The life of the fund is set to go on we know we have enough assets to pay for many years.

John explained the major difference between the LGPS and the other public sector schemes is the fact that we have assets. We are a funded scheme. It is important to remember that other schemes such as the NHS or Teachers or Civil Service schemes are not funded; they are paid directly out of revenue. Our fund has material assets to support the pension promise. Those underlying assets are producing independently generated income whereas the other funds just get paid out of general taxation on an as and when basis.

This year we saw a healthy increase in investment income. It rose to £127m compared to £110m last year. The biggest increase came from share dividends received which rose by over £12m. The other biggest source of income came from bonds at about £30m.

John reminded the meeting that the authority has always been cost conscious and has had tight budgetary control. Administration costs fell. Although VAT liability rose, both internal and external expenses were contained well within budget. At the end of the year our net assets had increased to £220m and the fund ended at just under £4.7bn. We continue to be one of the top 50 pension funds in the UK.

John reported that during the year investors faced some of the most challenging conditions in living memory as the global economic slow-down and debt crisis in Europe caused markets to be dominated by politics and by central bank intervention. It was a period of 'risk on, risk off'. Long term investors like pension funds find this a very difficult environment in which to make money.

The average Local Authority Pension Fund returned just over 2.6% last year. Our fund did better than that- we achieved 5.5%.

Risk management- There is no reward without taking risk. Diversification is one of the ways we can try to control risk.

John then talked through the details of our Asset Allocation and Absolute Risk & Return, which shows that we continue to produce above average returns for below average risk.

Looking forward to changes in 2013 (apart from the Actuarial Valuation and the new scheme in 2014), John drew attention to Bond Yields, the value of which have fallen dramatically. He then gave detailed explanations for the fall in value, illustrated by the graph shown on the slides.

John then posed three (audience participation) questions as part of his presentation that highlighted the dramatic fall in Bond Yields. (Answers to these were to be given at the end of the presentations).

3.5 Gary Chapman – Head of Pensions Administration

Gary opened his presentation by reporting on the fund's membership which shows a trend of Active members reducing in number and Pensioners and Deferred members increasing in number. This is mainly due to Councils having to reduce their staff through redundancies etc. as part of the government's cutbacks. In fact, the number of active members has dropped by 2000 since March.

Next Gary gave an example of the data we have at our disposal by revealing some interesting statistics, such as the male/female split in fund members, the average pension payment (which shows that we are not a 'gold plated' pension scheme), average retirement age, the fact that we have 11 centenarians in receipt of a pension (the oldest being 106) and that we can recall data such as most common forenames and surnames.

Gary then went on to report on SYPA's performance over the past year. We have processed 28,268 cases, 99.5% of which were within our customer service promise. There had been 10 formal complaints to respond to out of a total caseload of 28,268.

We retained our Customer Service Excellence award of which we are now 100% compliant and our benchmarking results against other

LGPS Authorities show that we continue to produce a high level of performance for a below average cost.

Next Gary explained the structure of the Authority at the Regent Street Head Quarters. We have 81 staff of which 20 are Fund Management – John Hattersley’s team and 61 are Pensions Administration. Pensions administration staff include, member services - people who do the casework and calculations, Payroll - the people who make sure correct payments are made, Technical Team - the people who help us keep abreast of the many changes forced upon us in this complicated scheme, Communications - who produce the booklets, information, electronic media etc. and IT - who develop systems and keep us at the forefront of technology.

We also have four district offices at Sheffield, Rotherham, Barnsley and Doncaster who provide support to the district councils and provide an advisory service to all scheme members.

The Authority is kept busy dealing with 220 employers of which 52 are new academies. There were 2410 personal advisory appointments in the past year as well as member presentations and the Employers Forum.

On the horizon we have the 2013 Fund Valuation, Auto-enrolment and the new LGPS scheme from April 2014.

Gary then closed his presentation with a remembrance to Dave Wilkinson.

3.6 Questions from the Floor

Cllr Lawton asked for ‘questions from the floor’.

Q. A few years ago we lost some money via the Icelandic Banks; did we manage to recover any of that?

A. At the moment, of the £18.5m which was at risk we have recovered all but £2.75m and all the expectations are that it will be fully recovered although it may take another 2, 3 or 4 years.

Q. AVC’s with Equitable Life- can you provide an update?

A. The company that is dealing with the compensation scheme have contacted us so that we can start the process for us to be able to give them details of the members. This is significant to us as up until then we weren’t sure whether our scheme members who had ‘with profits’ accounts were actually going to be part of the compensation scheme. If you were affected by the Equitable Life issue watch this space and you should be hearing something soon.

Q. When we get our annual percentage increase why can't the authority pay the full increase instead of the DWP paying part of it?
A. Simply because the scheme rules don't allow us to. The scheme regulations require that the Guaranteed Minimum Pension element of your pension, this is if you were contracted out of the SERPS part of the state related pension scheme, has its increase from this element paid with the your State pension. So in terms of the scheme rules, nationally, not just in South Yorkshire, we have no option but to do just that.

Cllr Lawton then handed back to John for him to give the answers to the questions from his presentation.

Cllr Lawton then closed the meeting by thanking everyone for the 'behind the scenes' work that has been done.

3.7 A full recording of the meeting is available to view at www.youtube.com/user/sypension

4. Implications

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

Karen Roberts
Communications Manager
Email: kroberts@sypa.org.uk
Tel. No. 01226 772915

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

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Report of the Clerk and Treasurer

FREEDOM OF INFORMATION ACT 2000: ANNUAL UPDATE

1. Purpose of the Report

This report provides Members with an update of Freedom of Information requests.

2. Recommendations

Members are recommended to note the report.

3. Background Information

This is the seventh annual report of requests received under the Freedom of Information Act 2000.

4. Requests received

4.1 Summary of requests

	<i>Investments</i>	<i>Administration</i>	<i>Total</i>
Sep11- Oct 12	13	2	15
Oct10-Sep 11	6	6	12
Oct 09-Sep 10	11	6	17
Oct 08 – Sep09	14	2	16
Oct 07 – Sep 08	10	5	15
Aug 06 – Oct 07	12	2	14
Jan 05 – July 06	13	4	17

4.2 The breakdown of requests in the past year is:

<i>Date</i>	<i>Request</i>
13/10/11	Presentation of data as part of Audit Committee Function
13/10/11	Reason for exemption of Admitted Body Deficit Contributions agenda item
3/11/11	Private equity holdings
7/11/11	Investments in tobacco companies, banks, BSKyB
12/11/11	Investments in tobacco companies
23/01/12	Annual reports and accounts 2001-2004

29/02/12	LGPS membership in four district councils 2006/7-2010/11
1/03/12	Private equity holdings
11/04/12	Pension payments made in error to dead retired police staff
12/06/12	Hedge funds
28/06/12	Private equity holdings
9/07/12	Tobacco industry investments
13/07/12	Private equity holdings
24/07/12	Class action lawsuits which named the pension fund amongst the prosecuting group 2008-2012
26/07/12	Investments which have an activist or corporate governance strategy

- 4.3 The Authority has responded to all requests within the 20 day limit required by the Act.
- 4.4 All the information applicants have asked for has been provided where it is held. In some instances, applicants have been referred to the website.
- 4.5 The Authority has made no charges, either for retrieving information, or for photocopying and postage.
- 4.6 The Authority has received no complaints or requests for internal reviews in relation to any disclosure.
- 4.7 The Authority has spent 12.5 hours of officer time in completing these requests.
- 4.8 The applicants have been mainly journalists; but also a commercial organisation; a lobby group and a member of the public. All were UK based requests except for one from the USA.

5. Implications

- 7.1 There are no significant costs arising out of this report.
- 7.2 There are no legal implications other than those referred to in the report.
- 7.3 There are no diversity implications of this report.
- 7.4 There are risks of a failure to meet the 20 day deadline required by the Act, due to the pressure of work. However, this risk is judged to be minor.

S Pick
Clerk and Treasurer

Officer responsible: Leon Kaplan, Information Manager
South Yorkshire Joint Secretariat
01226 772102 lkaplan@syjs.gov.uk

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.

This page is intentionally left blank

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Report of the Clerk and Treasurer

PROTOCOL – USAGE OF SOCIAL MEDIA

1. Purpose of the Report

To advise Members on how social media may most appropriately and usefully be utilised when commenting on the work of the authority

2. Recommendations

Members are recommended to:

- a) **Note the contents of the report**
 - b) **Adopt the proposed Social Media Protocol**
-

3. Background Information

Whilst the actual definition of 'social media' continues to evolve, it is suggested that social media be viewed as a general, collective term for the variety of web based, mobile communications mediums in contemporary usage.

It is further suggested that social media be considered to be 'an addition to' and by no means 'a replacement for' other forms of traditional communications and discourse e.g. in writing, by email and via face to face engagements.

In respect of this matter, it is suggested that matters communicated via social media should be treated with the same degree of sensitivity and caution as would be otherwise observed for traditional forms of communication.

Social media engagement tools inform stakeholders and the public in general of matters already in, or destined for, the public domain, and provide the public with an additional, means of feedback

Social media can reach a large number of stakeholders quickly and at no or little cost.

4. The Perceived Benefits of Social Media

The benefits of social media may be summarised as followed:

1. **Reach** – social media is scalable and has the ability to cover a global audience. An initial message can be relayed by other senders which may be referred to as ‘going viral’
2. **Accessibility** – At point of receipt, innovations in the market has seen the development of both an increasing array of devices capable of taking delivery of social media (computers, laptops, mobile phones, games consoles etc) and also a considerable number of often free add-on products and applications which may translate social media communications into other accessible formats e.g. other languages.
3. **Usability** – social media usage requires little or no training and is built on the development of users existing skills.
4. **Immediacy** – communications sent using social media are effectively instantaneous and don’t rely on time lags such as printing and physical delivery.

5. Pensions Authority Social Media Protocol

The adoption of the following protocol is proposed:

Social media is to be used by Authority Members, and officers communicating on behalf of the Authority, where it is deemed to be the most appropriate communications medium (in terms of reach, accessibility, usability and immediacy).

When communicating on behalf of the Pensions Authority; Members and officers are advised to not express personal opinion, rumour, or comment on matters of no specific relevance to the work of the Authority.

6. Implications and risks

Implications

None

**S Pick
Clerk and Treasurer**

Officer responsible: Craig Tyler,
Principal Policy and Communications Officer

01226 772824 ctyler@syis.gov.uk

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 November 2012

Report of the Clerk and Treasurer

OFFICER CONTACT DETAILS

1. Purpose of the Report

To provide Members with up to date contact details for officers of the Authority and Boards.

2. Recommendations

Members are asked to note the report.

3. Background Information

3.1 Following the recent retirement of several members of staff, Members had requested they be provided with an updated list of officer contact details. The updated list is attached as an appendix to this report.

4. Implications and risks

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

S Pick

Clerk and Treasurer

Officer responsible:

Gill Garrety, Member Services Officer

01226 772806: ggarrety@syjs.gov.uk

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

SOUTH YORKSHIRE PENSIONS AUTHORITY**OFFICER CONTACT DETAILS**

Name	Job Title	Telephone No.	Email
Steve Pick	Clerk & Treasurer	01226 772803	stevepick@syjs.gov.uk
John Hattersley	Fund Director	01226 772873	jhattersley@sypa.org.uk
Sharon Smith	Head of Investments	01226 772886	ssmith@sypa.org.uk
Gary Chapman	Head of Pensions Administration	01226 772954	gchapman@sypa.org.uk
Ian Baker	Pensions Manager	01226 772908	ibaker@sypa.org.uk
Maureen Oades	Deputy Clerk & Monitoring Officer	01226 772856	mvoades@syjs.gov.uk
Martin McCarthy	Deputy Clerk (Policy)	01226 772808	mmccarthy@syjs.gov.uk
Rob Winter	Head of Internal Audit	01226 773241	robwinter@barnsley.gov.uk
Michelle Wilkinson	Audit Manager	01226 772820	mwilkinson@syjs.gov.uk
Andrew Shirt	Senior Member Services Officer	01226 772207	ashirt@syjs.gov.uk
Gill Garrety	Members Services Officer	01226 772806	ggarrety@syjs.gov.uk
Rhona Bywater	Member Training & Development	01226 772851	rbywater@syjs.gov.uk