

SOUTH YORKSHIRE PENSIONS AUTHORITY

16 JANUARY 2014

PRESENT: Councillor K Goulty (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, J Campbell, M Lawton, K Richardson,
K Rodgers, L Rooney, A Sangar and P Wootton

Trade Unions: G Boyington (Unison) and G Warwick (GMB)

Officers: S Pick (Clerk and Treasurer), G Chapman (Head of Pensions Administration), J Hattersley (Fund Director), M McCoole (Senior Democratic Services Officer), R Bywater (Principal Policy and External Relations Officer) and B Clarkson (Head of Finance)

Apologies for absence were received from Councillor D Baker, Councillor B Ford and F Tyas

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Goulty commented that Item 10 'Revised Funding Strategy' would be withdrawn from today's agenda to allow time for further employer consultation. S Pick added that the Treasurers would be meeting with the Actuary again next week.

Members noted a special meeting would be arranged once the information was received.

3 URGENT ITEMS

None.

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

RESOLVED – That agenda Item 21 'Release of Preserved Benefits – Compassionate Grounds' would be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 21 NOVEMBER 2013

RESOLVED – That the minutes of the Authority meeting held on 21 November 2013 be signed by the Chair as a correct record.

7 WORK PROGRAMME

The Authority considered its' Work Programme to 12 June 2014.

RESOLVED – That the contents of the Work Programme be noted.

8 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Rodgers reported that Doncaster MBC had today published its' 3 Year Budget; some of the matters would pertain to the Pensions Authority.

Councillor Lawton had received a number of queries regarding social investment issues; LAPFF had now published a number of relevant documents on their website.

9 REVENUE ESTIMATES 2014/15

A report of the Clerk and Treasurer was submitted to formally confirm the draft budget proposals considered by the Authority on 21 November 2013.

RESOLVED – That the Authority:-

- i) Formally confirmed the budget proposals.
- ii) Approved the budget of £5,387,700 for 2014/15.

10 REVISED FUNDING STRATEGY

WITHDRAWN

11 REVIEW OF CORPORATE STRATEGY

A report of the Clerk and Treasurer was submitted to request Members to defer reviewing the Authority's Corporate Strategy until such time as the outcome of the various Government consultations regarding the future of the Local Government Pension Scheme was known.

RESOLVED – That Members agreed that no further review of the Authority's Corporate Strategy be considered until such time as the implications of the various proposed changes to the structure of the Local Government Pension Scheme had been clarified.

12 BOARD CHAIRS' REPORTS

Councillor Goulty referred to a meeting held today with Authority Members and Barnsley MBC Lead Officers, regarding South Yorkshire Joint Secretariat's integration with Barnsley MBC.

Barnsley MBC Lead Officers had taken away Members' views and concerns on the proposed changes, given Members assurance that the new arrangements would not affect how the Authority was serviced, and they would consult with Members again in the future.

13 RESPONSIBLE INVESTMENT POLICY AND FOSSIL FUEL DIVESTMENT

A report of the Fund Director was submitted which informed Members of the recommendations made by the Investment Board following their review of the Authority's Responsible Investment (RI) policy.

Councillor Lawton referred to investment in renewable energies and asked how wide that field of investment was and how unclear at the moment. He asked how easy it was to make sure the rate of return and security of investment was at a level that pension funds should invest in.

The Fund Director commented that subject to a large number of caveats, one of the problems of investing in renewable energy in the UK and continental Europe had been the consistency of government subsidy i.e. in Spain tariffs had been reduced significantly, and the capital cost of investing in some renewable materials had fallen. The Fund had existing investments in renewable energy funds, and as part of the direct property portfolio had examined on a site by site basis the possibility of investing in renewable energy. Various options had been entered into with suppliers looking at the potential for some of the Fund's properties to have renewable energy sites on them. The actual amount of potential investment, which was accessible in those new industries compared to the amount of investment currently in fossil fuels, was significantly smaller. It was far more difficult to access investments in renewable energy than in fossil fuels.

Councillor Sangar reiterated his view that climate change and the consequences of it was one of the major issues facing the country. However, he recognised the constraints that the pension fund faced in tackling the issue and endorsed the view that the Authority's responsible investment policy was the appropriate means to effect change.

RESOLVED – That Members considered the recommendations put forward by the Investment Board, and agreed a response be sent to Sheffield Climate Change Alliance affirming the current Responsible Investment policy,, and that it continued to engage with pressure groups and maintain a watching brief upon industry developments.

14 CO-OPERATIVE BANK UPDATE

J Hattersley referred to a number of press articles, which stated the Co-operative Bank had agreed a restructure of the business with its' major bond holders. As a result there had been a slight improvement in credit rating. The Authority was continuing to explore banking arrangements with the Joint Authorities.

No further definite news had been received from the Co-operative Bank regarding its relationship with the Authority; the Authority continued to use the bank for day to day transactions.

15 COMPLIANCE WITH MYNERS' PRINCIPLES: SELF-ASSESSMENT

A report of the Clerk and Treasurer was submitted to update Members on the CIPFA Code of Practice on public sector pensions finance knowledge and skills and the requirements for the self-assessment against the Myner's Principles.

Members had agreed to use a template to gauge compliance, and had adopted a self-assessment system in October 2011, to be undertaken annually. The self-assessment forms would be sent onto Members after today's meeting, for completion and return by the end of March 2014.

RESOLVED – That:-

- i) The Authority noted the content of the report.
- ii) Members confirmed their commitment to the self-assessment process until the new arrangements for the Scheme had come in to place and to review and update the process at that time.
- iii) Members agreed to any development needs arising from the results.

16 LGPS REFORM PROPOSALS UPDATE

The Head of Pensions Administration provided Members with an update on the LGPS Reform.

Members noted a preview version of the draft transitional protection regulations had been received and were being interpreted to ensure the rules were fully understood. The outcome of consultations with regard to Councillor pensions, new governance arrangements and Fund mergers were still awaited; it was hoped that the outcomes would be announced soon.

Training on the 2014 scheme was now being developed for pensions administration staff and an upgrade to the pensions software was due in the next couple of months; It was quite possible that all the required regulations would not be in force by 1st April 2014 but the purpose of issuing a preview draft was to enable LGPS funds to prepare as much as possible. The readiness of employers was also being tested to ensure they are ready to start applying the new rules from 1st April 2014.

It was expected that the draft transitional protection regulations when issued would have a shorter consultation period due to them already having been out for informal consultation. Nevertheless time was running out and it could be that they are issued after 1st April and applied retrospectively. Whilst not ideal, the new scheme will not have a significant impact on existing scheme members in the first few months as membership of the 2014 scheme would only be a minor part of their overall benefit entitlement.

Councillor Lawton questioned whether a version of the software would be available to be tested before 1 April 2014.

The Head of Pensions Administration commented that the supplier would shortly start to release the software, which would coincide with the year end. It was envisaged to be in a position to test the system in February 2014, and go 'live' in March 2014. The

RESOLVED – That the update be received.

17 PENSIONS REGULATOR CONSULTATION: DRAFT CODE OF PRACTICE FOR PUBLIC SERVICE PENSION SCHEMES

A report of the Fund Director was submitted to advise Members that the Pensions Regulator was out to consultation on a draft code of practice providing governance and administration requirements for public service pension schemes.

Members noted the Pensions Regulator (TPR) required all schemes to keep a record of the documents that members were conversant with. Members noted that it was vital to have a training programme for the year, which was more formal and structured than at present.

RESOLVED – That Members noted the contents of the report.

18 TRANSFORMING REHABILITATION PROGRAMME AND THE LGPS

A report of the Fund Director was submitted to advise Members that the Government was out to consultation on the proposal to transfer the assets and liabilities of those current members of the Probation Service in the Local Government Pension Scheme from the present thirty four administering authorities to the Greater Manchester Pension Fund.

Members noted the consultation period would end on 10 February 2014, and the transfer was expected to come into effect from 1 April 2014.

Councillor Sangar queried whether a submission should be made to the Government, to suggest that in future such proposals were packaged differently, to allow smaller funds to be able to bid, or that it could be a separate fund.

The Fund Director commented that the Fund had not specifically made such suggestions.

Councillor Wraith queried what the transfer cost to the pension fund would be.

The Fund Director commented that an admin charge would be incurred with any transfer, but that it was understood that there would be some recompense for costs included in the transfer.

RESOLVED – That Members noted the report.

19 SOUTH YORKSHIRE COMBINED AUTHORITY

A report of the Fund Director was submitted to update Members on the progress of the Government's consultation on a proposal to replace the South Yorkshire Integrated Transport Authority with a new combined authority, with effect from 1 April 2014.

CLG had responded to correspondence from South Yorkshire Pensions Authority's officers, and had indicated that appropriate steps were being taken for the correct legislation to be in place, to ensure the Fund would have an administrator in position

for April 2014. Officers presumed that the membership of the Fund transferring would remain the same.

RESOLVED – That Members noted the report.

20 FUNDING OF THE NEW PENSIONS ADMINISTRATION SYSTEM

A report of the Clerk and Treasurer was submitted to consider the options for funding the purchase of the new Pensions Administration system.

RESOLVED – That Members approved that the purchase of the new Pensions Administration system be funded from the South Yorkshire Pension Fund.

21 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 item 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.

22 RELEASE OF PRESERVED BENEFITS - COMPASSIONATE GROUNDS

A report of the Head of Pensions Administration was submitted to seek a decision in relation to a request from a former South Yorkshire County Council employee for the release of preserved benefits on compassionate grounds.

RESOLVED – That Members:-

- i) Reviewed the circumstances surrounding the request for release of preserved benefits.
- ii) Agreed not to release the benefits.

CHAIR