

**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Authorised and regulated by the
Financial Conduct Authority

Diana Terris
Clerk

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

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 2 October 2014 at 10.00 am for the purpose of transacting the business set out in the agenda.

**Diana Terris
Clerk**

This Matter is being dealt with by: Gill Garrety Tel: 01226 772806
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Distribution

Councillors P Wootton (Chair), R Wraith (Vice-Chair), E Butler, J Campbell, S Ellis, B Lodge, K Rodgers, L Rooney, A Sangar, M Stowe, B Webster and J Wood.

Contact Details

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SOUTH YORKSHIRE PENSIONS AUTHORITY

**2 OCTOBER 2014 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 Annual Authority meeting held on 19 June 2014	1 - 4
7	Minutes of the Ordinary Authority Meeting held on 19 June 2014	5 - 10
8	Minutes of the Authority Meeting held on 8 July 2014	11 - 12
9	Minutes of the Authority Meeting held on 24 July 2014	13 - 14
10	Minutes of the Corporate Planning and Governance Board held on 19 June 2014	15 - 24
11	Minutes of the Corporate Planning and Governance Board held on 24 July 2014	25 - 30

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12	Minutes of the Investment Board held on 26 June 2014	31 - 38
13	Section 41 Feedback from District Councils	Verbal Report
14	Work Programme	39 - 40
15	Quarter 1 Performance Snapshot Report	41 - 46
16	Annual Review of Risk Management Policy and Corporate Risk Register	To Follow
17	Audit Committee Function Annual Report 2013/14	47 - 58
18	Freedom of Information Act 2000: Annual Report	59 - 62
19	South Yorkshire Joint Secretariat - Integration	To Follow
20	Ill Health Retirement 'Captive' Insurance	63 - 74
21	LGPS Reform Update	Verbal Report

At the conclusion of the meeting there will be a training session on the LGPS New Scheme.

SOUTH YORKSHIRE PENSIONS AUTHORITY

19 JUNE 2014

PRESENT: Councillor P Wootton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, B Lodge, K Rodgers, A Sangar,
M Stowe, B Webster and J Wood

Trade Unions: G Boyington (Unison), G Warwick (GMB) and
F Tyas (UCATT)

Officers: A Frosdick (Monitoring Officer), I Rooth (Head of
Technical Services BMBC), S Barker (Head of HR), R Bywater
(Principal Policy and External Relations Officer), G Chapman
(Head of Pensions Administration), M McCarthy (Deputy
Clerk), S Smith (Head of Investments) and C Tyler (Principal
Policy and Communications Officer)

Apologies for absence were received from Councillor
J Campbell, Councillor S Ellis, Councillor L Rooney, F Foster
and J Hattersley

1 APPOINTMENT OF THE CHAIR OF THE AUTHORITY FOR THE ENSUING YEAR

Cllr Wootton was proposed by Cllr Wraith and seconded by Cllr Rodgers. This was agreed unanimously.

RESOLVED - That Cllr Wootton be elected as the Chair of the Authority for the forthcoming year.

2 APPOINTMENT OF THE VICE-CHAIR OF THE AUTHORITY FOR THE ENSUING YEAR

Cllr Wraith was proposed by Cllr Wootton and seconded by Cllr Butler. This was agreed unanimously.

RESOLVED - That Cllr Wraith be elected Vice Chair of the Authority for the forthcoming year.

3 MEMBERSHIP OF THE AUTHORITY

A report of the Clerk was submitted to note the membership of the membership of the Authority for the forthcoming year.

The membership was noted as:

Barnsley Councillors	Doncaster Councillors	Rotherham Councillors	Sheffield Councillors
M Stowe R Wraith	E Butler K Rodgers J Wood	S Ellis P Wootton	B Lodge J Campbell B Webster L Rooney A Sangar

The Chair asked that the Authority's thanks to the councillors who have stood down from the Authority be recorded, especially Keith Goulty and David Baker who have served on the Authority for a significant time.

RESOLVED - That the report is noted.

4 APPOINTMENT OF BOARDS, COMMITTEES AND CHAIRS

A report of the Clerk was submitted requesting consideration of the appointment of Boards, Committee and Chairs for 2014/15 and asking Members to note the Boards and Committee's Terms of Reference.

Membership was confirmed as follows:

Corporate Planning and Governance Board	Investment Board	Management Committee
7 Members	7 Members	Section 41 Members
Cllr Wraith (Chair) Cllr Wootton (Vice Chair) Cllr Ellis Cllr Butler Cllr Wood Cllr Rooney Cllr Lodge + 3 Trade Union representatives	Cllr Wootton (Chair) Cllr Wraith (Vice Chair) Cllr Campbell Cllr Webster Cllr Rodgers Cllr Stowe Cllr Sangar + 3 Trade Union representatives	Cllr Wootton (Chair) - sub Cllr Ellis Cllr Wraith (Vice Chair) - sub Cllr Stowe Cllr Lodge - sub Cllr Campbell Cllr Rodgers - sub - Cllr Butler

RESOLVED - That the contents of the report are noted.

5 QUESTIONS IN MEETINGS OF DISTRICT COUNCILS

A report was received requesting Members consideration of the appointment of representatives of the Authority to answer questions raised in meetings of the District Councils and to feedback District Council pensions' issues at each meeting of the Pensions Authority.

Appointments were noted as follows:

Council	Spokesperson	Substitute
Barnsley MBC	Cllr Wraith	Cllr Stowe
Doncaster MBC	Cllr Rodgers	Cllr Butler
Rotherham MBC	Cllr Wootton	Cllr Ellis
Sheffield CC	Cllr Lodge	Cllr Campbell

RESOLVED - That the Authority nominates the above Members to answer questions at District Councils under Section 41 of the Local Government Act 1985.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

19 JUNE 2014

PRESENT: Councillor P Wootton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, B Lodge, K Rodgers, A Sangar,
M Stowe, B Webster and J Wood

Trade Unions: G Boyington (Unison), G Warwick (GMB) and
F Tyas (UCATT)

Officers: S Barker (Head of HR), R Bywater (Principal Policy
and External Relations Officer), G Chapman (Head of
Pensions Administration), A Frosdick (Monitoring Officer),
M McCarthy (Deputy Clerk), I Rooth (Head of Technical
Services BMBC), S Smith (Head of Investments) and C Tyler
(Principal Policy and Communications Officer)

Apologies for absence were received from Councillor
J Campbell, Councillor S Ellis, Councillor L Rooney, F Foster
and J Hattersley

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

No urgent items noted.

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

RESOLVED - That item 23 'Staff Establishment: Additional Post' be considered in the
absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 PRESENTATION OF LOYALTY AWARDS

The Chair presented loyalty long service awards to Ian Hepworth, Ged Potts and Anne
Reed. The officers present, together with John Hensby and Sue Warren who were on
annual leave, were congratulated on their awards by the Members of the Authority.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 20 MARCH 2014

RESOLVED - That the minutes of the meeting of the Authority held on 20th March be signed by the Chair as a correct record.

8 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings' work programme to November 2014.

It was noted that the meeting dates have been set to avoid significant district council meetings dates.

RESOLVED - That the report be noted.

9 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Cllr Rodgers informed the Authority Members that Doncaster MBC is continuing with a 3 year budget setting cycle and Doncaster's Section 151 Officer is working closely with Pensions Authority officers regarding the reduction of the deficit.

10 PERFORMANCE SNAPSHOT REPORT 2013/14: QUARTER 4

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2013/14 quarter 4.

Regarding employee activity, Cllr Rodgers welcomed the notification that 12 academies had joined the fund as employers.

RESOLVED - That the contents of the report be noted.

11 BOARD CHAIRS' REPORTS

It was suggested that it is too early in the cycle for reports to be produced.

12 LGPS REFORM PROPOSALS UPDATE

Members were informed that officers are getting to grips with the various changes that the new scheme has presented since its introduction on the 1st April.

It was noted that the draft governance regulations are still to be received. These are expected 'any day'.

RESOLVED - That the verbal report be noted.

13 DISCRETIONARY PENSION POLICIES

Members were reminded that the new scheme requires employers to make and publish discretionary policies and were presented with the policies pertaining to the new scheme.

It was noted that whilst South Yorkshire Pensions is an administering Authority, undertaking duties on behalf of the employers, it is also an employer in its own right and the policies presented are those therefore which apply to the Authority's own staff. All employers have to devise their own, similar policies.

It was noted that the area under policy are; the funding of additional pension, flexible retirement. The waiving of the actuarial reduction in those cases where a member voluntarily retires early, switching on the 85 year rule for members voluntarily drawing benefits on or after age 55 and before age 60 and the awarding of additional pension to a member.

It was suggested that the policies are typically not open to mass usage but need to be in place nevertheless for when circumstances dictate. It was noted that the model for these policies has been offered to other employers to assist as requested.

Cllr Rodgers asked whether the flexible retirement policy would be used more as people work longer and whether any comments on this possibility have been received from the employers. It was noted that the statistics indicate this may be becoming the case and more work may be needed at some stage to consider this in more detail given the changing demographic of the workforce.

Cllr Wraith requested that a follow up report be presented in 12 months to comment on any changes in flexible retirement policy usage. It was noted that as flexible retirement ordinarily draws a cost to the Authority it will be necessary to report this to Members.

G Boyington suggested that the policies have been well written as they enable an employee to see what is likely to be the outcome of a request whilst still allowing officers to apply some discretion.

RESOLVED - That the report is received and the updated policies are adopted.

14 LGPS CONSULTATION: OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES

A report was received advising Members that the government has launched a consultation in response to the call for evidence into the future structure of the Local Government Pension Scheme (LGPS).

Members were advised that there are currently 89 funds in the LGPS, some of which are very small. It was noted that the main thrust of the consultation is to improve returns, reduce deficits and cut overall costs.

It was noted that 'costs' are generally very high for a lot of funds due to usage of external management. However, the South Yorkshire fund is one of the few that is internally managed and relatively low-cost compared with the benchmark.

Cllr Stowe suggested that the option to progress a 'joint vehicle' would be detrimental to the South Yorkshire scheme and require higher expenditure if we couldn't 'opt out'. S Smith informed Members that whilst the government has moved away from the idea of complete scheme mergers and towards collective investment vehicles, there may be scope to opt out under what has been referred to as 'comply or explain' clauses, but

this is currently unknown. Cllr Stowe suggested that there was therefore a danger that the well performing pension funds will get dragged along with the bad ones and joint vehicles will take away the integrity of individual boards. It was suggested that the response to the consultation should highlight that it is good governance that cuts cost, not fund size.

Cllr Rodgers asked whether 'not considering mergers at this time' was necessarily future proof. It was also suggested that joint vehicles would potentially introduce an additional layer of extra cost and that if this was pursued, the fund size which would actually present the South Yorkshire scheme with some benefits would need to be determined.

Cllr Sangar noted the recognition that merging funds is not an easy process due to inherent differences and welcomed the acceptance that quick mergers do not equate to quick wins.

Noting that a response needs to be submitted by 11th July, it was agreed to call an extraordinary meeting of the Authority to agree the response.

RESOLVED - That the Members note the report and agree to convene an extraordinary meeting to consider and determine the Authority's response to the consultation.

15 COMPLIANCE WITH MYNERS' PRINCIPLES: SELF ASSESSMENT

A report was presented to inform Members of the outcome of the self-assessment against the Myners Principles.

RESOLVED- That:

- a) The Authority notes the contents of the report.
- b) The Authority agrees to review this process when the new governance arrangements under the Public Service Pensions Act 2013 are known
- c) The Authority agrees to undertake any development needs arising from the results.

16 TRANSFORMING REHABILITATION PROGRAMME AND THE LGPS

A report was received to update Members on progress surrounding the proposal to transfer the assets and liabilities of those currently members of the Probation Service in the LGPS from the present 34 administering authorities to the Greater Manchester Pension Fund.

It was reported that the transfer is progressing fine to date. Scheme members have been written to advising them of the changes.

Cllr Wraith requested clarity regarding 'other costs'. It was confirmed that these relate to the officer time required to administer the changes and sundry costs such as postage. This is all be being recharged to the Greater Manchester Pension Fund.

It was also confirmed that the quoted figure of £101m is the value of the liabilities for all probation members and the approximate amount that will be lifted and transferred to Greater Manchester.

RESOLVED - That the content of the report are noted.

17 WEBCASTING

A report was received seeking Members' approval of a renewal of the contract to webcast the meetings of the Authority.

Members were reminded that webcasting is an excellent way to ensure transparency of decision making and good governance and enables engagement to be made with stakeholders through associated social media. Pensions Authority meetings over the last year have been viewed by an average of 334 people.

It was noted the renewal is subject to the agreement (and proportionate funding) of all webcasting partners (Pensions Authority, Police and Crime Commissioner, Fire Authority and SCR Combined Authority (Transport Committee)). It was further noted that the option to devise a combined webcasting contract with BMBC is being explored.

RESOLVED - That the Authority will contribute towards the annual cost of the webcasting contract for countywide bodies; subject to the similar agreement of those bodies.

18 CO-OP BANK UPDATE

Members were advised that the Co-operative Bank, with which the Authority banks has stated its intention to withdraw from the local authority banking market. Early discussions with alternate providers are underway and a formal tender for services will be launched shortly.

Cllr Sangar noted that Sheffield CC is currently going through a similar process.

I Rooth noted that district treasurers are currently discussing future banking arrangements for the Fire Authority and Police and Crime Commissioner.

RESOLVED - That the matter under consideration and work being undertaken by officers are noted.

19 REFERENDUM ON SCOTTISH INDEPENDENCE

A report was received to advise Members of the some of the issues that might arise from, and affect, the Fund policies should the outcome of the Scottish Referendum on Independence be in the favour of secession.

It was noted that some of the potential risks may be hypothetical at this stage as some Scotland based institutions may relate their HQs to England.

Members noted their appreciation that officers are fully attuned to, and monitoring, risks.

RESOLVED - That the contents of the report are noted.

20 SOUTH YORKSHIRE PENSION FUND ANNUAL GENERAL MEETING 2014

Members were advised that the 2014 AGM will be held at New York Stadium, Rotherham, at 5.30pm on Thursday 9th October. Consideration is being given to the merits of booking a guest speaker for the event.

RESOLVED - That Members note the details for the AGM.

21 MEMBER DEVELOPMENT ANNUAL UPDATE

A report was presented to provide an update on the learning and development arrangements for Members of the Authority.

It was noted that the arrangements are devised to assist Members with carrying out their role as trustees of the fund and cover a number of specialist modules.

It was noted that personal development reviews will be arranged with individual Members.

Members were asked to consider the appointment of a learning and development Member champion.

Cllr Rodgers noted his recommendation for new Members to undertake the 3 day LGA course.

RESOLVED - That Members:

- a) Approve the revised Learning and Development Strategy and request updates at future meetings
- b) Nominate Cllr Sangar as Lead Member for Learning and Development
- c) Commit to a round of personal development reviews to be arranged with individual Members.

22 EXCLUSION OF PUBLIC AND PRESS

23 STAFF ESTABLISHMENT: ADDITIONAL POST

A report was received asking Members to approve the addition of an extra post to the Authority's establishment to accommodate a TUPE transfer following the integration of South Yorkshire Joint Secretariat with Barnsley Metropolitan Borough Council.

RESOLVED - That the Authority Members agree to the increase in establishment numbers and costs from 1 October 2014.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

8 JULY 2014

PRESENT: Councillor P Wootton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, J Campbell, S Ellis, B Lodge,
K Rodgers, L Rooney, A Sangar, M Stowe and B Webster

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

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), S Smith (Head of Investments), M McCarthy (Deputy Clerk), R Bywater (Principal Policy and External Relations Officer), M Bell (Strategic Resources Manager), G Garrety (Democratic Services Officer) and S Barker (Head of HR)

Apologies for absence were received from Councillor J Wood, F Foster and F Tyas

1 APOLOGIES

Apologies were noted as above.

2 URGENT ITEMS

None.

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

None.

4 DECLARATIONS OF INTEREST.

None.

5 LGPS CONSULTATION: OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES

A report of the Fund Director was submitted to seek Members' comments on a draft response to the call for evidence into the future structure of the Local Government Pension Scheme.

Members noted that the consultation focused on potential savings arising out of the establishment of Common Investment Vehicles (CIVs) and their use by LGPS administering authorities for both listed and alternative asset classes and for the greater use of passive management for all listed assets, including equities and bonds. It was also noted that full fund mergers had been ruled out for the time being.

Members discussed in detail the potential implications for the Authority if the proposals were implemented and the response to each question contained in the consultation.

RESOLVED – That the Authority approved the draft response to the consultation in its entirety, subject to minor amendments, and agree to it being submitted to CLG by the deadline of 11 July 2014.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 JULY 2014

PRESENT: Councillor P Wootton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, S Ellis, K Rodgers, L Rooney, A Sangar,
M Stowe, B Webster and J Wood

Trade Unions: G Boyington (Unison), G Warwick (GMB) and
F Tyas (UCATT)

Officers: J Hattersley (Fund Director), G Chapman (Head of
Pensions Administration), A Frosdick (Monitoring Officer),
M McCarthy (Deputy Clerk), I Rooth (Head of Technical
Services), S Barker (Head of HR), R Bywater (Principal Policy
and External Relations Officer) and A Shirt (Senior Democratic
Services Officer)

Apologies for absence were received from Councillor
J Campbell, Councillor B Lodge and F Foster

1 APOLOGIES

Apologies for absence were noted as above.

2 URGENT ITEMS

None.

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

None.

4 DECLARATIONS OF INTEREST.

None.

5 LGPS 2014 CONSULTATION: DRAFT REGULATIONS ON SCHEME
GOVERNANCE

The Authority received a presentation from the Head of Pensions Administration to inform Members that the Department for Communities and Local Government (DCLG) had published consultation on draft regulations implementing new governance arrangements for the Local Government Pension Scheme from 1st April 2015 (or sooner). Members' comments on a draft response to the call for evidence relating to the new governance arrangements were requested.

Members noted that the consultation focused on a requirement for the creation of 'The Scheme Advisory Board'; a national body responsible for providing advice to DCLG on the desirability of changes to the LGPS. Provision was also made for administering

authorities to establish a Local Pension Board to assist them to secure compliance with the LGPS regulations and other legal regulatory requirements.

Members discussed in detail the potential implications for the Authority if the proposals were implemented and the response to each question contained in the consultation.

RESOLVED –

- i) That the Authority requests the Head of Pensions Administration to draft a response to the consultation in its entirety.
- ii) That the draft response be circulated to all Members of the Authority for comments, prior to it being submitted to DCLG by the deadline of 15 August 2014.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

19 JUNE 2014

PRESENT: Councillor R Wraith (Chair)
P Wootton (Vice-Chair)
Councillors: E Butler and B Lodge

Officers: G Chapman (Head of Pensions Administration),
R Winter (Head of Internal Audit), G Garrety (Democratic
Services Officer), M McCarthy (Deputy Clerk), R Bywater
(Principal Policy and External Relations Officer), A Frosdick
(Monitoring Officer), P Rogers (Principal Auditor), I Rooth
(Head of Technical Services) and S Smith (Head of
Investments)

G Boyington (Unison), G Warwick (GMB) and F Tyas (UCATT)

L Wild (KPMG)

Apologies for absence were received from Councillor
L Rooney, J Hattersley, F Foster, M Wilkinson and Councillor
J Campbell

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

None.

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

RESOLVED – That Item 24 ‘Treasury Management Update’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 20 MARCH 2014

The Chair welcomed Linda Wild from KPMG to the meeting.

RESOLVED – That the minutes of the meeting of the Board held on 20 March 2014 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered the Work Programme.

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

8 CONSULTATION PROGRAMME - ANNUAL PENSION FORECAST SURVEY

A report of the Head of Pensions Administration was submitted to inform Members of the results of a survey carried out amongst current Scheme members who received their 2013 Annual Pension Forecast with a view to testing the Scheme members overall experience.

It was noted that approximately 39,950 forecasts were issued in September 2013 and 15 completed surveys were submitted via the website. All respondents were either 'Very Satisfied' or 'Satisfied' with the content and clarity of their Annual Pension Forecast.

RESOLVED – That the report be noted.

9 ANNUAL REVIEW OF ILL-HEALTH RETIREMENTS

A report of the Head of Pensions Administration was submitted to inform Members of the number and cost of ill-health retirements during the period 1 April 2013 to 31 March 2014.

It was noted that the number of referrals to be assessed had fallen during the period. Members were informed that the cost of ill-health retirements was built into the actuarial assumption to avoid having to go back to employers during the valuation period; employers were given an early warning if they came close to exceeding their allowance.

RESOLVED – That the report be noted.

10 ANNUAL REVIEW OF APPEALS AND COMPLAINTS 2013/14

A report of the Head of Pensions Administration was submitted which provided Members with an annual review of appeals dealt with through the dispute resolution procedure and customer service complaints.

Members noted that during 2013/14 over 75,000 items of casework were processed, ranging from complex benefit calculations to simple data amendments. From this casework, one Stage 1 Appeal (a formal appeal against a regulatory issue) was received and eight customer service complaints.

The Chair commented that these were excellent results and asked that thanks be passed on to the Administration staff for all their hard work.

RESOLVED – That the report be noted.

11 CUSTOMER SERVICE EXCELLENCE AWARD

The Head of Pensions Administration informed the Board that the Pensions Administration Unit had retained the Customer Service Excellence award for a further three years.

Members noted that the standard was sponsored by the Government's Cabinet Office and was based on five performance criteria which tested all aspects of customer service:

1. Customer Insight
2. The Culture of the Organisation
3. Information and Access
4. Delivery
5. Timeliness and Quality of Service

To achieve the award, a written application was submitted together with a large amount of supporting evidence. This was followed by a full-day onsite visit during which Authority Members, Scheme members, staff and employers were interviewed.

The award was achieved with 100% compliance in all 57 categories and this included one category that was rated as Compliance Plus in relation to innovation in the production of recent newsletters for which an additional certificate was awarded.

In order to maintain the accreditation the assessor will undertake annual surveillance to ensure that standards continue to be met; the first surveillance will be in March 2015.

RESOLVED – That the report be noted.

12 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was presented to update Members on employers' performance and any known levels of outstanding workload.

The quarter had seen a reduction in workflow with cases down from 4993 to 4063, but the upward trend in performance level had continued with 68% of cases processed in time (up from 64% last quarter).

Members were provided with a summary of each District Councils performance:

Barnsley MBC – The team created to clear backlogs had continued to have a positive effect and was ensuring that current work was being kept up to date. There was still evidence of backlog work being issued but it was an overall improving picture.

Doncaster MBC – Current work was under control which could be seen in the excellent results achieved. There were still some backlog cases to be cleared which arose prior to the payroll transfer but overall there were no issues to report.

Rotherham MBC – Performance had been maintained this quarter; an excellent performance on current work with a few backlog cases but no cause for concern.

Sheffield CC – A significant amount of backlog work was issued this quarter as historical cases continued to be cleared. This had a negative effect on the overall performance rating but this was to be expected as backlogs were cleared. The electronic interfaces were now reporting on more events at the time they occurred and this could be seen by a strong performance on the current quarter. Meetings between SCC, Capita and SYPA were continuing periodically to monitor the situation.

The SLA in relation to the submission of annual contribution data returns requires that reconciled data is received by 31 May following the year end. Members noted that over 100 employers had still not submitted their annual data contribution returns, including SCC who was waiting for information from an Academy before their return could be submitted.

RESOLVED – That the report be noted.

13 DISTRICT COUNCIL'S SERVICE LEVEL AGREEMENT PERFORMANCE (ANNUAL REVIEW) 2013/14

The Board considered a report which provided an annual review of the performance of the District Councils against the agreed Service Level Agreement targets and monitored their progress.

The SLA required the employer to produce all relevant documentation within the following target days:

- New Starter – 56 days
- Miscellaneous Change – 28 days
- Early Leaver – 56 days
- Retirement with immediate entitlement to benefits – 28 days
- Death in Service – 14 days

It was noted that there had been a significant increase in caseload during the year, but overall performance was still disappointing.

New Starters

The overall average had improved slightly but the total was still significantly more than the target of 56 days.

Contract Changes

Caseload in this area had been consistently high, particularly as a result of BMBC and SCC's efforts to clear backlogs. Although the average days taken had improved it was still poor.

Early Leavers

The only casework area to have worsened from the previous year. During the year DMBC had been concentrating on backlog leaver cases and their individual average of 928 days per case had therefore had a big influence on the overall result for the year, as the backlog was now almost eliminated an overall improvement can be expected next year.

Retirements

An excellent overall performance and the only category to fall well within the target days; at 3.65 days RMBC had the highest performance.

Deaths

An improvement on the previous year but the average days taken just missed the overall performance target.

Members again expressed frustration at the lack of improvement over the year and the negative impact the performance could have on the External Auditor's VfM conclusion. In response to a question from a Member, G Chapman confirmed that it was possible to fine employers who did not meet the targets. This had been discussed previously as part of an Administration Strategy and plans were in place to bring options to Members in the future.

RESOLVED – That the report be noted.

14 REVIEW OF PENSIONS ADMINISTRATION

A report was submitted to update Members on administration issues for the period 1 January 2014 to 31 March 2014.

The following points were noted:

- Performance against set targets was excellent, with targets exceeded in two categories.
- Sickness levels were down.
- The Technical Team processed 13 new employer admissions, mainly as a result of school to academy conversions.
- Year end was closed on schedule and balanced without issue.
- Work continued on the new administration system, and although challenging was on target.

G Boyington queried whether there had been any progress on the 'My Pension' website, which was down at the moment.

G Chapman replied that unfortunately the current supplier would not be upgrading the system and that 'My Pension' would not be available until the new administration system went live sometime around the end of October.

With regard to the future of the Joint Secretariat, the Vice-Chair again re-iterated the need for Members to be informed of any changes to the service received by the Authority before they occurred.

A Frosdick assured the Board that any changes would be made in a measured way and that continuity would be maintained.

RESOLVED – That the report be noted.

15 CONSULTATION AND COMMUNICATION POLICY

Members considered a slightly amended Consultation and Communication Policy.

RESOLVED – That the amended Consultation and Communication Policy be approved.

16 CONSULTATION PROGRAMME - COMPLAINTS PROCEDURE SURVEY

A report was submitted to inform Members of the results of a survey carried out amongst Scheme members who had made a formal complaint in the period of 1 April 2011 to 31 March 2013.

During the period 15 Scheme members were identified as having made a formal complaint of which 2 completed and returned a survey.

Although difficult to draw conclusive conclusions from such a small number of responses, from the 2 members that responded, both were happy with the overall procedure (although one commented that it was stressful and long winded) and both also felt that their complaint had been considered and dealt with properly and within the service standards.

RESOLVED – That the report be noted.

17 REVIEW OF GOVERNANCE ARRANGEMENTS

A report of the Clerk was submitted to enable the Board to consider the findings of the annual review of the Authority's governance arrangements.

Members noted that the Officer Planning Group had assessed the governance arrangements in place and had identified three significant issues that needed to be included in the 2013/14 Annual Governance Action Plan:

- Accuracy of pay and contributions data from the District Councils;
- Future changes to the structure of the LGPS; and
- Implications of the absorption of SYJS into BMBC upon the governance of the Authority and the functioning of the Service.

RESOLVED – That Members:

- i) Notes the findings of the annual review of the Authority's governance arrangements;
- ii) Notes that the review had identified three significant governance issues which should be included in the 2013-14 Annual Governance Action Plan; and

- iii) Approves the draft 2013/14 Annual Governance Statement attached at Appendix A to the report.

18 CORPORATE PLANNING AND GOVERNANCE BOARD AUDIT COMMITTEE
FUNCTION ANNUAL REPORT 2013/14

A report of the Head of Internal Audit was submitted requesting the Board to consider the draft Audit Committee Function Annual Report 2013/14 prior to its submission to the full Authority.

Members noted that good practice guidance issued by the Chartered Institute of Public Finance and Accountancy recommends that audit committees produce an Annual Report for consideration by its “governing body” to enable the Board to be reassured that they are fulfilling their roles and responsibilities.

RESOLVED – That Members:

- i) Note and approve the Annual Report for 2013/14; and
- ii) Agree to submit the final version to the full Authority on 2 October 2014 and to publish it on the Authority’s website.

19 INTERNAL AUDIT ANNUAL REPORT 2013/14

A report of the Head of Internal Audit was submitted setting out the Internal Audit Annual Report.

The Annual Report included:

- A summary of the actual position for the year against the Plan;
- An outline of the work undertaken to review the financial control and other internal control arrangements; and
- The opinion on the internal control framework that had been taken into account in preparing the Annual Governance Statement for 2013/14.

Members noted that based on the systems reviewed and reported on by Internal Audit during the year, together with the management’s response to issues raised, the Head of Internal Audit had given a Substantial assurance opinion.

Members also noted that the Pension Administration service was facing 2 significant changes in 2014/15 – a new administration system and the implementation of the new pension scheme. The 2014/15 Internal Audit Plan aimed to support senior management and the Authority to successfully manage these major implementations whilst securing effective control, governance and risk management.

RESOLVED – That the report be noted.

20 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT - 2013/14

A report of the Head of Internal Audit was submitted that presented the information and evidence in support of the statutory review of the effectiveness of the internal audit function.

With regard to the Public Sector Internal Audit Standards self-assessment checklist, there was just one area (external assessment) in which Internal Audit appeared to be non-compliant. The Head of Internal Audit informed the Board that under the Standards, an external assessment had to be carried out within 5 years; plans were in hand for this to be carried out by the end of this year (year2) or at the beginning of year 3.

RESOLVED:

- i) That the report be noted.
- ii) That the Board agree to receive a progress report in approximately 6-months to monitor progress against the Quality Assurance and Improvement Action Plan (attached at Appendix 4 to the report).

21 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Head of Internal Audit which detailed the work undertaken by the Internal Audit Team from the beginning of March 2014 to the end of May 2014.

The Board noted that there were no significant control or compliance issues and there were currently no recommendations that remained outstanding for 6 months or more from the original recommendation/agreed action target completion date.

RESOLVED – That the report be noted.

22 BUDGET MONITORING

A report of the Treasurer was submitted advising Members of the current expenditure levels within the Authority against the approved budget.

The report showed expenditure to 31 March 2014 compared to the full revised budget. Members noted that the 2013/14 annual accounts were being finalised at present and the final outturn report would be produced as normal once final accounting was complete.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

23 TREASURY MANAGEMENT UPDATE

A report of the Treasurer was submitted to provide an update for Members on the treasury management operations of the Authority.

RESOLVED – That the report be noted.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

24 JULY 2014

PRESENT: Councillor R Wraith (Chair)
P Wootton (Vice-Chair)
Councillors: E Butler, S Ellis, L Rooney and J Wood

Observers: Councillor A Sangar, Councillor K Rodgers and
Councillor B Webster

Officers: J Hattersley (Fund Director), G Chapman (Head of
Pensions Administration), A Frosdick (Monitoring Officer),
M McCarthy (Deputy Clerk), S Barker (Head of HR),
B Clarkson (Head of Finance), I Rooth (Head of Technical
Services), R Winter (Head of Internal Audit), R Bywater
(Principal Policy and External Relations Officer) and A Shirt
(Senior Democratic Services Officer)

G Boyington (Unison), F Tyas (UCATT) and G Warwick (GMB)

J Prentice (KPMG)

Apologies for absence were received from Councillor B Lodge,
F Foster and M Wilkinson

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 19 JUNE 2014

RESOLVED – That the minutes of the meeting of the Board held on 19 June 2014 be agreed and signed by the Chair as a correct record, subject to it being noted that Councillor J Wood was also in attendance at the meeting.

7 WORK PROGRAMME

The Board considered the Work Programme.

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

8 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was presented to update Members on employers' performance and any known levels of outstanding workload.

Members were informed that the report presented at today's meeting had been re-designed and compressed to focus on key performance issues.

Members confirmed that they welcomed the new style of reporting and wished to see future reports presented in this format.

The improved performance over recent times had continued. The overall performance for the District Councils for the quarter ending 30th June stood at 74%, which was the highest it had been for some time.

Members were provided with a summary of each District Councils performance:

Barnsley MBC – The Team created to clear backlogs had continued to have a positive effect. The automation of processes to provide electronic data exchange was the next priority for the Team.

Doncaster MBC – The new LGPS 2014 scheme regulations had affected some of the interfaces and the revision to some manual processing had resulted in a detrimental effect. These had now been corrected and there was no immediate cause for concern. The backlog of historical early leavers was almost cleared, and will cease to have an impact on the performance result for this category moving forward.

Rotherham MBC – Had also experienced problems with the operation of its interfaces. These had now been corrected and there was no immediate cause for concern. Overall performance was under control with no issues to report.

Sheffield CC – A significant amount of backlog work continued to reduce overall performance, as historical queries were cleared. Overall performance had increased from the last quarter. An investigation into the relatively small number of contract changes issued this quarter had commenced.

Councillor Ellis asked if the Authority had set a deadline for clearing Sheffield CC's backlog work.

The Head of Pensions Administration informed Members that known backlog cases had now been cleared. Work had now begun on the 2013/14 year end reconciliation and this will highlight cases that have not been issued on time during the last year. When these are received, they will fall into backlog and therefore will be out of time. This is an annual process and the ultimate aim is to condense it to a monthly cycle, but this will not be achieved until the new pensions administration system is installed and fully implemented.

The SLA in relation to the submission of annual contribution data returns requires that reconciled data is received by 31 May following the year end. Members noted that to date, 19 employers had still not submitted their annual contribution returns. Officers were working hard to obtain the outstanding returns.

RESOLVED – That the report be noted.

9 PENSIONS ADMINISTRATION UPDATE

A report of the Head of Pensions Administration was submitted to update Members on administration issues for the period 1 April 2014 to 30 June 2014.

The Head of Pensions Administration informed Members that officers were working hard to become familiar with the new LGPS 2014 scheme regulations. Additionally, officers were also engaged in implementing and being trained on the new Pensions Administration system which was due to become fully live from 24 October 2014.

Members were made aware that due to the above changes, the report due to be presented at the November Board meeting, setting out casework performance for the period 1 July 2014 to end September 2014, would show a drop in performance. It had been agreed that during this period there would be a temporary relaxation on the Authority's current performance targets. During the transition period staff had been instructed to concentrate only on priority work. It was anticipated that the backlog work arising as a result, would be cleared by the following reporting period.

The following points were noted:

- The annual pensions increase exercise including manual calculations for 44,500 pensioners and dependents had been completed for the May 2014 payroll deadline date.
- The MOJ transfer of Probation Trust staff to Greater Manchester Pension Fund had been completed on schedule for the end of June 2014.
- Overall casework performance for the period was 99.4% above the set target rate of 97%.
- The number of employers registered for EPIC had increased from 243 to 281.
- The Technical Team processed 12 new employer admissions during the reporting period.
- There had been 6 formal and 2 informal complaints during the reporting period, which had all been fully resolved.

RESOLVED – That the report be noted.

10 RISK REGISTER

A report was submitted updating the Board on the Authority's Risk Register.

No new risks had been added to the Risk Register since the Board's last meeting.

RESOLVED – That Members approve the Risk Register.

11 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

KPMG's annual report to those charged with Governance (ISA 260) 2013/14 was presented. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2014 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money (VfM) in its use of resources.

It was anticipated that an unqualified opinion would be issued on the financial statements by 31 July 2014.

The audit had identified no unadjusted audit differences or any adjusted audit differences.

J Prentice reported that the quality of accounts and supporting working papers provided to audit were satisfactory. Officers had dealt efficiently with audit queries and the audit process had been completed within the planned timescales.

With regard to VfM, it was concluded that the Authority had made adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

It was acknowledged that there had been an improvement in the quality and timeliness of information from the district councils regarding employee data but there remained room for further improvement. Nonetheless, the progress made justified the granting of an unqualified opinion in this respect.

KPMG had requested that the process for the approval of transfers to and from reserves be formally recorded.

RESOLVED – That the Board notes KPMG anticipate:-

- i) Issuing an unqualified audit opinion on the Authority's 2013/14 financial statements by 31 July 2014.
- ii) Issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report, by 31 July 2014.
- iii) Issuing an unqualified opinion on the VfM conclusion by 31 July 2014.

12 LETTER OF REPRESENTATION

A report of the Treasurer was submitted seeking approval of the Treasurer's formal letters to the Auditor confirming:

- i) the information in the final accounts for 2013/14 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) the Authority's operations in relation to the Financial Conduct Authority (FCA) and the fact that the Authority does not hold client money or custody assets.

It was noted that this was now a formal part of the annual statutory audit.

RESOLVED –

- i) That the above-mentioned formal letters to the Auditor be approved.
- ii) That the first letter be signed by the Chair of this Board and the Treasurer.

13 ANNUAL GOVERNANCE STATEMENT 2013/14

A report of the Clerk to the Authority was submitted requesting the Board to consider the final Annual Governance Statement (AGS) for 2013/14.

Members were reminded that the Board had considered the draft AGS at its meeting on 16 June 2014 and agreed that no further amendments were required.

The final AGS was attached at Appendix A for the consideration of the Board.

RESOLVED – That Members approve the final Annual Governance Statement for 2013/14.

14 STATEMENT OF ACCOUNTS 2013/14

A report of the Treasurer was submitted seeking the Board's approval of the audited Statement of Accounts for 2013/14.

RESOLVED – That the audited Statement of Accounts for 2013/14 be approved and that the Chair of the Board be authorised to sign them.

15 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2013/14

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Fund Report 2013/14 for Members' consideration.

It was noted that CIPFA had issued guidance last year, suggesting that it was good practice that the Annual Fund Report be formally reviewed by those charged with governance of the Fund prior to publication.

RESOLVED – That the draft Annual Fund Report discussed today be approved for publication.

16 FINANCIAL CONDUCT AUTHORITY: CLIENT ASSETS REPORT

A report of the Treasurer was submitted requesting Members to consider the final Client Assets report prepared by the Authority's external auditor as required under Rule SUP 3.11.2 of the Financial Conduct Authority.

The report confirmed that the Authority did not hold client money or custody assets during the period 01 April 2013 to 31 March 2014.

RESOLVED – That the report be noted.

17 BUDGET MONITORING

A report of the Treasurer was submitted advising Members of the current expenditure levels within the Authority against the approved budget.

The report showed expenditure to 30 June 2014 compared to the full revised budget.

RESOLVED – That the report be noted.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

26 JUNE 2014

PRESENT: Councillor P Wootton (Chair)
Councillors: J Campbell, A Sangar, M Stowe, B Webster and
R Wraith (Vice-Chair)

Officers: J Hattersley (Fund Director), S Smith (Head of
Investments), F Bourne (Administration Officer), M McCarthy
(Deputy Clerk), M McCooles (Senior Democratic Services
Officer) and I Rooth (Head of Technical Services BMBC)

Trade Union Members: G Warwick (GMB)

Investment Advisors: N MacKinnon and L Robb

S Kinnie, R Marshall and M Watt (Standard Life Investments)

Apologies for absence were received from: Councillor
K Rodgers, T Gardener and F Tyas

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

RESOLVED – That agenda Item 12 ‘Standard Life Presentation’ be considered in
the absence of the public and press.

5 DECLARATIONS OF INTEREST

Councillor Wraith had a number of shares, private pension and unit trust
investments with Standard Life Investments, and therefore declared an interest.

6 MINUTES OF THE MEETING HELD ON 13 MARCH 2014

RESOLVED – That the minutes of the meeting of the Board held on 13 March 2014 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its' Work Programme to March 2015.

RESOLVED – That the Work Programme be noted.

8 UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

The Fund Director reported that over the last quarter two Freedom of Information requests had been received in relation to the Fund's interest in private equity.

9 MEMBERS' TRAINING AND EDUCATION: EXTERNAL TRAINING EVENTS

A report of the Fund Director was submitted to bring a training opportunity to Members' attention.

The Board noted that a Schroder's trustee training seminar would be held at the Met Hotel, Leeds on 19 September 2014. The seminar was free of charge with lunch provided. The draft agenda comprised of sessions on equity risk management, understanding liability risk, active asset allocation, investment strategy in practice and defined contribution.

Members were requested to contact Member Services on 01226 772806 if they were interested in attending.

RESOLVED – That Members noted the report.

10 LOCAL AUTHORITY PENSIONS FUND FORUM: JANUARY 2014 BUSINESS MEETING

A report of the Fund Director was submitted to inform Members that the minutes of the January 2014 business meeting had been issued.

The Board noted that Jane Firth, Principal Investment Manager, had been co-opted onto the Forum's Executive.

RESOLVED – That Members noted the contents of the report.

11 PROPERTY PORTFOLIO: MANAGEMENT ISSUES UPDATE

A report of the Fund Director was submitted to update Members on matters relating to the asset management of the investment property portfolio.

Members noted the comments regarding costs of empty property rates, security monitoring procedures on vacant properties and how these were expected to change over the coming year. Property rates paid in 2013/14 were just over £602,000 compared to £754,000 the previous year. The cost for the current year

was expected to be in the region of £1,180,000 due to an increase in development programme costs.

The void rate continued to improve at 9.11% by ERV compared to 11.0% last year, but remained higher than the target control rate quoted in the IMA of 5%. This was expected to fall below 2% if the sale of the Langley unit was confirmed.

An update was provided on the progress of renewable projects in the portfolio. There were still a number of unresolved issues awaiting legal input in relation to the one live proposal in the portfolio, which continued to struggle to gain adhesion with neighbouring landowners.

Councillor Wraith queried how many of the Fund's buildings had solar panels fitted. The Fund Director commented that none of the buildings had solar panels, due to the tenants being resistant to the idea; the installation of small turbines had also been explored but with the same outcome.

RESOLVED – That the report be noted.

12 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) 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.

13 STANDARD LIFE PRESENTATION

The Board received a presentation from Standard Life Investments which provided information on the real estate performance review.

The Board noted the following key points:-

- The UK market recovery was materialising forcefully. Total returns were anticipated at 9% on an annual basis over the next three years, and economies were recovering on the back of this.
- A key risk was that rates would rise sooner than expected.
- High yield assets were a key attraction.
- Limited stock available in the UK market had put an increasing pressure on prices. The next two years were envisaged to be strong for the Fund, with more of an income return in the third year.
- The current themes were concentration, polarisation, South vs North, multimedia and the internet.
- Standard Life Investments would continue to monitor the dynamics of the supermarket retail market and its repercussions for the underlying properties.
- Recovery was beginning to materialise in the Eurozone.
- The vacancy rate had been a key improvement over the year, and had now reduced following the challenges faced two or three years ago.
- The average unexpired lease term for Q1 2014 had reduced to 10.8 years.
- The Fund had good diversification in its' top ten assets.

- The Fund had 11.8% of income expiring in the next three years compared to 22.8% for the market. The Fund was looking at development project opportunities.
- One of recommended objectives was to increase the Fund's South East England exposure.

Councillor Stowe noted the effect that online purchasing was having on distribution chains space requirements and suggested that this warranted further research.

L Robb supported the idea that the appropriateness of the current benchmark be reviewed in light of the changes taking place within the physical market. He suggested that as part of the process officers should consider the idea of introducing an unconstrained benchmark.

Councillor Sangar congratulated Standard Life, the Fund Director and his team in winning the following 2014 IPD Performance Awards:-

- i) Highest 3 year annualised return to December 2013 for UK Segregated Pension Funds (above £350m).
- ii) Highest ratio of 10 year annualised relative return versus standard deviation of relative return amongst all UK Fund types.
- iii) Highest 3 year relative return for European balanced funds.

The representatives from Standard Life Investments were thanked for an assuring presentation.

RESOLVED – That the Board noted the presentation.

THE MEETING WAS RE-OPENED TO THE PUBLIC AND PRESS

14 REFERENDUM ON SCOTTISH INDEPENDENCE

A report of the Fund Director was submitted to advise Members of some of the issues that might arise from and affect the Fund policies should the outcome of the Scottish Referendum on Independence be in favour of secession.

RESOLVED – That the report be noted.

15 SHAREHOLDER ENGAGEMENT: STATEMENT ON CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

A report of the Fund Director was submitted to reaffirm the current policy Statement on Shareholder Engagement and the Authority's responsibilities as a shareholder.

The Shareholder Engagement Statement was last renewed in May 2013, following a substantial review of the Authority's voting guidelines a year earlier. There had been no material changes to industry best practice since then and it was therefore logical to retain the present Statement on Shareholder Engagement.

RESOLVED – That Members reaffirmed the current Statement on Shareholder Engagement.

16 QUARTERLY REPORT

The Board reviewed the performance of the Fund during the quarter ended 31 March 2014.

The Fund ended the last quarter with an underweight position to bonds, in-line overseas equities, property and absolute return funds and overweight positions to UK equities and private equity funds.

£20m was divested from UK equities due to the spin off of Verizon from Vodafone; the stock was subsequently sold. £11m investment into international equities was just the reinvestment of dividend income.

£44m had been invested into property. The Fund had acquired a freehold retail unit in Nottingham and two blocks of agricultural land; provisional terms had been agreed to purchase an industrial property in Harlow and the second phase of the development project in Chichester had commenced.

For the quarter the Fund returned 1.0% against the expected return of 1.2%, with the Fund valuation rising from £5472.7m to £5519.2m; annual performance was 5.7% against 5.4%.

Hendersons had returned 2.3% against the benchmark index of 2.4%. New issues and financials had done well but non-financial corporate bonds had been the weakest performing sector over the quarter. Hendersons expected the credit markets to remain well supported by investor demand for yield and the improving economic backdrop but valuations were less compelling so overall performance would be limited.

Index-linked gilts had returned 3.9% against a benchmark return of 4.0% for the quarter. High yield bonds had returned 2.9% against an expected return of 2.2%. Emerging market bonds had returned 2.3% in-line with benchmark.

During the quarter UK equities had returned -0.6% in-line with the benchmark. The UK economy was improving along with many other economies in the developed world.

International equities had returned 0.5% compared to the benchmark return of 0.4%.

For the quarter property had returned 2.5% against the benchmark return of 3.9%. UK commercial property continued its improvement during the quarter with significant capital growth seen in all sectors of the market. The Fund Director commented that in comparison to the third quarter last year, the level of activity and stock availability had increased. Last autumn this had been focused upon greater London and overseas buyers but now UK institutional funds had become active and demand was beginning to ripple away from the South East. Eurozone values were still not recovering and affected overall Fund performance.

Private equity had returned 1.8% against the benchmark return of -0.6%.

No new money had been committed to emerging market equities and the switch within the non-Asian portfolio continued. Redemption notices were in place on most of the residual funds. It was likely that monies would be allocated into Asia this quarter.

The Fund did not have great concerns about UK equities, but was mindful that a lot of the recent recovery was based upon increased confidence in the housing market which was, itself, based on debt. Globally, developed economics appeared to be growing gradually.

RESOLVED – That the report be noted.

17 ASSET AND LIABILITY STUDY 2013: UPDATE

A report of the Fund Director was submitted to assist Members and Advisors in driving the asset and liability study forward.

At the last Board meeting Members were advised of the February discussions between Mercers, the Advisors and officers regarding the initial asset and liability study. Three principal areas were highlighted for consideration: the composition of the corporate bond portfolio, the allocation to and composition of exposure to absolute return vehicles and the structure within the equity portfolios.

The Fund Director commented it was important to remember when determining asset allocation policy that it needed to be closely aligned to the assumptions made by the actuary when he prepared his valuation. Underpinning any discussions had to be agreement over the objectives of the Fund. If new initiatives were to be introduced Members needed to be comfortable with them not only in their own right as new asset classes but also as to how they would perform and how that performance would be reported. Whilst it was not appropriate that identifying the correct benchmarks should drive policy decisions it was important that any benchmarks selected were appropriate. It was also necessary to recognise that new assets might be more volatile than the ones they replaced.

Members noted that at present Henderson's position was an expensive way of holding assets. Mercers had suggested switching to a buy and hold mandate. Costs would be incurred in moving to a new mandate.

The Fund Director stated that at the last Board meeting an allocation to RPI plus type returns, or those which produced a liquidity premium, had been agreed at the expense of the current absolute return portfolio. There were a lot of potential investment types to evaluate and there would be a presentation later today on some of these opportunities. For example, one idea that had risen from the property presentation earlier was the creation of a sub-sector portfolio with long inflation linked income streams.

It was agreed that further work was required regarding illiquid assets and that a meeting to discuss these possibilities be held in London shortly between the Chair, advisors and officers. A comprehensive report could then be submitted to the September Board meeting.

L Robb added that further discussion was also warranted over the officers' suggestion of increasing the allocation to overseas equities and the composition of the corporate bond portfolio. It had to be recognised that there could be cost implications associated with switching mandates. He was keen on the concept of RPI plus returns and would like as much flexibility as possible to capture opportunities in extra yields. Further work was required to flush out the different sub-sectors within the infrastructure area.

N MacKinnon added it was important to allow the Fund Director and his team flexibility to give them the opportunity to resolve particular issues; clarification would be made at the meeting in London, to be progressed forwards at the Board meeting in September 2014. Councillor Sangar, however, asked that advisors' circulated their views to Members ahead of the Board meeting.

L Robb referred to a visit to Hendersons last year by T Gardner and himself following a request from the Board to clear up their investment approach. The visit had suggested that Hendersons were a relatively solid professional house. The Advisors had decided not to do more until the Board had reached a decision on the nature of the bond portfolio itself.

RESOLVED – That the Board:-

- i) Considered the report.
- ii) Agreed that a meeting be held in London shortly between the Chair, Vice Chair, Fund Director and Advisors, to discuss the options discussed today so as to report back to Members at the September 2014 Board meeting.

CHAIR

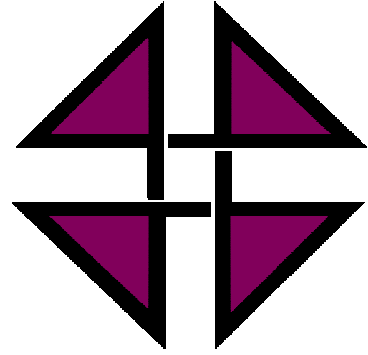
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South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	2 October 2014	27 November 2014	15 January 2015	19 March 2015
Strategic Overview of Business		Meeting Overview & Context		
	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins	Call-Ins	Call-Ins
Review of Strategies	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
	Annual Review of Risk Management Policy & Corporate Risk Register			Treasury Management Statement
	CPGB Audit Committee Functions Annual Report	Budgets and Revised Estimates	Budgets and Revised Estimates	
Business	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports
	LGPS Reform Proposals Update		Members Self-Assessment Report	Meeting Cycle Dates
	Ill Health 'Captive' Insurance	SYPF Annual Fund Meeting Report		Debt Write Offs

	2 October 2014	27 November 2014	15 January 2015	19 March 2015
Business	SYJS transition employment/budget implications etc	Constitutional Updates		
	FoIA Annual Report/ Publication Scheme	Scheme of Delegation		
		Contract Standing Orders		
Training & Development	LGPS New Scheme (GC)	Audit and Risk Management Training		



SOUTH YORKSHIRE PENSIONS AUTHORITY

Business Planning and
Performance Framework 2014/15
for the Pensions Service
and Pensions Authority

**Performance Snapshot Report
2014/15: Q1**

ISSUED: October 2014

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
Transactions with Members	15,228 cases of which 99.5% were on target	97%	Performance slightly down on previous quarter.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£5642.4m	N/A	£5519.2m at end Mar
Performance Against Benchmarks	Qtr 2.4% YTD 2.4%	Qtr 2.5% YTD 2.5%	Global economy appears to be on a path of slow steady growth. Emerging markets outperformed this quarter as investors looked for value. Bonds still look relatively expensive.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment		-	Ongoing
Shareholder Engagement	Reaffirmed current Statement on Shareholder Engagement		

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	1 Voluntary Retirement 1 Leaver 0 New Starters	Annual 4.25%	On target
Staff Training	Understanding Death Benefits (External LGE course) – 3 members of staff	Plan 100% up to date	On target
Sickness Monitoring	- 2.1% total	None	Up 0.6% on previous quarter but down 0.8% on same quarter last year

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	21 new employers registered for EPIC	N/A	274 employers (96%) now registered for Epic. Non-Epic employers only represent 26 active members.
	72% of registered employers who submitted information did so via EPIC		Investigation to take place early in the new year.
	New member registration suspended pending new system		13236 total members registered.

Face to Face Communication	608 Advisory Sessions Held	Less than 0.5% complaints	No complaints received. Less visitors than the previous quarter which was unusually high and about average overall.
Employer Activity	12 New Employers (5 Academies, 7 Transferee Admission Body) 0 Terminations	N/A	At the end of June 2014 we had 348 participating employers of which 290 had active members and there are a further 70 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	June – Internal Audit Progress Report reviewed by CP&GB	100%	On target
Annual and Quarterly Reports	June – Annual Review of Effectiveness of Internal Audit considered by CP&GB June – Audit Committee Function Annual Report considered by CP&GB		
External Audit Reports /Plans	No update reported	100%	On target

Area under Review	Activity During Quarter	Target	Status/Comment
Risk Management Annual and Quarterly Reports	No update reported	100%	On target
Constitution Policy /Procedure Revision Dates	No updated reported	100% Up to date	
Financial Reporting	Budget Monitoring report – Quarter 4 considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion	June – AGS approved by CP&GB	No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Annual Self-Assessment	June – Annual Self-Assessment completed		No significant issues
Member Training	June – 7 members attended Buy/Hold Strategy training	100% Induction & Fundamentals Training & Fundamentals Refresher	66% had induction. 58% had Fundamentals Day 1. 58% had Fundamentals Day 2. 50% had Fundamentals Day 3. 58% had Fundamentals Refresher Training

SOUTH YORKSHIRE PENSIONS AUTHORITY

2 October 2014

Report of the Clerk

CORPORATE PLANNING AND GOVERNANCE BOARD – AUDIT COMMITTEE FUNCTIONS ANNUAL REPORT 2013/14

1. Purpose of the Report

The Annual Report of the Corporate Planning and Governance Board's work during 2013/14 is submitted for Members consideration.

2. Recommendations

Members are recommended to:

- a) consider the Annual report for 2013/14; and
 - b) note that it will be published on the Authority's website.
-

3. Background Information

- 3.1 Good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that audit committees should produce an annual report for consideration by its "governing body" i.e. the full Authority.
- 3.2 The Corporate Planning and Governance Board considered the draft Annual Report for 2013/14 at its meeting held on 19 June 2014. The report attached is the final version for consideration by the full Authority.
- 3.3 In previous years the Corporate Planning and Governance Board has considered its standing in relation to the best practice guidance for audit committees issued by CIPFA. The self-assessment checklist issued by CIPFA has more than 60 questions. These are organised under the 6 main areas of:
 - establishment, operation and duties;
 - internal control;
 - financial reporting and regulatory matters;
 - internal audit;
 - external audit; and
 - administration.

The assessment conducted in 2013 established that the Board met most of the good practice criteria with only a small number of issues assessed as not complying and some as not applicable. Save in relation to Member training these remain as in 2013 but they are not material issues.

4. Implications and risks

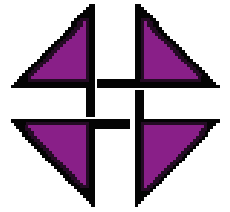
- 4.1 There are no financial, legal, risk management or diversity issues associated with the report.

R J Winter
Head of Internal Audit

Officer responsible: Gill Garrety Democratic Services Officer
South Yorkshire Joint Secretariat
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.

Other sources and references: The Board's agenda papers and minutes.



**SOUTH YORKSHIRE
PENSIONS
AUTHORITY**

**CORPORATE PLANNING AND
GOVERNANCE BOARD**

AUDIT COMMITTEE FUNCTION

ANNUAL REPORT 2013/14

**Draft for agreement by the Corporate Planning and Governance Board on
19 June 2014**

Final version to be presented to the full Authority on 2 October 2014

Foreword

I am pleased to present the Committee's annual report for the period 2013/14 which provides evidence of the arrangements the Authority has in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Richard Wraith
Chair
Corporate Planning and Governance Board

CORPORATE PLANNING AND GOVERNANCE BOARD ANNUAL REPORT 2013/14

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1. INTRODUCTION

This report is prepared for the full Authority and covers the Board's work during the financial year 2013/14 in relation to its audit committee function. It outlines the Board's:

- Role and responsibilities;
- Membership and attendance; and
- Achievements.

2. BOARD INFORMATION

Audit Committee Role and Responsibilities

The Board provides an overview role on all aspects of governance and achieves this by:

- providing a forum for monitoring governance arrangements;
- receiving and discussing monitoring reports from internal and external sources; and
- making recommendations to the Authority for action to address any deficiencies.

The Board performs the core audit committee functions recommended as good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA). These functions are included in the Boards terms of reference which are attached at Appendix 1. Its achievements are considered in Section 3 below.

Board Membership

The Board's membership at the end of March 2014 was:

Councillor R Wraith (Chair)
Councillor D Baker
Councillor E Butler
Councillor B Ford
Councillor K Goulty (Vice-Chair) From June 2013
Councillor L Rooney
Councillor P Wootton

Membership changes occurring during the year were as follows:

Councillor Lawton (Vice-Chair) ceased to be a member after May 2013.

Board Meetings and Attendance

The Board held five meetings in the year (May 2013, June 2013, July 2013, November 2013 and March 2014). The business conducted was in accordance with the work programme which was reviewed at each meeting.

The schedule of Members' and Officers' attendance is attached as Appendix 2. The good practice guidance suggests that the Chief Financial Officer should attend

regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

3. BOARD WORK PROGRAMME AND OUTCOMES

The Board maintains a work programme for its main areas of activity which is considered at each meeting. The reports received during 2013-14 relating to its audit committee functions are shown in Appendix 3; the outcomes of the Board's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Board has achieved its responsibilities.

3.1 Risk Management and Internal Control

- *Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.*
- *Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors.*
- *Being satisfied that the Authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.*

The Board has:

- Considered regular reports on the corporate risk register and considered the movements in individual risks and their categorisation;
- Received progress reports from the Head of Internal Audit on internal and from KPMG on external audit issues;
- Considered the results of the review of internal control and internal audit for 2012/13;
- Approved, the Annual Governance Statement 2012/13 including the improvements required in 2013/14;
- Received regular update reports on the Authority's treasury management position;
- Received regular Budget Monitoring reports.

3.2 Internal Audit and External Audit

- *Approving (but not directing) Internal Audit's strategy and plan, and monitoring performance.*
- *Reviewing summary Internal Audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.*
- *Receiving the annual report of the head of Internal Audit.*
- *Considering the reports of external audit and inspection agencies.*
- *Ensuring that there are effective relationships between Internal Audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.*

Internal Audit:

The Board has:

- Agreed the Internal Audit Strategy and Annual Plan for 2013/14;
- Received and considered Head of Internal Audit's Annual Report for 2012/13, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

KPMG (Appointed External Auditor) (see also Accounts below):

The Board has:

- Received reports from KPMG on their Audit Plans for the Authority;
- Received regular progress reports from KPMG
- Approved KPMG's fee for the financial year 2013/14.

3.3 Accounts

- *Reviewing the financial statements, the external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.*
- *Overseeing the production of, and approving, the Authority's Annual Governance Statement.*
- *Overseeing the production of, and approving, the Authority's Annual Statement of Accounts, focussing on:*
 - *the suitability of, and any changes in, accounting policies;*
 - *major judgemental issues e.g. provisions.*
- *Receiving and agreeing the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.*

The Board has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2012-13;
- Reviewed and approved the Authority's Statement of Accounts 2012/13;
- Received and approved the Audit Commission's Annual Governance Report 2012/13 and agreed the responses to the recommendations made.

3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2012/13 which was presented to the full Authority and published on the Authority's website.

The Board revisited the self-assessment of its position against the best practice guidance and considered the extent to which its arrangements remained robust.

CORPORATE PLANNING & GOVERNANCE BOARD

TERMS OF REFERENCE (extract)

- 6) Carrying out the following core audit committee functions:
- a. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - b. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - c. Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
 - d. Approve (but not direct) internal audit's strategy and plan.
 - e. Monitor performance against Internal Audit's strategy and plan.
 - f. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - g. Receive the annual report of the Head of Internal Audit.
 - h. Consider the reports of external audit and inspection agencies.
 - i. Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
 - j. Review financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
 - k. To oversee production of, and approve, the Authority's Annual Governance Statement.
 - l. To review and approve the annual Statement of accounts, focussing on the suitability of, and any changes in, accounting policies; and major judgemental issues e.g. provisions.
 - m. To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.

MEMBER/OFFICER ATTENDANCE AT BOARD MEETINGS

Member / Officer	May 2013	June 2013	July 2013	Nov 2013	March 2014
Members					
Councillor R Wraith (Chair)	✓	✓	✓	✓	✓
Councillor D Baker	r/a	✓	r/a	✓	✓
Councillor E Butler	r/a	r/a	✓	r/a	x
Councillor R Ford	✓	✓	✓	✓	x
Councillor K Gouly		✓	✓	✓	✓
Councillor M Lawton	✓				
Councillor L Rooney	✓	✓	r/a	✓	✓
Councillor P Wootton	✓	✓	✓	✓	✓
Representative Bodies					
Unison – G Boyington	✓	r/a	✓	✓	✓
GMB – G Warwick	✓	✓		✓	✓
UCATT – F Tyas		✓	✓	r/a	✓
Officers					
Clerk & Treasurer (SP)	✓	✓	✓	✓	✓
Deputy Clerk & Solicitor (MVO)	✓		✓		
Head of Internal Audit (RW)	✓	✓	✓	✓	✓
Audit Manager (MW)	✓		✓	rep	rep
Member Services Representative	✓	✓	✓	✓	✓
Fund Director (JNH)		✓	✓	✓	✓
Head of Finance (BC)			✓		
Head of Pensions Admin (GC)	✓	✓	✓	✓	✓
KPMG Appointed External Auditor					
District Auditor (KPMG)	r/a	r/a	✓		✓
Audit Manager (KPMG)	✓	r/a	✓		

Notes:

- Shaded cells = membership not current at the time of the meeting
- ✓ = attended
- r/a = apologies for absence recorded
- o = observer
- rep = sent representative

APPENDIX 3

BOARD ACTIVITY – AUDIT COMMITTEE FUNCTION

Function / Issue	May 2013	June 2013	July 2013	Nov 2013	March 2013
Risk Management					
Risk Register	Noted	Noted	Noted	Noted	Noted
Governance and Internal Control					
Review of Internal Control 2012/13				Agreed	
Annual Governance Statement (AGS) 2012/13	Approved				
AGS Improvements Action Plan 2013/14	Agreed				
Treasury Management Update	Noted			Noted	
Internal Audit					
Audit Strategy & Plan 2014/15					Approved
Outstanding Recommendations	Noted		Noted	Noted	Noted
Annual Report 2012/13	Noted				
Progress Report	Noted		Noted	Noted	Noted
External Audit					
Audit Fee 2013/14				Noted	
Annual Audit Letter				Noted	
VFM Conclusion 2012/13			Noted		
External Audit Plan 2014/15					Noted
Accounts					
Audited Statement of Accounts 2011/12			Approved		
Annual Governance Report 2012/13	Noted				
Letter of Representation			Approved		
Budget Monitoring 2012/13	Noted		Noted	Noted	Noted
Board Working Arrangements					
Work Programme	Noted	Noted	Noted	Noted	Noted
Annual Report 2012/13	Approved				

(The term "Noted" is used to include resolutions to note and to receive reports).

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SOUTH YORKSHIRE PENSIONS AUTHORITY

2 October 2014

Report of the Clerk and Treasurer

FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

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 ninth 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>
Oct 13-Sep 14	12	1	14*
Nov 12-Sep13	18	2	20
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

*One request related to the Clerk & Treasurer (see below).

4.2 All the Investment requests in the past year related to private equity holdings. The single request relating to the Administration Division asked for information about staffing levels and costs. There was also a request asking for historic information from the register of interests relating to entries by the Clerk and Treasurer.

- 4.3 The Authority has responded to all requests within the 20 day limit required by the Act. One response is currently pending.
- 4.4 All the information applicants have asked for has been provided where it is held. In three instances, a partial response was made as the rest of the information was confidential and commercially sensitive.
- 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 at least 30.5 hours of officer time in completing these requests.
- 4.8 All the applicants have been from data collecting commercial organisations; except for one which was from another type of commercial organisation; one which was from the media and one which was from a private individual. Six of the requests were from UK based individuals and eight from the USA and Canada.

5. Publication Scheme

The Authority has adopted the model publication scheme prescribed by the Information Commissioner, which sets out the routine publication of information, which is not exempt under the Act. The Information Commissioner published a revised definition document for Joint Authorities and Boards in June 2014, which is currently being used to update the Authority's website guide to information.

7. 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.

**D Terris
Clerk**

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.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

2nd October 2014

Ill Health Retirement 'Captive' Insurance

1. Purpose of the Report

To introduce a new method of funding the cost of ill health retirement for selected employers.

2. Recommendations

Members are recommended consider the contents of the report with a view to approving the proposal.

3. Background

- 3.1 Ill health retirement is a guaranteed benefit within the LGPS. This means that all scheme employers have an open-ended risk that one of their employees may fall ill in circumstances that require the immediate payment of retirement benefits. When retirement benefits are paid earlier than expected it creates a funding shortfall and the employer has to make up the difference.
- 3.2 In order to protect employers and the pension fund from unwarranted ill health retirement claims the criteria for release of benefits requires evidence of permanent incapacity from carrying out the duties of the members own job plus an assessment of their capability to carry out any other work. Furthermore the assessment procedure we have put in place provides a consistency of recommendation not found in the majority of other LGPS funds and as a consequence SYPA has a lower incidence of ill health retirements compared to most other LGPS funds and resulted in a saving for the Fund at the last valuation.
- 3.3 Some cases do, of course, fulfil the criteria and the following table displays the Fund experience during the last valuation period.

Financial Year	Number of Ill Health Retirements	Costs Charged via Actuarial Allowance	Cash Injection
2011/12	52	£4.9m	£0.5m
2012/13	73	£6.2m	£1.5m
2013/14	46	£2.7m	£0.5m

The cost of ill health retirement is determined by the pay and membership of the retiring members and the tier of benefits awarded. The number of retirements also has a bearing but it is the amount of benefit paid and how many years early it is being paid that has the biggest impact on cost.

- 3.4 The traditional funding method for ill health retirement is to add a premium to the employers contribution rate based on past experience and create an allowance that can be monitored during the inter-valuation period. This methodology typically results in predicted outcomes for the large employers who generally have no additional costs to pay during the valuation cycle and as we have found in recent years are able to benefit from

a funding credit due to a lower than expected experience of ill health retirement.

- 3.5 The disadvantage of the traditional funding method is that it does not adapt well for smaller employers who with less members clearly have a reduced risk of ill health retirement but still can be faced with huge costs if they are unfortunate and have a member retire during the valuation period or are extremely unfortunate and have more than one retirement through ill health. The average cost of ill health retirement during the last valuation period was just under £100,000 per case and although it is true to say that the bulk of these were from the district councils the vast majority of fund employers did not have any protection to cover a cost of this magnitude.
- 3.6 If an employer does not have sufficient allowance to cover the cost of ill health retirement there are generally two options available. The first option is to increase the employers contribution rate sufficient to ensure that the outstanding amount is collected within the current valuation period. The alternative is for the employer to make a cash injection equal to the amount required. Given the unpredictable nature of ill health retirement neither course of action can be anticipated and as a result an ill health retirement at the very least result in short-term budgeting pressures and in extreme cases can be catastrophic to the employer.
- 3.7 The current methodology has been around for a number of years and where an employer has been faced with a cost that exceeds their allowance the arrangements described above have been applied. However more recently the fund employer base has changed dramatically, mainly due to education reform, and we now have 290 contributing employers with a further 70 in the pipeline. The vast majority of fund employers only have a relatively small number of members as a result they are at risk of the cost pressures that an ill health retirement would bring.
- 3.8 Discussions about an alternative solution have been taking place with the actuary for some time and I had originally hoped to have a launch of this initiative during the last valuation consultation exercise. Unfortunately this was not achievable but I am now pleased to attach a proposal produced by Mercer for your consideration. A summary of the main features of the proposal can be found in paragraph 5 and if approved would be implemented with effect from 1st October 2014.

4. Section Criteria

- 4.1 Whilst to date there has been no cross subsidy between the employers of the fund it is a fact that some employers carry a greater level of risk than others. It follows therefore that regardless of any other form risk assessment in place e.g. strength of covenant check, the employers included within the 'captive fund' are the in the main ones who possess the greatest risk. Although there are some guarantees in place the ultimate risk is carried proportionately by all the remaining fund employers if an employer ceased to exist and couldn't afford to pay its outstanding liabilities

Community Admission Bodies (CAB's)

All CAB's are included. Generally these are our most at risk employers and potentially could be wound-up by a single ill health retirement. Although the district councils act as guarantor for many of the CAB's their inclusion would remove the risk of the guarantee agreement being called upon specifically due to ill health retirement. In addition there are several founder member CAB's that do not have a guarantor.

4.3 Academies / Grant Maintained Schools

These form the bulk of the employers to be included and are now our largest category of employer. The academies range from small Primary schools to large Comprehensives but all are included due to the risk of insolvency caused by an ill health retirement. There is a DfE guarantee for all academies but this has yet to be tested and in any event could only be activated once the school was insolvent. Inclusion of this group removes the risk of an academy becoming insolvent directly as a result of ill health retirement.

4.4 Resolution Bodies

These are Town and Parish Councils and are all included. Despite representing just 0.1% of the total fund payroll they are high risk because they do not have any form of guarantee.

4.5 Other Scheduled Bodies

Four from this category have been selected as despite being scheduled bodies they are relatively small employers and have an allowance less than the average cost of a single ill health retirement. Although unlikely to be wound-up as a result of an ill health retirement, being included in the captive fund removes budgetary uncertainty that unexpected strain costs would bring. South Yorkshire Pensions Authority is included in this category.

4.6 Excluded Employers

These fall into two categories. The large employers are excluded as they are already successfully pre-funding ill health retirements and they are also required to underwrite any costs emerging from the captive over time, although it is expected to be self-financing. All transferee admission bodies (contractors) have been excluded on the basis that their fund participation is for a variable period of time and would otherwise be potentially paying less premiums for full coverage.

5. Proposal Summary

5.1 The main points of the proposal are as follows,

1. Preferable to 3rd party insurance as premiums kept in the fund and avoids voluntary buy-in.
2. Captive employers no longer susceptible to uncontrollable costs
3. 70% of employers covered representing 10.7% of total payroll
4. Initial underwriting by larger employers a possibility
5. No change to contribution rates during this valuation for 64 employers already pre-funding ill health retirement
6. Premiums applied to 132 employers with no current pre-funding from 1st April 2015
7. Premiums adjusted at the next valuation in light of experience

6. Implications, including Risks

- Financial – none
- Legal – none
- Diversity – none
- Risk - none

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



SOUTH YORKSHIRE PENSION FUND ILL HEALTH CAPTIVE OVERVIEW

Introduction

This document has been prepared for South Yorkshire Pensions Authority (SYPA), as the administering authority of the South Yorkshire Pension Fund ("the Fund"). The purpose of this document is to provide an overview of how an ill-health "captive" insurance arrangement could be implemented by the Fund and the background to why this approach has been recommended as opposed to insurance with a 3rd party such as Legal & General. We have not addressed the level of governance that is applied to determining whether a member is eligible to retire due to ill health but this is equally (if not more) important to how we address the additional funding costs for employers which is the focus of this note i.e. once ill health retirement has been granted.

1. Background

Currently, certain employers within the Fund have an allowance included in the contributions they pay for members who are expected to retire due to ill health. This allows for the impact of such retirements falling across the 3 Tiers depending on the severity of the cause of ill health. As such, any funding strain costs identified at the point of an ill-health retirement will need to be met by the employer should the cost exceed their overall allowance. Any excess strain costs would typically be met by a one-off payment by the employer, or via payment of additional regular contributions.

For those employers for whom no allowance is included in their future service contribution rate (which is principally due to the relatively small size of the employer), all costs associated with ill-health retirements need to be met by additional contributions.

In some cases, in particular for smaller employers within the Fund, the level of cost emerging following an ill-health retirement, and thus the impact on the employer's subsequent contribution requirements, can be significant. On occasions, the additional contributions can prove unaffordable for the employer and can potentially impact on their potentially viability as an organisation and ultimately their participation in the Fund. In such cases there would also be adverse implications on the Fund (in terms of looking to recover the strain / manage an exit debt/ overall covenant assessment) which is not in the interests of the employer concerned and ultimately the pension Fund. This is because any unrecoverable debt would potentially fall on one employer (the guarantor, which takes on responsibility for any residual funding deficits which emerge on exit) or all employers in the Fund on a proportionate basis (should no guarantor exist).

As part of the 2013 actuarial valuation exercise and in recent months, we have discussed with the Fund alternative approaches to managing the risks associated with ill-health retirements. In addition, we are aware that some employers within the Fund have also expressed an interest in seeking additional protection from the strains that may emerge – principally through full insurance. We set out below, the



outcomes of the discussions/considerations to date, in particular with regard to the implementation of an ill-health "captive" internal Fund arrangement.

2. 3rd Party External Insurance vs Captive Internal Insurance

One option available to the Fund would be to consider obtaining insurance for ill-health retirement costs with a 3rd party and Legal & General offer such an arrangement to the LGPS. There are no other insurers who are currently placing this business as far as we are aware.

Whilst this would transfer the risk to a 3rd party for payment of premiums by employers (plus possibly other conditions), there are other issues which the Fund would need to consider were this route to be followed e.g.

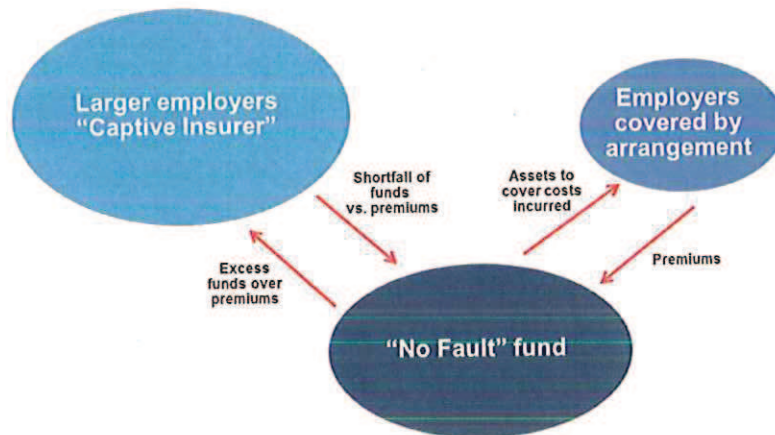
- Reliance on there being competition in the market for "fair" pricing vs. risks transferred (only one provider for LGPS at present)
- Increased administration of arrangement i.e. increased costs to the Fund – especially if targeted at certain subgroup of employers only rather than Whole Fund
- Potential procurement costs in obtaining the insurance and also consideration of level of "profit" being passed to 3rd party.
- Option for insuring in this way would be one for employers to decide upon rather than the Fund so the level of governance control is lessened.

In order to consider this option further, the Fund obtained an indicative quotation from Legal and General – the resultant premiums quoted (on a non-profit basis) varied from 1.4% of pay for Whole Fund insurance to 1.8% of pay for a small subset of employers being insured. It would be possible to enter into a profit sharing arrangement with the insurer and this would result in a slight increase in the premiums payable (although it has the advantage of cost rebates if experience is positive).

The alternative to 3rd party insurance would be to self-insure the risk within the Fund. This would essentially remove any element of "profit" being passed to a 3rd party as all "premiums" and "costs" would effectively be kept within the Scheme. Given that larger employers should be able to bear the risks of ill-health retirements easier than smaller employers (as effects small overall vs. other factors) one option available to the Fund would be to setup a "captive" type arrangement within the Fund – i.e. a "No Fault" fund which would smooth out the effect of ill-health retirements for smaller employers and give greater certainty of cost.

In practice such an approach would involve:

- Notional "Premiums" paid by employers into a "captive" fund which is tracked separately by the Actuary in the valuation calculations.
- The "captive" fund is then used to meet strain costs emerging from ill-health retirements e.g. no impact on funding position for employers within the captive
- Any shortfall in the captive would effectively be underwritten by all other employers i.e. with potential for increases to their own contribution requirements at subsequent actuarial valuations to meet the shortfall. The converse would also be true were a surplus to emerge in the captive.
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.



On the assumption that any "premium" payable by employers into the captive would not be prohibitive, it would be expected that employers would welcome the protection the captive affords. For those (larger) employers underwriting the arrangement, there would need to be buy-in to the approach but over time there should not be a cost emerging to them given the facility to adjust the premiums payable i.e. any fluctuations arising from experience would smooth out over time. We also would not expect any material adjustments to their own contribution requirements from valuation to valuation as a result of the captive arrangement.

3. Conclusion

From a Governance perspective, implementation of a captive insurance arrangement has the benefit for the Fund in that it would, typically, have the control over which employers would be covered by the arrangement, unlike 3rd party insurance whereby (unless Whole Fund insurance opted for), employers would still retain control over whether they were insured or not. However, even if a captive arrangement were to be setup, there would be nothing to prevent an employer seeking out its own ill-health insurance should it wish to do so (although there would be additional administrative/practical implications for the Fund associated with this which would need to be worked through).

Based upon the outcomes from the 2013 actuarial valuation exercise, the average allowance (across the Whole Fund) included in employer contribution rates (where an allowance was included) was around 0.8% of pay and this was derived from the Fund's own historical experience. Therefore, in comparison to the quotation received from Legal and General, at present it would appear that the more cost effective solution for the Fund to follow would be to implement the Captive arrangement. However the downside is that if experience turned out to be worse than assumed this cost would increase over time. This is no different to the current position of self-insurance where employers pay for their own experience – the captive arrangement is simply redistributing and smoothing/pooling these costs.

Following further discussion with the Fund, and based on the above conclusions, the Fund has agreed therefore to look to implement the captive arrangement going forwards. The remainder of this paper considers further the implications of this.

4. Employer Analysis and Categorisation

As mentioned above, one of the key benefits of implementing the captive arrangement, from an overall governance perspective, is that the Fund retains overall control of which employers are covered by the arrangement. The wording of the Funding Strategy Statement and Actuarial Valuation report is such that the Administering Authority reserves the right to adjust contributions where certain costs are "insured".

We were provided with a list of employers by the Fund who would ideally form part of the initial captive arrangement. We then carried out analysis on this selection in terms of number of employers being covered / age/pay profile, existence of current ill-health allowance etc, in order to facilitate further discussion with the Fund on the selection process. In summary, the criteria set by the Fund for inclusion/exclusion of the captive, were solely based on the type of the employer i.e. as follows:

Included	Excluded
Academies / former Grant Maintained schools	Other Scheduled Bodies e.g. District Councils
Community Admission Bodies	Transferee Admission Bodies
Resolution Bodies	

In a few cases, depending on the size/circumstances of the employer the Fund has applied its own discretion to apply different criteria as required.

The conclusions from the analysis carried out and from follow-on discussions were that we did not have any objections to the selection criteria adopted by the Fund nor to the discretionary inclusion process applied in a few cases. Therefore from a risk management perspective it appears to be a very credible starting point.

Whilst nearly 70% of the employers (by number) in the Fund would potentially be covered by a captive arrangement, this would only represent 10.7% of the Fund in terms of the size of the employers (based on payroll) and therefore would fit the premise of how we would see such an arrangement working.

Based on the current list of active employers, a summary of those selected to be in the Captive by the Fund is shown below in the following table – with employers being admitted / exiting the Fund on a regular basis, we would expect the final number of employers eligible for cover to be different ultimately.

Type of Employer	Number in Fund	In Captive	Proportion of Group	2012/13 Payroll of Selected (£000s)	Proportion of Total Payroll for Group	Number with an IH allowance in rate
Scheduled - non Academy / GM School	20	4	20.0%	4,393	0.5%	3
Scheduled - Academy / GM School	129	129	100.0%	60,356	7.0%	45
Community Admission Body	43	43	100.0%	26,559	3.1%	16
Transferee Admission Body	56	0	0.0%	0	0.0%	0
Resolution Body	20	20	100.0%	766	0.1%	0
TOTAL	268	196	71.3%	92,074	10.7%	64

5. Implementation / Adjustments to contribution rates

Although implementation of the captive would require formal approval from the Pensions Committee, we understand that the Fund would be looking to provide cover from 1 October 2014 (with approval being sought at the October Committee meeting).

As referred to above, the rates and adjustments certificate that formed part of the formal 2013 actuarial valuation report included a facility for the certified employer contribution rates (payable up to 31 March 2017) to be amended should the Fund look to insure benefits (internally or externally) during that period.

For those employers selected by the Fund to be part of the captive arrangement, who already have an ill-health allowance within their contribution rate (64 based on initial analysis), our recommendation to the Fund would be for there to be no initial adjustment to their contribution rate once the captive is formally implemented i.e. their existing contribution towards ill-health retirements is sufficient for the opening "premium" payable into the captive which on average is around 0.9% of pay for the employers concerned (compared to 0.8% at the Whole Fund level quoted above).

For employers who currently have no allowance within their current contribution rate (132 based on initial employer analysis), we recommend that an average "premium" addition of 0.9% of pay to become payable once the captive is formally implemented.

However, for practical purposes, we understand that the Fund would look to apply any contribution changes from 1 April 2015 at the earliest. Therefore, the additional "premium" that would become payable would be say 1.1% p.a. of pay instead over 2015/17 (assuming cover would apply from 1 October 2014) to allow for the "underpayment" of premium from 1 October 2014 to 31 March 2015.

The principles will also be applied consistently for any new employers who join the Fund after implementation of the arrangement.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. monitoring of strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded. The impact of any experience

adjustment emerging from the captive on future contribution requirements will first emerge following the 2016 valuation exercise i.e. in contributions payable from 1 April 2017. The "premium" payable by employers within the captive would also be reviewed at this time.

In summary therefore:

Employer	Impact on current certified contribution rates		
	1 October 2014 – 31 March 2015	1 April 2015 to 31 March 2017	1 April 2017 to 31 March 2020
In Captive			
No allowance currently	No change	Additional 1.1% p.a. payable	To be determined as part of 2016 actuarial valuation exercise
Allowance currently	No change	No change	
Out Captive			
No allowance currently	No change	No change	
Allowance currently	No change	No change	

As part of the implementation process, the Fund will also need to communicate the position with all employers, both those selected to be in/out of the captive arrangement. We would be happy to assist the Fund in this process if the Committee agree to the implementation of the arrangement

6. Monitoring

As referred to above, the experience of the captive arrangement will form a key part of the assessment for how any "premiums" should be revised following the 2016 actuarial valuation exercise, alongside how any excess/shortfall in the captive should impact on the contributions payable by those employers underwriting the arrangement.

There is potential for a number of differing approaches to how any adjustments are implemented in practice and we suggest that we pick up these with the Fund in more detail once the captive is established, as part of the advance discussions relating to the 2016 valuation exercise.

Although the Fund already has well established procedures in place for monitoring ill-health early retirement costs (and how these compare to certified allowances), these procedures will need to be modified / built upon going forwards in order to identify both the number, and associated costs, of any ill-health retirements from 1 October 2014 in respect of those employers covered by the captive arrangement. This is because the accuracy of the information becomes more important to ensure the "premiums" payable by the covered employers are fair and equitable when assessed as part of future triennial valuation exercises.

7. Next Steps

In summary therefore, the next steps that would need to be undertaken by the Fund would be the following:

- Ratification from Committee to captive being implemented from 1 October 2014
- Final selection/agreement of those categories of employers to be covered
- Communications of arrangement to employers
- Any changes to EPIC to facilitate monitoring of captive going forwards
- Early consideration of adjustments to contribution rates from 1 April 2015
- Change to new employer processes to take into account the new arrangements

We would be happy to assist the Fund as required.

Paul Middleman
Mercer Limited
September 2014

The information has been prepared for the purpose outlined above in the Introduction section. We do not accept any liability or responsibility to any other third party in respect of this information. This information is confidential and may not be disclosed in whole or in part to any other third party without Mercer's prior written consent, unless required by law or order of a court or regulatory body.

This information is correct as of September 2014. It will not be updated unless requested.

In providing this information, we have only considered factors relating to the implications of ill-health retirements within the Fund and how the risks of such retirements and the strains emerging on employers can be managed.

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We have prepared the information in this e-mail in our role as Actuary to the South Yorkshire Pension Fund only. If the administering authority considers that additional professional advice is required, they would be responsible for obtaining such advice.

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