

**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Authorised and regulated by the
Financial Conduct Authority

Diana Terris
Clerk

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of the South Yorkshire Joint Secretariat on Thursday 27 November 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
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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.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

**27 NOVEMBER 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 Authority meeting held on 2 October 2014	1 - 6
7	Minutes of the Investment Board held on 18 September 2014	7 - 14
8	Minutes of the Corporate Planning and Governance Board held on 13 November 2014	15 - 24
9	Work Programme	25 - 26
10	Section 41 Feedback from District Councils	Verbal Report
11	Quarter 2 Performance Snapshot Report	27 - 32

	Item	Page
12	Revenue Estimates 2015/16 - Administration and Investment Management Expenses	33 - 48
13	Openness of Local Government Regulations 2014	49 - 56
14	Board Chairs' Reports	Verbal Report
15	LGPS Advisory Board: Annual Report	57 - 58
16	Annual Fund Meeting	59 - 68
17	Trades Union Representation on Boards	69 - 70

SOUTH YORKSHIRE PENSIONS AUTHORITY

2 OCTOBER 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, B Webster and
J Wood

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

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), M McCarthy (Deputy Clerk/Policy), A Frosdick (Monitoring Officer), J Bell (Director of Human Resources, Performance and Communications, BMBC), F Foster (Treasurer), R Bywater (Principal Policy and External Relations Officer) and M McCoole (Senior Democratic Services Officer)

1 APOLOGIES

None.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

RESOLVED – That Members noted an item would be discussed in private, at the conclusion of the meeting.

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

As detailed above.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 19 JUNE 2014

RESOLVED – That the minutes of the Annual Authority meeting held on 19 June 2014 be signed by the Chair as a correct record.

7 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 19 JUNE 2014

Councillor Rodgers asked if any feedback on the consultations had been received.

J Hattersley commented that feedback was still awaited. The initial impression had been that the response to the consultation on collaboration and reducing costs was relatively negative; further consultation on governance was expected.

RESOLVED – That the minutes of the meeting of the ordinary Authority meeting held on 19 June 2014 be signed by the Chair as a correct record.

8 MINUTES OF THE AUTHORITY MEETING HELD ON 8 JULY 2014

RESOLVED – That the minutes of the meeting of the Authority held on 8 July 2014 be signed by the Chair as a correct record.

9 MINUTES OF THE AUTHORITY MEETING HELD ON 24 JULY 2014

RESOLVED – That the minutes of the meeting of the Authority held on 24 July 2014 be signed by the Chair as a correct record.

10 MINUTES OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 19 JUNE 2014

Councillor Wraith welcomed the improvement in BMBC's performance and hoped it would continue.

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on 19 June 2014 be noted.

11 MINUTES OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 24 JULY 2014

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on 24 July 2014 be noted.

12 MINUTES OF THE INVESTMENT BOARD HELD ON 26 JUNE 2014

Members referred to the Schroder's Trustee Training Seminar held on 19 September 2014 in Leeds. Members commented that a loop system had not been in place in the building and the acoustics had been of poor quality. Members agreed that the seminar although informative, had been targeted to private sector investment. Members agreed that it would be essential for loop systems to be available in future venues.

RESOLVED – That the minutes of the meeting of the Investment Board held on 26 June 2014 be noted.

13 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Rodgers reported that the Independent Children's Trust in Doncaster had now been established and had involved a fairly substantial transfer of staff.

Councillor Lodge referred to a number of questions raised by members of the public to SCC, in relation to ethical investment and investment around air quality and green energy. A meeting would be held between Sheffield councillors and the members of

the public concerned; Councillor Lodge would report back to the Authority in due course.

Councillor Wootton had submitted the Section 41 Report to RMBC, which had been well received.

Councillor Wootton urged Members to attend the forthcoming Fund Annual Meeting on 9 October 2014 at the New York Stadium, Rotherham.

14 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 19 March 2015.

RESOLVED – That the report be noted.

15 QUARTER 1 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2014/15 quarter 1.

RESOLVED – That the contents of the report be noted.

16 ANNUAL REVIEW OF RISK MANAGEMENT POLICY AND CORPORATE RISK REGISTER

A report of the Clerk was submitted to review the Authority's Risk Management Policy and the Corporate Risk Register.

Members would continue to receive updates in relation to Risk No. 6 'Future Changes to the Local Government Pension Scheme (LGPS)', which continued to be the only risk identified on the Register with a High residual risk rating; M McCarthy referred to the outstanding information on the risk; once matters became clearer the risk would be downgraded.

G Chapman commented that the draft Regulations and draft Statutory Guidance were expected to be received within the next few weeks, together with a six week consultation period. It was likely, therefore, that a special meeting of the Authority would need to be held either at the conclusion of a Corporate Planning and Governance Board Meeting, or arranged separately if it did not fit within the current meeting cycle.

RESOLVED – That Members:-

- i) Approved the Risk Management Policy attached at Appendix A to the report.
- ii) Considered the Corporate Risk Register attached at Appendix B to the report.
- iii) Agreed the removal of Risk 4, Global Economic Problems from future registers.

17 AUDIT COMMITTEE FUNCTION ANNUAL REPORT 2013/14

A report of the Clerk was submitted for Members to consider the Annual Report of the Corporate Planning and Governance Board's audit work during 2013/14.

RESOLVED – That Members:-

- i) Considered the Annual Audit Report for 2013/14.
- ii) Noted that it would be published on the Authority's website.

18 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report of the Clerk and Treasurer was submitted which provided Members with an update on Freedom of Information requests (FOI).

Members noted that all requests had been responded to within the 20 day limit required by the Act; one response was currently pending.

G Boyington referred to the eight FOI requests received from the USA and Canada, and queried due to the officer time and cost involved, whether the Authority was obliged to answer such requests.

A Frosdick commented that even though FOI requests from the USA and Canada were outside of the jurisdiction, the legislation still applied. J Hattersley added that clarification was being sought on one of the FOI requests from the United States, due to the amount of potential work involved.

RESOLVED – That Members noted the contents of the report.

19 SOUTH YORKSHIRE JOINT SECRETARIAT - INTEGRATION

A report of the Clerk was submitted to inform Members of the progress made to date in integrating the support arrangements to the South Yorkshire Joint Authorities with Barnsley MBC acting as lead authority on behalf of South Yorkshire partners.

Members noted that the Joint Secretariat Management Board had given approval at its meeting on 26 September 2014, to the proposed arrangements whereby the 1987 Agreement between the SY Joint Authorities and district councils be amended so as Barnsley Council be nominated to act as lead authority with effect from 1 April 2015 instead of a discrete department of BMBC. As a result, a review of the future role of the Joint Secretariat Management Board would be undertaken, and the South Yorkshire Joint Secretariat would formally cease as a "Brand".

It was acknowledged that any withdrawal from the agreement would require 12 months' notice.

Members reiterated their view that as an independent statutory body this Authority had the ability to procure services from any appropriate supplier notwithstanding the 1987 Agreement and that this position continued. Members also noted that BMBC was in the throes of reorganising itself into business units and that a similar report to this one would be considered by the other Joint Authorities through this meeting cycle.

Councillor Ellis requested that the South Yorkshire Leaders and BMBC officers should monitor the integration process and ensure that Joint Authority Members were kept fully informed.

RESOLVED – That Members:-

- i) Agreed in principle to the proposed arrangements to establish Barnsley as Lead Authority to provide relevant support services as required to the Authority with effect from April 2015 and that the relevant formal agreement between the Council and the Authority be amended.
- ii) That once the accounts and related reports of the Joint Secretariat Management Board be received by that Board for the financial year 2014/15, the Chairs of the Joint Authorities and their senior officers should give consideration to the future of the Joint Secretariat Management Board in conjunction with BMBC officers.
- iii) Requested that the South Yorkshire Leaders and BMBC officers monitored the integration process and ensured that Joint Authority Members be kept fully informed.

20 ILL HEALTH RETIREMENT 'CAPTIVE' INSURANCE

A report of the Head of Pensions Administration was submitted to introduce a new method of funding the cost of ill health retirement for selected employers.

Within the LGPS, ill health retirement was a guaranteed benefit, whereby all Scheme employers had an open-ended risk that one of their employees may fall ill in circumstances which required the immediate payment of retirement benefits. A funding shortfall would be created when retirement benefits were paid earlier than expected, and the employer would have to make up the difference.

Members were informed of the proposal to create a 'captive' group of employers, who would share the risk by paying a premium included with their contribution rate. Some employers would see no immediate change as they already had an allowance built in but others would see an increase in contributions of 1.1% from April 2015. The position would be reviewed at the next valuation. Over the past 6 years there had been a total of 387 ill health retirements, and only 21 of those ill health retirements would have come out of the 'captive'. G Chapman commented that Legal and General had provided quotations for ill health insurance as an alternative but was more expensive, was financed outside the Fund and required employers to sign up individually.

Councillor Ellis queried how many members of staff were none 'captured'. G Chapman would provide Councillor Ellis with the information.

Members noted the following main points of the proposal:-

- Preferable to third party insurance as premiums kept in the fund and would avoid voluntary buy-in.
- Captive employers no longer susceptible to uncontrollable costs.
- 70% of employers covered representing 10.7% of total payroll.

- Initial underwriting by larger employers a possibility.
- No change to contribution rates during this valuation for 64 employers already pre-funding ill health retirement.
- Premiums applied to 132 employers with no current pre-funding from 1 April 2015.
- Premiums adjusted at the next valuation in light of experience.

RESOLVED – That Members:-

- i) Approved the proposal.
- ii) Received the report.

21 LGPS REFORM UPDATE

G Chapman reported that further draft Regulations were expected on the proposals for cost sharing within the Scheme. A mechanism would be put in place in the future, should employer costs increase, to determine whether benefits would change or employee contributions would rise, and this would be brought to Members' attention.

Members noted that the Regulations would be received in mid-October 2014 and would correct areas which were currently incorrect within LGPS 2014.

An announcement was expected that the freedom of choice in pensions would apply to LGPS, where Scheme Members could transfer their benefits to another provider and then take it all as cash. Initially the new rules are expected to require members to transfer out to a personal pension but, ultimately the rules could change to allow Members to withdraw direct from the Scheme; Scheme Members would have to receive independent financial advice prior to this being authorised, and scheme measures would also be put in place. This will be reported in full at a later meeting once full details are known.

RESOLVED – That the update was received.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

18 SEPTEMBER 2014

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

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

Trade Union Members: G Warwick (GMB) and F Tyas (UCATT)

Investment Advisors: T Gardener, N MacKinnon and L Robb

Apologies for absence were received from: Councillor K Rodgers and F Foster

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 the following agenda items be considered in the absence of the public and press:-

Item 11 Asset and Liability Study 2013: Update

Item 18 Corporate Class Action Law Suits in the United States: Shareholder Rights, Class Actions and Portfolio Monitoring

Item 19 Investment Division Establishment: Discussion Paper Regarding Additional Post

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 26 JUNE 2014

Councillor Wraith queried whether the Fund would pursue the issue of solar panels fitted to its' buildings.

The Fund Director commented that a full audit of the commercial portfolio had been undertaken a couple of years ago and had identified one suitable building. The building had since been sold, but it would be worthwhile to commission a fresh review. There was an outstanding option relating to a potential wind farm but the developer had encountered difficulties in obtaining consent from neighbouring land owners.

RESOLVED – That the minutes of the meeting of the Board held on 26 June 2014 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its' Work Programme to June 2015.

T Gardener requested a schedule of future meeting dates for after June 2015.

RESOLVED – That:-

- i) The Work Programme be noted.
- ii) M McCarthy to provide the Board with a schedule of future meeting dates beyond June 2015.

8 UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

The Fund Director reported that four Freedom of Information Requests (FoIA) had been received during the last quarter. One of the requests was from a private equity data provider, who sought access to due diligence reports provided to the Fund as part of its research into private equity funds. Preliminary enquiries with other LGPS funds had suggested that no other funds had received such a request; the matter was being considered further in conjunction with the Fund's FoIA Officer.

9 LOCAL AUTHORITY PENSION FUND FORUM: MARCH 2014 BUSINESS MEETING

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

The Board noted that the Forum membership remained at sixty funds. The Forum had received an update on the work of the LGPS Shadow Pension Board and work associated with banks' accounting and the FRC's response; litigation seemed to be

the likely outcome, although a meeting with the incoming Chair of the FRC had been arranged to explore the situation prior to instructing counsel.

The Forum's Annual Conference would be held in Bournemouth during the 3, 4 and 5 December 2014. Members were advised to contact Member Services as soon as possible, if they wished to attend.

RESOLVED – That Members noted the contents of the report.

10 WM PRESENTATION

The Board received a presentation from WM Company (K Thrumble) on the Fund's investment performance over the year ending March 2014.

The Board noted the following key points:-

- During 2013/14 the weighted average return from UK equities had been 11.3%, UK corporate bonds had returned 2%; property had returned 11% and the total assets return was 6.4%.
- Over the last 20 years the average local authority had returned more than 7% per annum, with inflation running at 3%.
- In relation to the longer term asset allocation, local authority funds remain heavily invested in equities.
- As at 1 January 2013 a cash component had been introduced to the Fund's benchmark of 1.5%.
- Stock selection performance was driven by many small factors as opposed to one large factor and had generally added value year after year.
- UK equity stock selection was consistently strong with the Fund adding value year in and out. Property selection had been a key driver of the long term outperformance at 8.6%, which was above the benchmark of 6.0%.
- When compared to other funds over the last five years, the Fund was taking a substantially lower level of risk. WM ventured that the Fund was doing an efficient job in terms of converting returns relative to the level of risk adopted.

The Fund Director commented that on 1 December 2014, as part of the reorganisation of the pension arrangements of the Probation Service, the Fund would transfer a considerable sum of money over to the Greater Manchester Fund. Discussions were taking place with the actuaries involved.

The Investment Advisors asked a number of searching questions throughout the presentation. As a consequence they could provide Members with re-assurance on the Fund's performance.

The representative from WM Company was thanked for an informative and easily understandable presentation.

RESOLVED – That the Board noted the presentation.

11 FIDUCIARY DUTY

A report of the Fund Director was submitted to advise Members that the Law Commission had concluded its consultation on the 'Fiduciary Duties of Investment Intermediaries'.

The Board noted that the review did not overturn the long standing view from the limited amount of case law available that trustees had a primary duty to fund members and this revolved around maximising investment return. However, over time it had become accepted that trustees could consider other matters when determining policy so long as they did not detract from the primary duty.

Statutory reform of the general law of fiduciary duties or its codification were not recommended within the report, but the report did recommend some changes to the Occupational Pension Schemes (Investment) Regulations 2005 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

RESOLVED – That Members accepted the report.

12 RESPONSIBLE INVESTING

A report of the Fund Director was submitted to advise Members that the lobby group, ShareAction, had launched a campaign calling for legal change regarding the duties of care owed by private pension providers to their savers.

RESOLVED – That Members noted the report.

13 STATEMENT OF INVESTMENT PRINCIPLES: RENEWAL

A report of the Fund Director was submitted which sought Members' approval to adopt a revised Statement of Investment Principles for twelve months with effect from 1 October 2014.

The Board considered an amended version of the current Statement of Investment Principles (SIP), which reflected the changes in senior management positions that took effect in April 2014; the last SIP was reviewed in September 2013. The Authority had a statutory obligation to produce and publish a SIP.

T Gardener requested that track changes be shown in future whenever updates similar to this were being put forward.

RESOLVED – That the revised Statement of Investment Principles put forward for consideration be adopted with effect from 1 October 2014 for a period of not less than twelve months.

14 VOTING GUIDELINES RENEWAL

A report of the Fund Director was submitted to seek Members' approval of the renewal of the current voting guidelines.

The Board noted that the Authority's voting guidelines were reviewed annually, and were last approved in September 2013. At that time only minor changes were made following the Board's consideration of the outcome of a review by officers in conjunction with Pensions and Investment Research Consultants (PIRC); nothing had materially changed since then.

RESOLVED – That the Board agreed the current voting guidelines be renewed for a period of not less than twelve months.

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

A report of the Fund Director was submitted to inform Members of the outcome of the annual health and safety audit of the Fund's commercial property investment portfolio.

Standard Life Investments (SLI) had been appointed by the Authority as its commercial property advisor, to monitor and report upon the managing agent's (Cushman and Wakefield) health and safety performance. S2 Partnership had been appointed by the Authority to provide appropriate compliance systems; the contract was due to be renewed and SLI were undertaking due diligence on the contract on behalf of the Authority.

Following the audit of the whole portfolio for the year ended 20 August 2014, a total of 1100 risks had been identified, with almost 98.82% controlled, 25 uncontrolled risks, and 17 out of the 35 actions closed had not been completed on time; 16 of the late completions had occurred at the Fund's City of London, multi-let office building.

RESOLVED – That the Authority noted the annual health and safety report prepared by Standard Life Investments (SLI).

16 QUARTERLY REPORT TO 30 JUNE 2014

The Board reviewed the performance of the Fund during the quarter ended 30 June 2014.

The Fund ended the last quarter with an underweight position to bonds (in particular high yield bonds and index-linked gilts), in-line overseas equities and absolute return funds and overweight position to UK equities, private equity funds and property.

The Fund had returned 2.4% against the expected return of 2.5% during the quarter, with the Fund valuation rising from £5519.2m to £5642.4m; it had been a quiet quarter in terms of transactions.

Hendersons had outperformed having returned 2.7% against the benchmark index of 2.0%. Hendersons remained positive on credit markets, given low interest rates, low default rates and supportive central bank policy (particularly the ECB). However, valuations appeared stretched in some sectors so they felt there was limited potential for further compression of spreads.

Index-linked gilts had returned 1.5% against the benchmark return of 1.4% for the quarter. High yield bonds had returned 1.1% against an expected return of 0.3%. Emerging market bonds had returned 1.7% against an expected return of 1.5%.

During the quarter UK equities had returned 2.5% against the expected benchmark return of 2.2%. The UK economy was improving along with many other economies in the developed world.

International equities had returned 2.6% against the benchmark return of 2.8%. During the second quarter of 2014 global stock markets continued to gain as forecasts for a rebound in US growth and stimulus from central banks in Europe and Japan helped propel stocks higher. Following a relatively strong performance of the US the Fund was minded to reducing the size of the current overweight position. The Fund had added to the Japanese exposure, which had been very underweight, and had also added money to Other Far East.

For the quarter property had returned 3.7% against the benchmark return of 5.1%. UK commercial property continued its improvement during the quarter with significant capital growth seen in all sectors of the market.

Private equity had returned -0.5% against the benchmark return of 2.2%.

TG commented that the team were doing a good job; LR said it was a solid performance and NM said the team deserved plaudits for navigating through the first quarter and putting forward an extremely good performance.

RESOLVED – That the report be noted.

17 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.

18 ASSET AND LIABILITY STUDY 2013: UPDATE

A report of the Fund Director was submitted in order to assist Members and Advisors to drive the asset and liability study forward. This paper was based upon discussions held between the Chair, the advisors and officers since the last Board meeting.

In simple terms it was agreed that there would be no change to the basic allocation of 60% to equities, 10% to property and 23% to bonds but that a system of liability position monitoring would be introduced. More details of the proposals were included in the report. The overriding objective of the proposals was to add value, largely by enhancing income returns, without greatly increasing the risk incurred.

It was suggested that there ought to be a minor reconfiguring of the UK equity portfolio reducing exposure to FTSE 100 companies and that the current allocation to absolute return funds be re-designated as an illiquid premium portfolio

embracing a specified range of themes. A new target for the whole Alternatives allocation, including private equity, of CPI+3% be introduced. It is suggested, in principle, that the real estate benchmark should be amended.

The main focus of the discussion was on the composition of the corporate bond exposure. The investment consultant and advisors were recommending the replacement of much of the current investment grade portfolio with a Buy and Maintain approach. The arguments in favour of and against introducing such an approach were fully discussed as were the costs involved (both of switching portfolios and ongoing management fees) as far as they were known. The advisors and officers emphasised the longer term view required if such an approach was taken and that Members had to understand and be comfortable with this. It was suggested that an investment consultant should be employed to assist in the manager selection process if the switch was agreed.

In conjunction with the above bond reallocation advisors were recommending that the composition of the present non-investment grade bond portfolios be altered and that total exposure be increased from 4% of Fund benchmark to 6% with the increase coming from a reduction in the other corporate bond portfolio.

Members discussed the proposals in detail and acknowledged the significance of the recommendations. It was recognised that, if accepted, the changes should be for the medium rather than short term. It was agreed to accept the equity and alternative propositions now. It was agreed to begin the Buy and Maintain bond manager search on the understanding that if Members (and advisors) did not receive the assurances they were seeking during that process, up to and including interview stage, such a change would not proceed.

RESOLVED – That the Board agreed:-

- a) The adoption of the revised portfolio arrangements for UK equities now put forward with formal effect from 1 January 2015 but subject to officers having flexibility over practical implementation.
- b) That the proposal now put forward to switch the current corporate bond mandate into a Buy and Maintain corporate bond portfolio, as set out in the report, be agreed in principle and that the allocation to the new portfolio be set at 5% of the Fund's benchmark.
- c) That the proposal now put forward to increase the allocation to the non Buy and Maintain bond portfolio to 6% of Fund benchmark be accepted and that the composition of this portfolio and the benchmarks attached to the sub-categories be accepted.
- d) That an investment consultant be employed to assist in the selection of a Buy and Maintain bond manager on the terms discussed with the Board.
- e) That the implementation of (c) be conducted concurrently with the implementation of (b).
- f) That the proposals now put forward regarding the re-designation of and composition of the current allocation to absolute return funds be accepted and that the introduction of the overall target of CPI+3% return for the alternatives allocation also be accepted and that these changes be formally implemented with effect from 1 January 2015 but subject to officers having flexibility over practical implementation.

- g) That, in principle, the proposed changes to the benchmark for the real estate portfolio be accepted but that further consideration needs to be given as to how much discretion and flexibility the commercial property advisor can be expected to embrace.
- h) That the necessary supplementary estimates regarding professional fees be approved.

19 INVESTMENT DIVISION ESTABLISHMENT: DISCUSSION PAPER REGARDING ADDITIONAL POST

A report of the Fund Director was submitted to seek Members' approval for an additional investment management post should the proposals affecting changes to the current bond and alternative investment portfolios put forward elsewhere on today's agenda be approved.

RESOLVED – That the new staffing position proposed be agreed in principle and that the Authority's staffing establishment be amended accordingly.

20 CORPORATE CLASS ACTION LAW SUITS IN THE UNITED STATES: SHAREHOLDER RIGHTS, CLASS ACTIONS AND PORTFOLIO MONITORING

A report of the Fund Director updated Members on the Fund's participation in securities class actions.

RESOLVED – That Members noted the report.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

13 NOVEMBER 2014

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

Observers: Councillor A Sangar and S Khan

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), I Rooth (Head of Technical Services BMBC), R Winter (Head of Internal Audit), M McCarthy (Deputy Clerk), P Rogers (Principal Auditor) and A Shirt (Senior Democratic Services Officer)

G Boyington (Unison)

L Wild (KPMG)

Apologies for absence were received from Councillor J Wood, F Tyas, G Warwick, S Barker, F Foster, A Frosdick, R Bywater and J Prentice

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 the following agenda items be considered in the absence of the public and press:-

Item 20 'Treasury Management: Update';
Item 21 'EU Member State Tax Rules: Potential Tax Refunds'; and
Item 22 'Contract Standing Orders: Tender Report'

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 24 JULY 2014

RESOLVED – That the minutes of the meeting of the Board held on 24 July 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 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 during the quarter 1 July 2014 to 30 September 2014.

Overall performance had slipped during the quarter from 74% to 70%. However, 717 additional items of casework had been received as the district councils responded to the year-end reconciliation queries.

The Board was informed that five employers were still to submit a useable annual contribution return as at 31 March 2014.

Councillor Ellis asked if the Authority could consider contacting employers earlier in order to avoid this situation in future years.

G Chapman provided Members with reassurances, that the five employers were on final reminders and would be individually visited by the Authority if no response was received by the final deadline.

In relation to the District Councils performance, only Doncaster had seen an increased performance during the quarter (up from 74% to 78%).

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

Barnsley MBC – Manual processes are still in place. It was noted that work would commence on 24 November 2014 with regards to further developing the automation of electronic interfaces.

I Rooth informed Members that he would provide the Board with a deadline date when Barnsley MBC would become fully compliant with the automation of electronic interfaces at the March 2015 meeting.

Doncaster MBC – Automated processes continued to be effective. Investigations were currently taking place to identify the reason for late notified items.

Rotherham MBC – Automated processes continued to be effective. Late notifications were a result of queries from year-end reconciliation work.

Sheffield CC – Interfaces now appeared to be working well, although, there had been a low number of contract changes relative to the other districts, which was still a concern to the Authority.

RESOLVED – That Members note the contents of the report and record the steps which are being taken to address any performance shortfall.

9 REVIEW OF PENSIONS ADMINISTRATION

A report was submitted to update Members on administration issues for the period 1 July to 30 September 2014.

The Head of Pensions Administration reported that the Authority would go-live to a new Pensions Administration System on 24 November 2014, informing Members that the bulk of the effort and resource of the Administration Division over this quarter had been concentrated on this project. Good progress had been made, although there was still a long way to go in the short timeframe.

Members were informed that the MyPension online service was no longer available due to the implementation of the new system. The Authority was aiming to launch a new online service early in the New Year.

Overall casework performance for both priority and non-priority had slipped during the period, with the Authority achieving 72.5%, which was below the target of 97%.

282 employers were now registered to submit forms via EPIC. 20 new employers had been admitted to the Fund during the period.

Councillor Lodge asked if there was an end date set for the receipt of paper forms from EPIC users. The Head of Pensions Administration said there wasn't, but undertook to set an appropriate date, once the work on implementing the new system had been completed.

RESOLVED –

- i) That Members noted the contents of the report.
- ii) That the Head of Pensions Administration notifies Members at a future meeting regarding the date from which paper forms will no longer be accepted by the Authority.

10 CONSULTATION PROGRAMME - ANNUAL FUND MEETING SURVEY

A report of the Communications Manager was submitted informing the Board of the results of a survey carried out amongst Scheme members to test customer satisfaction as a result of attending the Authority's Annual Fund Meeting.

The survey had been designed to gauge perceptions of the service provided by SYPA in terms of value, travel arrangements, directions, speakers, subjects and helpfulness of staff.

67 out of 84 delegates (80%) had returned a completed survey.

Overall, the event received a positive review. When, compared to previous Annual Fund Meetings, 55.6% said that it was better, 42.6% said it was about the same, with 1.8% (one member) saying it was not as good.

For next year's event the Authority were considering live streaming of the Annual Fund meeting for members who are unable to attend. 51 out of the 67 members that completed the survey thought that this was a good idea.

The Chairman thanked Members for their attendance at the Annual Fund Meeting, commenting that the choice of venue for the meeting had been excellent.

RESOLVED – That the report be noted.

11 BENCHMARKING RESULTS

A report of the Head of Pensions Administration was submitted to advise Members of the results of the Authority's participation in the CIPFA Pensions Administration Benchmarking Club 2014.

The results had once again showed that the Authority's costs were below average for the eleventh year in succession, compared with forty-nine other LGPS pension funds.

In terms of costs, the Board noted that the Authority's overall unit cost per scheme member was £19.62, which had dropped below £20.00 per member for the first time since 2004. The Club average per member was £20.75.

The Head of Pensions Administration highlighted that there was no element of quality comparison within the results, setting out the service that a member could expect to receive from the participants and the money being spent on them. It was explained that Fund Members did receive a high quality and a wide range of customer service from the Authority, which had been independently, externally verified via the Customer Service Excellence Award and through the Authority's consultation surveys, which were also highly rated.

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

Councillor Ellis referred to section 3 of the report 'Staff Related Measures' highlighting that the Authority was above average in terms of its long term sickness absences.

The Head of Pensions Administration explained that long term sickness absences were managed well by the Authority, indicating that he was unsure if the results from other participants in the survey were representative of their Council or a Pensions Authority. The Head of Pensions Administration agreed to investigate with CIPFA and also give a fuller explanation of the Authority's own sickness statistics in future administration reports.

RESOLVED – That the report be noted.

12 RISK MANAGEMENT

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

The Board noted that an annual review of the Risk Management Policy and Corporate Risk Register was carried out by the Authority's Planning Group on 2 October 2014, which recommended the removal of Risk 4: 'Global and Economic Problems' as it was acknowledged that the issue was being monitored on a daily basis and that a range of procedures were in place to mitigate the risk wherever possible.

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

M McCarthy reminded the Board that a joint Risk Management Awareness Workshop would be held on Thursday 27 November 2014 for Members of the Pensions Authority and Fire and Rescue Authority.

RESOLVED – That Members approve the Risk Register.

13 KPMG ANNUAL AUDIT LETTER 2013/14

L Wild presented KPMG's Annual Audit Letter for the 2013/14 audit.

Following the Corporate Planning and Governance Board meeting held on 24 July 2014, KPMG had:

- Issued an unqualified opinion on the Authority's 2013/14 financial statements and the Pension Fund 2013/14 financial statements included in the Authority's Statement of Accounts;
- Identified one significant risk to the Value for Money (VFM) conclusion;
- Issued an unqualified VFM conclusion;
- Reviewed the Authority's Annual Governance Statement and concluded that it was consistent with their understanding;
- Raised two medium priority recommendations as a result of the 2013/14 audit work;
- Certified completion of the audit; and
- Confirmed that its audit fee for 2013/14 would be £46,932, excluding VAT. This compared to a planned fee of £41,342. The reason for the variance was a need for additional work, totalling £5,500 (subject to formal determination by the Audit Commission) on the IAS19 disclosures on behalf of admitted bodies. Additionally £3,000 was charged for the FCA assurance work.

L Wild informed Members that the audit scale fee for 2015/16 was currently being consulted upon and would be presented to the Authority shortly.

RESOLVED – That the 2013/14 Annual Audit Letter be noted.

14 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to update the Board of work completed and that in progress by the Internal Audit Team from the beginning of June to the end of October 2014. The report also updated Members on the position regarding the implementation of recommendations and the planned work and performance of the Team.

The Internal Audit Team was on track to deliver the planned assignments and had accommodated additional consultative work in relation to the new pension's administration system which would go-live on 24 November. The Board was informed that there were some outstanding issues at the point of go-live, which were still yet to be fully determined together with a realistic estimation of the time required for their resolution.

Members' attention was drawn to one outstanding recommendation in relation to the IT Development Software Acquisition and Software Maintenance, which had been outstanding for six months or more following the original recommendation and agreed action target completion date.

RESOLVED – That Members receive and note the report.

15 INTERNAL AUDIT PLANNING 2015/16 CONSULTATION PAPER

A report of the Head of Internal Audit was submitted in order to consult with the Board with regard to potential projects for inclusion in the Internal Audit Plan for 2015/16.

The Internal Audit Charter and Annual Plan for 2015/16 was included at Appendix A to inform Members of the preparations currently underway.

It was noted that the Charter and Annual Plan 2015/16 report would be presented to members in March 2015, in order for the Board to approve the strategy and plan prior to the commencement of that work.

RESOLVED – That Members noted the following recommendations detailed in the report:-

- i) Members' views were sought regarding projects for potential inclusion in the Internal Audit Annual Plan for 2015/16.
- ii) Members should pass nominations for the 2015/16 Internal Audit Plan through the Chairman for notification to Internal Audit.

16 PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PROPOSALS FOR UNDERTAKING AN EXTERNAL ASSESSMENT

A report of the Head of Internal Audit was submitted to seek the Board's agreement to the benefits of carrying out an external review of the Council's Internal Audit function, as required by the Public Sector Internal Audit Standards (PSIAS).

Members were reminded that new professional standards for internal audit in the public sector (PSIAS) had come into force on 1 April 2013, which required the need to arrange external assessments of the Internal Audit Service at least once every five years by a qualified, independent assessor or assessment team outside the organisation.

The Heads of Internal Audit across West and South Yorkshire had discussed the potential options for procuring their external assessment, as required by PSIAS. Following detailed discussions around the options, the consensus reached amongst the Heads of Internal Audit was that some form of Peer review of each other's arrangement was the preferred option moving forward. To this extent a Briefing Note / Terms of Reference document had been produced by the Group, which set out the benefits of the proposed approach.

It was anticipated that the first review would be carried out no later than 2016.

RESOLVED – That the Board:-

- i) Considered and accepts the proposed arrangements for the review in order to meet the requirements of PSIAS and to provide the necessary external assurances on the effectiveness of the Council's Internal Audit Service; and
- ii) Notes that any subsequent specific implications for the audit work undertaken on behalf of South Yorkshire Pensions Authority and/or other external clients will be addressed accordingly.

17 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME ACTION PLAN 2014/15 - PROGRESS REPORT

A report of the Head of Internal Audit was submitted to provide the Board with a further update in relation to the progress made by Internal Audit in implementing the actions contained within the Quality Assurance and Improvement Programme Action Plan, following the previous progress report which was presented to the Board in June 2014.

Members noted the progress made in implementing the actions as contained within the updated Action Plan. The actions which remained outstanding or had been delayed, predominantly related to the Internal and External Assessment process.

RESOLVED – That the Board noted the progress made in implementing the actions as contained within the updated Action Plan.

18 BUDGET MONITORING

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

In November 2013 the Authority considered, and in January 2014 approved an original budget for 2014/15 of £5,433,600 to maintain current levels of service, utilising £45,900 of reserves to give a net budget of £5,387,700.

The Board noted the actual expenditure to 30 September 2014 compared to the full original budget.

RESOLVED – That the report be noted.

19 STATEMENT ON INTERNAL CONTROL: INVESTMENT MANDATE

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

The Board noted that in order to comply with the recommendation of the External Auditor and to meet the spirit of the Myners' Principles, the Authority had for the last ten years, formally entered into a written mandate with its internal fund managers similar to that which would be entered into with external fund managers.

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

20 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That, under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1,3 and 5 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

21 TREASURY MANAGEMENT: UPDATE

A report of the Treasurer was submitted to provide an update for Members on the treasury management operations of the Authority. This included a commentary on interest rates; the Authority's banking arrangements and the status of the litigation and recovery process regarding deposits in banks in administration.

RESOLVED – That the report be noted.

22 EU MEMBER STATE TAX RULES: POTENTIAL TAX REFUNDS

A report of the Treasurer was submitted informing the Board of the progress in pursuing potential claims for refunds of tax arising out of legal challenges to the legality of member state tax rules. There was a commentary on the current status of litigation as well as a summary of sums recovered to date, costs incurred to date and estimated the number of claims outstanding.

RESOLVED – That the report be noted.

23 CONTRACT STANDING ORDERS: TENDER REPORT

A report of the Clerk was presented informing Members of the contracts awarded as required under the Authority's Contract Standing Orders 5.3 and 11.2.

RESOLVED – That the report be noted.

CHAIR

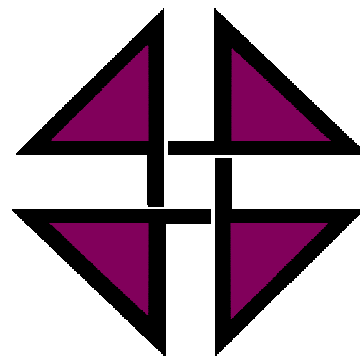
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South Yorkshire Pensions Authority – cycle of future meetings

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	Budgets and Revised Estimates		Treasury Management Statement
	CPGB Audit Committee Functions Annual Report	Openness Regs	Budgets and Revised Estimates	
Business	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports
	LGPS Reform Proposals Update	LGPS Advisory Board Annual Report	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	TU Representation on Boards	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: Q2**

ISSUED: November 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	14073 cases of which 72.5% were on target	97%	Deliberate action to delay non-priority work due to UPM implementation

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£5777.6m	N/A	£5642.4m at end June.
Performance Against Benchmarks	Qtr 2.4% YTD 4.9%	Qtr 2.6% YTD 5.2%	Equity markets more volatile due to a combination of geopolitical concerns, deteriorating economic data in the Eurozone and interest rate uncertainty in the US and UK. Global fixed income markets rallied strongly.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Considered the report on the Law Commission's consultation on fiduciary duty.		
Shareholder Engagement	Revised the Statement of Investment Principles and renewed the Voting Guidelines.		

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	1 Leaver 1 Career Break 0 New Starters	Annual 4.25%	On target
Staff Training	All staff on various UPM topics	Plan 100% up to date	On target
Sickness Monitoring	2.5% total	None	Up 0.4% on previous quarter

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	1 new employer registered for EPIC 71% of registered employers who submitted information did so via EPIC MyPension registration suspended pending new system	N/A	282 employers (96%) now registered for Epic. Non-Epic employers only represent 25 active members. Investigation to take place early in the new year. Cut-off date for issuing paper forms to be agreed 12587 total members registered.
Face to Face Communication	700 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	20 New Employers (12 Academies, 7 Transferee Admission Bodies)	N/A	At the end of September 2014 we had 371 participating employers of which

Area under Review	Activity During Quarter	Target	Status/Comment
	and 1 Community Admission Body)		297 had active members and there are a further 65 in the pipeline.
	0 Terminations		

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	No update reported	100%	On target
Annual and Quarterly Reports			
External Audit Reports /Plans	July – ISA 260 report considered by CP&GB	100%	On target
Risk Management Annual and Quarterly Reports	July – CP&GB considered Risk Register	100%	On target
Constitution Policy /Procedure Revision Dates	No updated reported	100% Up to date	
Financial Reporting	July - Budget Monitoring report – Quarter 1 considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion	July – final AGS 2013/14 considered by CP&GB	No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Annual Self-Assessment	No update reported		No significant issues
Member Training	July – 3 members attended induction training	100% Induction & Fundamentals	92% had induction. 58% had

Area under Review	Activity During Quarter	Target	Status/Comment
	September – 5 members attended Schroder’s Trustee Training	Training & Fundamentals Refresher	Fundamentals Day 1. 58% had Fundamentals Day 2. 50% had Fundamentals Day 3. 58% had Fundamentals Refresher Training

SOUTH YORKSHIRE PENSIONS AUTHORITY

27 November 2014

Report of the Treasurer

REVENUE ESTIMATES 2015/16 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2015/16 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) Approve the revised estimates for 2014/15 in the sum of £5,436,800 including the use of reserves of £34,100**
 - (ii) Approve a levy of £523,000 for 2015/16 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2015/16, and refer the estimates to the District councils for comment.**
-

STRATEGIC PLANNING

3 Background

- 3.1 The Pension Fund's pensions and investment management costs do not fall directly on Council Tax. Instead they are recovered by means of a % addition to employers' contribution rates. (at the 2013 valuation, this has been estimated at 0.4%).
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset and liability review. Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

- 3.5 Since 2010 local councils have been implementing cuts of more than 25% over 5 years and this pressure on local councils is still continuing. If this was translated directly into equivalent Pensions Authority terms it would represent budget cuts of more than £1.4m between 2011/12 and 2014/15.

The Authority has always strived to manage the Fund within the budgetary constraints imposed and, as shown in the table below, has consistently achieved underspends over the last few years.

Although the Authority has built up a reserve of around 3% of budget the resulting savings have meant a smaller charge to the Fund each year.

In order to maintain expenditure at cash standstill on the net controllable budget in 2014/15 it was agreed that reserves would be used where necessary.

It is important to look at the net controllable budget as this takes out expenses which are linked to market value.

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2008/09	6,078,300	5,898,700	5,524,211	-374,489
2009/10	5,976,000	5,809,500	5,184,506	-624,994
2010/11	5,808,750	5,796,350	5,369,973	-426,377
2011/12	5,685,700	5,176,000	4,957,594	-218,406
2012/13	5,340,700	5,242,800	5,102,237 (net of 138,285 actuarial fees charged to the fund)	-140,563
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)		

- 3.6 The current climate around pensions continues to be a turbulent one:

- Workload continues to increase through a combination of Government Policy on public sector pensions and reductions to local authority budgets requiring increased numbers of quotes for retirement benefits and actual payments.

There has been, and continues to be, an even bigger expansion in the number of requests from employers and employees for information relating to pension entitlements.

Year	Oct 2010 / Sept 2011	Oct 2011 / Sept 2012	Oct 2012 / Sept 2013	Oct 2013 / Sept 2014
Casework received	50,316	56,791	61,281	61,740

This shows an increase of workload of nearly 23% since October 2011.

SYPA is a member of the CIPFA LGPS Benchmarking Club. In 2013/14 SYPA had a cost per member of £19.62 which was comfortably below the club average cost of £20.75. The survey also shows SYPA to be significantly above average in terms of performance.

- The new LGPS scheme came into effect on 1st April 2014 and is now fully live. The new scheme has added a new layer of complexity on top of the old schemes which continue for pensioners and leavers whose employment ended prior to 1st April 2014.
- The next stage of the public sector pensions review concerns better governance and improved accountability in the Local Government Pension Scheme. The proposals which need to be implemented before 1st April 2015 require the creation and administration of a scrutiny board made up of employer and scheme member representatives.
- Freedom of choice in pensions is likely to result in additional workload as members seek to transfer their benefits out of the scheme and convert their pensions into immediate cash lump sums.

4 **Preliminary financial forecasts**

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2015/16 for administration and investment management expenses together with a probable outturn for 2014/15.

The Authority is also asked to approve the levy for 2015/16 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2014/15 estimates and 2015/16 estimates

Appendix B - variation statement showing main changes for 2014/15 probable outturn

Appendix C - variation statement showing main changes for 2015/16 estimate

Appendix D - statement of recharges to District Councils and levy for 2015/16

4.1 **Original Budget 2014/15**

The original budget for 2014/15 was approved in January 2014 at £5,387,700 net, using £45,900 from reserves.

Earlier this year Chair and Vice Chair agreed to a revision of the market supplement paid to Principal Investment Managers. The need to review was triggered by peer group

funds advertising equivalent posts at markedly higher salary levels and in order to retain staff it was necessary to bring SYPA grades into line with competitors. The improved grades are at the lower end of the peer group.

The review also highlighted the fact that the senior management team had not been subject to a salary review for a number of years. Other staff were reviewed in 2008 and it was originally intended that management would be reviewed after that process was completed. However, the review never took place. In light of the management changes that have occurred since, with the retirement of the Clerk and Treasurer and subsequent transfer of some, but not all, of the responsibilities to other officers, the Chair and Vice Chair, under delegated authority, have agreed honoraria payments until a full review has been completed. The review has now been commissioned.

The management of the Fund and the provision of high quality service to members is key to the Authority. As already stated the Authority is amongst the lowest in terms of cost per member for administration and amongst the highest in terms of levels of service. The fund has also outperformed its benchmark consistently. The fund is currently valued at over £5.8billion. The following table shows the outperformance in cash terms.

Period	Actual return	Benchmark return	Extra value added	Extra value in cash terms	Cash value added over 10 years
2013/14	5.7%	5.2%	0.5%	£26.3m	
10 years to March 2014	8.4%	8.2%	0.2%	£9.8m per annum	£98.1m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.2% per annum over the last 10 years. In cash terms this is £98.1million on top of the benchmark return during that period.

4.2 Probable Outturn

The revised estimates for 2014/15 show a bottom line increase of £15,000. This would mean that only £34,100 would need to be taken from reserves to maintain the cash standstill from 2012/13. The £15,000 increase comes from investment management expenses linked to market values and so are not included in the net controllable budget.

The main variations are shown in Appendix B and it can be seen that savings have been made across a number of budget heads. These have been offset by the salary changes mentioned in 4.1.

5 Developments during 2014/15

5.1 The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration continues to drive forward the greater use of electronic communication with Fund members and employers where appropriate. This has been a long, steady process and has already helped to cut costs in printing and postage over the last few years.

- 5.2 As mentioned in 3.6 the new LGPS scheme came into effect on 1st April 2014 and this has added complexities to the Authority workload in a number of areas in trying to manage the effects of 3 schemes.
- 5.3 The actuarial valuation was completed last year and all employers in the Fund have been informed of their new contribution rates and deficit lump sums where applicable. The number of employers within the Fund continues to increase and now stands at 376 compared to just under 150 in 2010. The task of informing employers of the contributions due from them and collecting those contributions is becoming a much more complex and time consuming task.
- 5.4 The purchase of the new pensions administration system was approved last year and will go live before the end of November. This has been a complex process and has required major resource across many parts of the Authority. There will obviously be a bedding down period but we are hopeful that service will return to the usual high standards in the not too distant future. The new system is expected to produce a substantial saving on system costs from 2015/16 onwards.
- 5.5 As mentioned in 4.1 there have been some revisions to salaries for Principal Investment Managers. There is also a review of management salaries taking place. At the Investment Board meeting in September 2014 approval was given for an additional investment management post. This arose from the decision to reconfigure the bond and alternative investment allocations. This change will result in a reduction of external management costs because the weighting given to the externally managed proportion of the bond portfolios will be reduced as part is brought in-house. These costs and savings are not reflected in the budget as they are capitalised against the capital cost of the bond holdings.

5.6 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2014/15 and 2015/16 separately. We have estimated this at £95,000 but it is totally dependent on the number of new academies joining the fund.

The amount spent so far this year (to end of September) is just under £38,000.

It is envisaged that there will be an interim valuation in 2015/16 and so this has been allowed for in the budget figures.

Actuarial fees are really difficult to predict and control as the bulk are dependent on requests from employers and changes within the scheme – all fees are recharged wherever this is possible.

5.7 SYJS

As members are aware the South Yorkshire Joint Secretariat (SYJS) is being dissolved and on the whole the functions are being transferred to Barnsley MBC. This has been a difficult time for the Authority and the dislocation and consequences are still not resolved. The Authority has transferred a member of staff from SYJS in order to provide internal HR resource. Some other functions are being sourced directly from BMBC now,

eg internal audit. Discussions are ongoing with other parties regarding the future provision of services previously undertaken by SYJS on behalf of the Authority. The end result will be a clearer picture of what services are provided and at what cost but at the moment the unwinding is still taking place. For budget purposes we have worked on previous agreed SYJS recharge figures and we will look to get clarification during the rest of this financial year as to the cost of individual services.

Some of the functions previously provided by SYJS have been absorbed but given the pressure on resources this has been limited.

SYJS are also a client of the Authority for IT services and so the impact in this area is significant.

5.8 IT

As the Authority currently provides a network to SYJS and to the Office of the Police and Crime Commissioner we have had to look at the way in which these network costs are recharged to clients. In 2014/15 we have changed the recharging method and so the budget will show higher network costs and higher income (these figures would have been netted off before). The figures for 2015/16 show a drop in income to reflect the fact that SYJS will no longer be a client.

As the Authority's IT systems are innovative and well received in the local authority pensions administration arena we are hopeful that more income can be generated from gaining more external clients for these systems.

6 Budget Assumptions

- 6.1 The initial planning guideline for 2015/16 was a 'continuation of service' budget based on maintaining current levels of service and current levels of price inflation of about 2.5% although some suppliers have already indicated price rises of up to 4% this year.

Allowance has been made for a pay increase of 2.2% in line with the recent offer being made by LG Employers.

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

- 6.2 The budget for 2015/16 to maintain the current level of service is shown in Appendix A at £5,760,900 against the base 2014/15 budget of £5,433,600.

When this is adjusted for the investment costs linked to market value the net controllable budget is £4,630,900 against a base of £4,407,700; this represents a net increase of 5%.

This is an increase of £327,300 on the overall budget. It should be noted though that £100,000 is an increase in costs linked to market value and as such is an uncontrollable increase.

The whole of the increase is in employee costs, including the pay award, the new Investment manager post, the management review and an increase in pension contributions.

Most budget heads have been held at cash for a number of years now which in real terms equates to a reduction in budget.

Appendix C shows the main variations.

As other costs are held and savings are made where possible it leaves over 65% of the Authority controllable budget as employee costs. The following table highlights the key costs / savings:-

	£
Increased costs	
New PIM post	59,200
Additional PIM supplement	37,100
Increased pension contributions	23,000
Investment management expenses linked to market value of the fund	100,000
Pay inflation	66,000
Price inflation on major contracts	20,000
Increased actuarial fees	40,000
Offset by savings	
New pensions administration system	55,500 CR
Reduced postage costs	10,000 CR
Reduction in SYJS recharge	10,000 CR

- 6.3 As can be seen at paragraph 3.5 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. The budget for 2014/15 was approved including utilisation of this Reserve in order to maintain a cash standstill position. The revised position shows that we should need to use a smaller amount from the Reserve. This would leave the Contingency Reserve at a level of around £150,000. Reducing the impact of the changes in 2015/16 would require using around £50,000 of the reserve. This would leave the Authority with a reserve of £100,000 and in a position to absorb any costs associated with future workload uncertainties and/or other unforeseen cost pressures. Although this would leave the reserve at around 1.7% rather than the 3% previously maintained it would be prudent to utilise it now.

7 Developments over the next few years

- 7.1 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.2 The new LGPS scheme needs to bed down over the next couple of years. Along with this the new Pensions Administration system will need to bed down.
- 7.3 The government is still in the process of consulting on the future of the LGPS with talk of joint working and fund mergers. At the moment these are fairly uncertain times and it is impossible to forecast what may happen over the next couple of years.
- 7.4 As stated earlier the next stage of the public sector pensions review concerns better governance and improved accountability in the Local Government Pension Scheme. The proposals which need to be implemented before 1st April 2015 require the creation and administration of a Local Pensions Board made up of employer and scheme member representatives.
The new Pensions Board will incur additional costs for the Authority but at this stage there is no way to quantify these costs.
- 7.5 In January 2013 it was announced that a new single-tier State Pension would replace the current Basic State Pension, Second State Pension and Savings Credit element of the Pension Credit. The intended implementation date is April 2017. At face value the implications for LGPS employers will be significant since the abolition of SERPS will require employers to increase National Insurance contributions by 3.4% or relevant

earnings (currently earnings between about £5,000 and £40,000). On current figures this is an additional cost of over £79,000. Employees will also contribute an additional 1.4%.

8 Implications of making further reductions in the budget

- 8.1 The budget has been produced on a standstill basis. However, it would be useful to assess the implications of any further cuts in 2015/16, as a means of setting a base reference point.
- 8.2 It is important to relate the calculation to the controllable base budget figure. This should exclude all costs that are related to market values, to avoid misleading results (a big increase in investment values, which is obviously good for the Fund, will generate extra external management fees, and will make the administration costs budget appear overspent). Excluding external management and custodian fees would reduce the controllable total in 2014/15, and 2015/16.

To illustrate the impact of adjusting the figure to identify controllable costs, the savings targets under the simple one off reduction option would be as follows:

	<u>Total budget</u> £000	<u>Controllable budget</u> £000
2015/16 Base	5,711	4,631
1% reduction	57	46
2%	114	93
3%	171	139

- 8.3 In the past Members have indicated that the following assumptions should be made when addressing reductions in costs.
- Avoid cutting back on internal investment manager resources
 - Focus initially on non staff costs
 - Be aware of the likely increase in demand from employers
 - Ensure continuity of resources to meet future LGPS restructuring

9 Implications of potential reductions

- 9.1 Even at the lower end of the scale, there are potential implications for service levels resulting from reductions in the budget guidelines. As Members are aware, most non-staff budgets have been cash limited in recent years as a way of reducing the annual increase. A high proportion of the Authority's budget is staff related (53% overall; 65% if investment management fees are excluded) and it is widely accepted that internal management is much cheaper than external management. A substantial proportion of the remainder is on professional fees, IT and communication costs, and accommodation. This means that budget reductions will inevitably impact on staffing levels at quite an early stage. The Authority is not carrying excess capacity; as a primarily in-house managed investment operation, staffing levels on the investment and investment accounting team are driven by the value of the Fund and South Yorkshire's costs are significantly lower than the average fund as a consequence. In addition, as noted earlier, the national benchmarking returns show Fund Administration costs in very

favourable terms, which suggests that there are not major savings to be released without affecting the quality of service. The Authority continues to look for savings wherever they are possible.

- 9.2 Many areas of the budget are interlinking, and reductions in one area could have an adverse effect elsewhere. For example, cutting back on support costs within the Investment team could mean the Investment Managers having to pick up more “back office” functions. Similarly reductions in technical support, or communications and advisory services could mean not only reduced quality of service, but increased risk of errors occurring which would create extra demands in the longer term.
- 9.3 The budget forecasts have been put forward bearing all of these things in mind. Major savings have been identified in every area possible. Any further savings to be achieved would have to come from staffing. Members are asked to indicate whether they wish this specific area to be explored for further consideration as part of this budget round.

10 Other Implications

- 10.1 Legal
There are no legal implications.
- 10.2 Diversity
There are no specific diversity implications.
- 10.3 Risk
There are a number of possible risks for the Fund associated with the implementation of the new LGPS scheme: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers.

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

F Foster
Treasurer

Officer responsible: Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority
Background papers used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.
Other sources and references: none

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION AND INVESTMENT EXPENSES

REVENUE ESTIMATES 2015/16 AT OUTTURN PRICES

SUMMARY

	2014-15 ORIGINAL ESTIMATE £	2014-15 PROBABLE OUTTURN £	2015-16 ESTIMATE £
ADMINISTRATION EXPENSES	2,934,900	2,867,900	3,006,600
INVESTMENT EXPENSES	<u>2,498,700</u>	<u>2,568,900</u>	<u>2,754,300</u>
	5,433,600	5,436,800	5,760,900
CONTINGENCIES	-45,900	-34,100	-50,000
TOTAL EXPENDITURE REQUIREMENT	5,387,700	5,402,700	5,710,900
INVESTMENT COSTS LINKED TO MARKET VALUES	980,000	995,000	1,080,000
NET CONTROLLABLE BUDGET	4,407,700	4,407,700	4,630,900
RECHARGED TO:			
FUND	5,237,700	5,228,700	5,536,900
SYPT PENSION FUND	150,000	174,000	174,000
	5,387,700	5,402,700	5,710,900
ACTUARIAL WORK CHARGED TO FUND	95,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	97,300	94,700	100,800
Doncaster	111,100	106,200	111,800
Rotherham	83,300	78,500	84,800
Sheffield	115,700	106,800	118,300
	407,400	386,200	415,700

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2015/16 AT OUTTURN PRICES

	2014-15 ORIGINAL ESTIMATE £	2014-15 PROBABLE OUTTURN £	2015-16 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,894,300	1,865,900	1,994,300
Training Expenses	14,500	11,000	14,000
Other Indirect Expenses	25,000	22,600	25,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	140,000	140,000	146,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	6,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,800	11,800	13,900
Publications	200	200	200
Printing and Stationery	75,500	74,500	75,500
Communications and Computing			
Postages and Telephones	110,000	100,000	100,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	18,000	12,000	12,000
AXIS / UPM	120,500	116,000	65,000
Subsistence and Conferences	2,200	2,000	2,200
Subscriptions	9,000	9,000	9,000
Actuarial Fees	50,000	70,000	90,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	50,000	50,000
Miscellaneous Expenses	9,000	9,000	9,000
CENTRAL EXPENSES			
Joint Secretariat	301,500	291,000	270,500
IT Network	47,000	55,000	55,000
Insurances	26,000	26,000	27,000
Subscriptions	5,000	5,000	5,000
Audit Fee	50,000	43,000	45,000
Bank Charges	22,000	22,000	22,000
Democratic Representation	14,000	14,000	14,000
Member Training	8,000	8,000	5,000
Disaster Recovery	5,900	5,900	6,000
<hr/>			
GROSS EXPENDITURE	3,048,400	2,998,900	3,092,600
MISCELLANEOUS INCOME	113,500	131,000	86,000
<hr/>			
NET EXPENDITURE	2,934,900	2,867,900	3,006,600
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2015/16 AT OUTTURN PRICES

	2014-15 ORIGINAL ESTIMATE £	2014-15 PROBABLE OUTTURN £	2015-16 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	913,100	969,100	1,055,600
Training Expenses	4,100	4,000	4,100
Other Indirect Expenses	4,800	4,800	5,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	44,000	44,000	45,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	8,000	8,400
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	6,700	6,700	7,000
Publications	4,300	4,300	4,400
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	8,500	8,500	8,500
Subsistence and Conferences	1,500	1,200	1,500
Subscriptions	48,000	48,000	49,000
Actuarial Fees	20,000	20,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
<hr/>			
INVESTMENT GENERAL EXPENSES	1,108,200	1,163,400	1,253,300
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	313,500	313,500	322,700
Custodian & Other Investment Expenses	261,000	181,000	241,000
External Management Fees	816,000	911,000	937,300
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INVESTMENT MANAGEMENT EXPENSES	1,390,500	1,405,500	1,501,000
<hr/>			
NET EXPENDITURE	2,498,700	2,568,900	2,754,300
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APPENDIX B

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2014/15

	£	£
1	Original Estimate 2014/15	5,433,600
	<i>Main Variations</i>	
2	Employee Costs	
	HR post taken from SYJS on TUPE transfer	10,500
	New Principal Investment manager post approved at Investment board 18 September 2014	19,600
	Additional market supplement awarded to Principal Investment managers	24,700
	Awards to chief officers pending full review	12,200
	Reduced staff advertising	2,000 CR
	Reduced training costs	3,500 CR
	Increased turnover including restricted cover for maternities	24,600 CR
	NI and super – less increase than anticipated	<u>14,800 CR</u>
		22,100
3	Transport related expenses	
	Reduced expenses due to less visits out of office	<u>2,400 CR</u>
		2,400 CR
4	Supplies and Services	
	Further efficiencies in postage costs	10,000 CR
	Reduced office equipment costs	2,000 CR
	Increased Actuarial fees	20,000
	Change in Pensions Administration system	4,500 CR
	Reduced cost of imaging system	<u>6,000 CR</u>
		2,500 CR
5	Central Expenses	
	Reduction of SYJS recharge due to transfer of HR post	10,500 CR
	Increased IT network costs due to change in methodology of charges as a result of SYJS dissolution	8,000
	Reduced audit fees	<u>7,000 CR</u>
		9,500 CR
6	Miscellaneous Income	
	Increase in income from IT network recharge due to change in methodology of charges (offset by increased costs Elsewhere – IT network, office accom)	<u>17,500 CR</u>
		17,500 CR
7	Investment Management Expenses	
	Reduced custody fees due to negotiated reduction in fees and some relief from fees due to service issues	80,000 CR
	Increased property advisor fees due to increased property portfolio and market values	<u>95,000</u>
		15,000
8	Other Minor Variations	<u>2,000 CR</u>
9	Revised Estimate 2014/15	<u>5,436,800</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2015/16

		£	£
1	Original Estimate 2014/15		5,433,600
	<i>Main Variations</i>		
2	Employee Costs		
	HR post taken from SYJS on TUPE transfer	21,000	
	New Principal Investment manager post approved at Investment board 18 September 2014	59,200	
	Additional market supplement awarded to Principal Investment managers	37,100	
	Awards to chief officers pending full review	18,400	
	Increments and career grade progression	10,100	
	Increase in pension contributions	<u>23,000</u>	168,800
3	Supplies and Services		
	Further efficiencies in postage costs	10,000 CR	
	Increased Actuarial fees – possible interim valuation	40,000	
	Change in Pensions Administration system	55,500 CR	
	Reduced cost of imaging system	<u>6,000 CR</u>	31,500 CR
4	Central Expenses		
	Reduction of SYJS recharge due to transfer of HR post	21,000 CR	
	Anticipated reduction in SYJS charges due to lower Senior manager costs	10,000 CR	
	Increased IT network costs due to change in methodology of charges as a result of SYJS dissolution	8,000	
	Reduced audit fees	<u>5,000 CR</u>	28,000 CR
5	Miscellaneous Income		
	Reduction in income from IT network recharge due to anticipated Loss of client - SYJS	<u>27,500</u>	27,500
6	Investment Management Expenses		
	Reduced custody fees due to negotiated reduction in fees	20,000 CR	
	Increased property advisor fees due to increased property portfolio and market values	<u>120,000</u>	100,000
7	Other Minor Variations		<u>4,500</u>
8	Inflation		
	Pay assumed 2.2%	66,000	
	Prices (on major contracts only) (assumed at 2.5%)	<u>20,000</u>	<u>86,000</u>
9	Estimate 2015/16		<u>5,760,900</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2015/16

ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS

Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. However, the same statutory instrument that created the Pensions Authority made provision for the four District Councils to reimburse the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

1 Probable Outturn 2014/2015

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,594	1,966	1,377	6,767	12,704
Levy	<u>98</u>	<u>124</u>	<u>107</u>	<u>214</u>	<u>543</u>
	<u>2,692</u>	<u>2,090</u>	<u>1,484</u>	<u>6,981</u>	<u>13,247</u>

2 Estimates 2015/16

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	523
Gratuities	<u>-</u>

Levy 2015/16 **523**

(ii) Total payments by District

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,623	1,986	1,393	6,837	12,839
Levy	<u>95</u>	<u>119</u>	<u>103</u>	<u>206</u>	<u>523</u>
	<u>2,718</u>	<u>2,105</u>	<u>1,496</u>	<u>7,043</u>	<u>13,362</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.

(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

(b) Pensions administration and investment management costs are borne by the Pension Fund.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

27 November 2014

Report of the Monitoring Officer

OPENNESS OF LOCAL GOVERNMENT BODIES REGULATIONS 2014

1) Purpose of the report

To report on the requirements of the Openness of Local Government Bodies Regulations 2014 and recommend amendments to the Authority's Standing Orders regarding recording of meetings in order to comply with the new legal framework.

2) Recommendations

2.1 That the requirements of the Openness of Local Government Bodies Regulations 2014 as outlined in this report be noted.

2.2 That, accordingly, Standing Order 15 be amended to read as follows:-

15.1 Any person who attends a public meeting for the purpose of reporting on the meeting may use any communication method, including the internet, to publish post or otherwise share the results of a person's recording activities. Reporting means:

- i) Filming, photographing or making an audio recording of the proceedings at a meeting;
- ii) Using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- iii) Reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later to persons not present.

15.2 Oral reporting or oral commentary on a meeting is not permitted if the person reporting or providing the commentary is present at the meeting.

15.3 Any photography or audio/visual recording must take place from a fixed position in the meeting room approved by the Chair so as to minimise disruption.

15.4 The use of flash photography or additional lighting will only be permitted for a limited period during the meeting at a point in the proceedings agreed in advance with the Chair.

15.5 If the Chair feels that any photography, audio or visual equipment is disrupting the meeting in any way or any pre-meeting agreement has been breached then the operator of the equipment will be required to stop.

15.6 If, during the course of a meeting, a motion is passed to exclude the public and press because confidential information is likely to be disclosed, then all rights to record the meeting are removed and the operator of the equipment will be required to stop recording/photography.

15.7 The Authority may webcast meetings of the Authority and its sub-committees.

2.3 That given the statutory nature of the required amendment to Standing Orders, it be noted that Standing Order 33 (Variation and Revocation of Standing Orders) does not apply in this case.

3) Background information

3.1 The requirements that Authorities make provision for the admission of the public and press to its meetings have been in place since the enactment of the Public Bodies (Admission to Meetings) Act 1960. This was updated by the Local Government Act 1972, which in itself was revised by the Local Government (Access to Information) Act 1985. In summary, these provisions require that the public and press be admitted to Authority meetings, except where they are considering very narrow categories of “exempt information”, and allow access to any relevant papers to be considered. There is no restriction on members of the public or representatives of the press/media organisations who attend meetings from subsequently reporting on the issues discussed.

3.2 Although the right to report on meetings is well established, this has not generally extended to require Authorities to allow the live broadcast or video recording of any meetings. Indeed, many Authorities (SYPA included) have Standing Orders that specifically prohibit this, in some cases without the expressed consent of the respective meeting. The key consideration has been the intrusive nature of any recording equipment and the impact this might have on the conduct of meetings.

3.3 Clearly, there have been significant technological advances since many Authorities put these restrictions in place. In particular, the ability to record video on small handheld devices has made the recording process much more simple and less intrusive. At the same time, the facility to publish this to the internet and through social media has become common place, with many people now expecting to be able to publish images of any event they attend. However, many Authorities have not permitted this, even in public meetings, using the restrictive Standing Orders that they have in place to justify this. The Government considers that these restrictions are out of place with a modern, digital world and has legislated to require changes to be made to remove such restrictions.

4) Requirements of the New Regulations

4.1 The Openness of Local Government Bodies Regulations 2014 came into force on 6th August 2014. They clarify the law by stating that any person who attends a meeting of a Local Authority Body for the purpose of reporting on the meeting may use any communication method, including the internet, to publish, post or otherwise share the results of a person's reporting activities. The Regulations clarify that reporting means:-

- a) Filming, photographing or making an audio recording of the proceedings at a meeting;
- b) Using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- c) Reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later to persons not present.

4.2 The provisions effectively relate to any meetings of a Local Authority Body that are open to the public and press to attend. Authorities must also make reasonable provision to allow this reporting to take place. However, there is no absolute right to record proceedings where this might disrupt the meeting or make it difficult for other people attending to make their own recording, and the Chair of any meeting would retain the power to exclude anyone causing disruption.

5) Implementing the New Regulations

5.1 The new provisions are very much focused on the ability of members of the public and "citizen journalists" to record proceedings on their own personal devices. Where meetings are open to the public, provision is already made for a "public gallery" to be available and it is expected that, by and large, it will be possible to make any recordings from there, with limited disruption to the meeting. Where a media organisation wishes to make a more professional recording of a meeting, this is likely to require more extensive facilities. However, it does seem unlikely that this will happen without notice, allowing appropriate arrangements to be made in cooperation with the organisation in question.

5.2 Standing Order 15 refers to the recording of meetings and currently reads:

15.1 No-one may make recordings of any kind other than written notes unless the person presiding at the meeting has given permission. If anyone does so without permission the person presiding at the meeting may either require the person to leave at once or adjourn the meeting for as long as he/she seems fit.

15.2 The authority may webcast meetings of the Authority and its sub-committees.

5.3 Clearly this Standing Order conflicts with the requirements of the Regulations. It is therefore proposed to amend Standing Order 15 to read as follows:-

15.1 Any person who attends a public meeting for the purpose of reporting on the meeting may use any communication method, including the internet, to publish post or otherwise share the results of a person's recording activities. Reporting means:

- i) Filming, photographing or making an audio recording of the proceedings at a meeting;
- ii) Using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- iii) Reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later to persons not present.

15.2 Oral reporting or oral commentary on a meeting is not permitted if the person reporting or providing the commentary is present at the meeting.

15.3 Any photography or audio/visual recording must take place from a fixed position in the meeting room approved by the Chair so as to minimise disruption.

15.4 The use of flash photography or additional lighting will only be permitted for a limited period during the meeting at a point in the proceedings agreed in advance with the Chair.

15.5 If the Chair feels that any photography, audio or visual equipment is disrupting the meeting in any way or any pre-meeting agreement has been breached then the operator of the equipment will be required to stop.

15.6 If, during the course of a meeting, a motion is passed to exclude the public and press because confidential information is likely to be disclosed, then all rights to record the meeting are removed and the operator of the equipment will be required to stop recording/photography.

15.7 The Authority may webcast meetings of the Authority and its sub-committees.

5.4 Standing Order 33 (Variation and Revocation of Standing Orders) requires that amendments to Standing Orders should initially be reported to the Authority, but consideration then stand adjourned to the next ordinary meeting of the Authority. However, given the statutory requirements of the Regulations to allow video etc. recording, the Authority has no discretion as to the amendment of Standing Orders. Any amendment to take account of the new Regulations will therefore have immediate effect.

6) Implications

6.1 Financial

None.

6.2 Legal

There are potential legal implications arising out of this report.

6.3 Diversity

There are no diversity implications.

6.4 Risk

None.

**A Frosdick
Monitoring Officer**

Officer responsible Gill Garrety, Democratic Services Officer
South Yorkshire Joint Secretariat
01226 772806 ggarrety@syjs.gov.uk

Background papers (available for inspection at the offices of the Joint Secretariat in Barnsley) :

Public Bodies (Admission to Meetings Act) 1960, Local Government Act 1972, Local Government (Access to Information) Act 1985.

The Openness of Local Government Bodies Regulations 2014.

Open and Accountable Local Government – Guide for the Press and Public Attending and Reporting Meetings of Local Government published by the Department of Communities and Local Government in August 2014.

South Yorkshire Pensions Authority Standing Orders.

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Protocol for Filming, Photographing and Recording Proceedings at Authority Meetings

You are welcome to film and record meetings of the Authority and its Committees/Boards which are open to the public.

This should be done in such a way as not to disrupt the conduct of the meeting or stop other members of the public being able to see, hear or film the proceedings.

We ask therefore that anyone wishing to photograph, film or record proceedings abides by the following:

- Where possible, inform Democratic Services if you intend to film or record a public meeting so that necessary arrangements can be put in place.
- Any photography or audio/visual recording must take place from a fixed position in the meeting room, approved by the Chair, so as to minimise disruption to the proceedings.
- The use of flash photography or additional lighting will only be permitted for a limited period during the meeting at a point in the proceedings agreed in advance with the Chair.
- If the Chair feels that any photography, audio or visual equipment is disrupting the meeting in any way or any pre-meeting agreement has been breached then the operator of the equipment will be required to stop.
- Oral reporting or oral commentary on a meeting is not permitted if the person reporting or providing the commentary is present at the meeting.
- If, during the course of a meeting, a motion is passed to exclude the public and press because confidential information is likely to be disclosed, then all rights to record the meeting are removed and the operator of the equipment will be required to stop recording and/or photography.
- If a meeting is adjourned by the Chair, then the operator of the equipment should stop any recording or photography at the point where the meeting is adjourned.
- Anyone filming a meeting is asked to only focus on those actively participating, and not on those seated in the public gallery/seating area.
- Photographs, audio and visual recordings should not be edited in a way that could lead to misinterpretation of the proceedings.

The Authority asks that anyone filming a meeting of the Authority to only focus on those actively participating and not on people seated in the public gallery. However, please be aware that you may be filmed whilst attending an Authority meeting and that attendance at the meeting signifies your agreement to this.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

27 NOVEMBER 2014

Report of the Fund Director

LGPS ADVISORY BOARD: ANNUAL REPORT

1) Purpose of the Report

To bring to Members' attention the publication by the Shadow Advisory Board of the first Annual Report for the Local Government Pension Scheme.

2) Recommendation

That Members note the report.

3) Background Information

3.1 As Members are aware the South Yorkshire Pension Fund is but one of a number of funds established under the LGPS in the United Kingdom. Given the understandable focus on local issues it is sometimes easy to forget that simple fact and that SYPF does operate within a national context.

3.2 In previous years I have reported upon the Department for Communities and Local Government's release of data relating to the 81 LGPS funds in England. However, this year for the first time the Shadow Advisory Board has published what is styled as an Annual Report for the LGPS in England and Wales which is, in fact, an aggregation of the information supplied within the 89 fund reports as at 31 March 2013.

3.3 The main points were as follows:-

- Total LGPS membership is 4.8m people
- There were 9,340 employers in the 89 funds
- The average age of an active LGPS member is 47 and the average salary is £22,000
- The average pensioner age is 67 and the average pension is £5,000 per annum
- The LGPS enjoyed a positive inward cashflow of £12bn which exceeded outgoings of £9bn
- The size of the average administering authorities' governing body is 10 members
- Total LGPS assets under management was £180bn which makes it one of the largest funded pension schemes in the world
- The average investment return for 2012/213 was +12.5% after fees
- 41% of LGPS funds are in pooled vehicles with 38% in equities.
- LGPS liabilities are estimated to be at £227bn which equates to an overall funding level of 79%.

3.4 The Board is now developing the first annual report and health indicators for the LGPS 2014. The Board is welcoming feedback on the initial Report. Details can be found on www.lgpsboard.org.

4) Implications

4.1 Financial

There are no financial implications.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

Members need to be adequately trained to carry out their responsibilities on the Authority and background knowledge of the LGPS assists with meeting that objective. There is, of course, a risk that if Members are not properly or adequately trained the performance and reputation of the Authority might be impaired.

John Hattersley
Fund Director

Contact telephone: 01226 772873

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

Other sources and references: LGPS Advisory Board

SOUTH YORKSHIRE PENSIONS AUTHORITY

27 November 2014

Annual Fund Meeting

1. Purpose of the Report

To report on the Annual Fund Meeting held on 9th October 2014.

2. Recommendations

Members are recommended to note the contents of the report.

3. Information

3.1 This year's Annual Fund Meeting was held at The New York Stadium, home of Rotherham United Football Club, on the evening of 9th October. There were 84 members present, as follows –

- 68 Pensioners
- 10 Contributors
- 2 Deferred members
- 2 Representatives from employing bodies
- 2 Councillors

3.2 After introductions and a welcome from Councillor Wootton, (Chair of the Authority) and Frances Foster (Treasurer), presentations were made by -

- John Hattersley – Fund Director
- Gary Chapman – Head of Pensions Administration

Questions were taken in an open forum at the end of the meeting.

3.3 Cllr Wootton – Chair of the Authority

Cllr Wootton opened by welcoming members to the meeting.

He began by complementing the venue and extending his welcome to the meeting as chair for the first time. He reflected on a hectic year for the authority, referring to the new scheme, future governance and the actuarial valuation.

Cllr Wootton continued by announcing the changes in management following the retirement of Steve Pick as the Clerk & Treasurer and then named the

new clerk, Diana Terris, the new monitoring officer, Andrew Frosdick and the new treasurer Frances Foster. Cllr Wootton thanked Steve Pick for his help throughout the year and thanked his fellow councillors for their continued support. He also praised the fund's officers for their continued hard work during a hectic period.

Cllr Wootton then handed over to Frances Foster who ran through the house-keeping arrangements and the agenda for the evening, before handing over to John.

3.4 John Hattersley – Fund Director

John opened by going through the Fund Accounts in detail, with reference to the annual report. He said the valuation of the Fund at the end of March placed us in the top 50 of UK pension funds, and we were ranked 7th in terms of assets within the local government universe.

John then expanded on the Fund Performance saying that there have only been two years when we did not hit our benchmark. 2010 was due to failure to capture the balance in equities after the crisis and 2012 was that we held too many bonds and too much cash. He said these 'weaknesses' stem from our inherent caution.

He said we have out-performed our benchmark 8 out of 10 years, commenting fewer than half of the UK's pension funds have actually out-performed their benchmarks over 10 years.

Asset Allocation (by Asset Class) - John explained that private equity is cash only and is usually tied up for 5 - 7 years. He said at the moment, our private equity is doing very well and we continue to enhance investment returns. It has done well for the last two years.

Investments in bonds are included to try and produce secure, steady and repeatable income. Unfortunately, whilst they are relatively safe they are susceptible to inflation and will lose value over time so in order to participate in economic growth, pension funds invest in equities which are shared in listed companies or those quoted in stock exchanges.

He said equities offer investors access to earnings growth and increasing dividends if the companies are successful. If they are not, and they fail, investors risk losing their capital. It is rare for a bond investor; on the other hand, to lose capital, although issuers can default, John then made reference to Argentina at the moment. As always, it is a balance between risk and reward but that actuarial valuation at the end of 2013 showed the fund was 76% funded. That is the largest notional deficit we have ever had but reassured members it was not something to get worked up about because it is just a snapshot at a single point in time. But in order to recoup that deficit we do need to enhance investment return.

John said the fund is basically split between 33% in UK equities and 66% in overseas equities. This is a higher weighting than most comparable funds but part of the reason for our decision is that you have to bear in mind that 80% of the earnings of the UK's largest 100 companies come from overseas anyway. So when people talk about the FTSE100 index it does not necessarily represent the state of the UK economy because those earnings are coming from overseas.

Asset Allocation – Overseas

John went on to cover how the overseas equity is invested. He said there is a bias towards the Asian and emerging market economies where we think the longer term growth prospects are better.

In Asia, Japan remains a bit of an enigma. He said minor reforms are taking place behind the scenes. Sony announced that for the first time in living memory they have decided that they will no longer pay wages based on the length of service and seniority, they are actually going to tie wages to productivity. That sort of corporate change in Japan is extremely unusual but it is beginning to take place.

John said we added to our position in Japan over the last 12 months but we are still underweight. We are still waiting to find out whether the prime minister's reforms are successful. There is a bit of political resistance in the country but it is a very large economy, one you cannot ignore.

Broader features of the last financial year from an investor's perspective; sometimes mere survival is under appreciated, and last year was one of those times. Investors and financial markets were still trying to work through consequences of what so many people call the exuberance of 2008. We should never forget just how traumatic and how important a crisis that was.

John said the massive amount of stimulation provided by the central banks remains a driving force behind markets, and although there are now tentative signs of a gradual recovery in many of the developed economies, especially the USA, when the uplift is placed in the longer term context, the extent of the responses remains disappointingly weak.

He said as the year progressed concerns grew, for not only the recovery being lukewarm but it is also very patchy. The advanced economies were performing better than the emerging ones and there were signs of imbalances within the global economy. Behind the improvements, however, was the growing recognition that the investors had to prepare themselves for the inevitable withdrawal of all financial stimulus.

John said the Fund has some deposits with Icelandic banks. He commented he was pleased to report that roughly £17.3m out of the £18.5m has now been recovered, although some of that money is still held in Icelandic Krona (in Iceland). The biggest creditor of the banks involved remains the London branch of KSF and that is in administration. We had a letter from the

administrators this week saying that we are going to get another dividend in December.

Looking forward, he said it is expected that challenging financial markets will continue for some time, but our approach will remain the same, namely the aim to deliver sound, cost effective, investment management in accordance with long term horizons and the requirements of the funds liability structure. Whilst we acknowledge that to be around for a long term we need to perform in the near term as well and that performance has to be strong. It ought to be remembered that the skill in investment management lies in not being blown off course by patches of turbulence, but instead to focus on meeting the needs of the fund.

He said members and advisors have been reviewing the investment strategy in light of the outcome of the 2013 actuarial valuation. Despite the good investment returns over the 3 year period, the increased cost of our liabilities has increased that deficit to a record level. So although investments out performed expectations, the very low bond yields, historically below bond yields, exceeded that. He said pension fund investment is a long term view and although that review in terms of liability is on-going, basically the view is that no big changes to strategy are being advocated.

He went on to say there will be some changes to the way in which we manage the UK equity portfolio going forward and we will revamp the corporate bond and alternative assets exposures. The intent is to enhance income without damaging or loosening our risk control.

John spoke about the authority's response to a number of government consultations, in particular one on collaboration opportunities to cost savings in the LGPS. He said this received some headline coverage in the press claiming that 100's of millions of pounds could be saved if we did X, Y and Z. John said the difficulty of those estimates is that it was done at a very top-down headline level of the better performing funds. If the questions in the consultation were followed it would adversely affect all the better performing funds in the LGPS and that includes yours. He said we estimate that if the funds had been forced to invest as advocated in the consultation, i.e. moving away from active management into passive management and using collective vehicles rather than single funds over a 10 year period up to 2014, it would have cost your fund roughly £100m in performance.

He said the consultation also ignored the fact that internally managed funds are cheaper. We are in-house, we understand what members are wanting, we are quicker to react, but equally we tend to take a longer term view. We are not being run by an external manager who has to justify their fees every quarter. So we can afford to sit back and look at things and take a long term view. He said all the research supports the idea that internal funds produce longer, better returns than externally managed funds. He was pleased to say that we are not alone in responding negatively to the consultation and although all the evidence is anecdotal, most of the responses were extremely

negative and it would appear that the consultation has been put into the side grass until the next general election.

John finished with his quiz.

3.5 Gary Chapman – Head of Pensions Administration

Gary opened with a slide showing a perfect storm, saying we've had a busy year, focusing on three big projects.

Mercer – Financial Advisors who help us deal with the financial aspects of the scheme in terms of the actuarial valuation up to 31/03/2014 which resulted in new contribution rates going forward. Any shortfall in paying benefits is made up from the employers contributions for the next 3 years. Where the fund was at as at 31/03/2013 it definitely meant that employers needed to pay more.

Gary spoke of the headline results - future contribution rate. This means an increase of 0.8% which is made up of a number of things including the LGPS 2014. The new scheme was brought in to be cheaper but this isn't the case for all employers due to the age of the membership, the older members have some added protection under the old scheme which means it's more expensive. Essentially a reduction for most, but over time the cost of paying extra benefits as well which resulted in an overall increase in the normal contributions.

Gary covered the funding level at 31/03/2013 – saying we were 76% funded which is a shortfall of around 2 billion pounds. Valuations are done on a specific day and 31/03/2013 was not a good day. You're allowed to move it forward (within reason) to take advantage of any improvements and by moving it to August we had improved the funding level up to 80% and in December to 82%. The financial world was changing for the good at that point in time and we ended up in Dec 2013 from 2 billion to 1.2 billion in deficit. Nothing to panic about, lots of pension funds are the same and as long as you have a plan to recovery that's fine. Recovery period for most employers is 22 years.

He said to put the results into context we were saying that where employers were in deficit, which is 81% of employers, no employer would be paid any less than they were paying in the last valuation period, so nobody took a cut in contributions at the valuation, some stayed the same plus pensions increase.

Gary went on to provide some statistics about the scheme.

LGPS 2014 – Gary spoke about what we had been doing in relation to the new scheme. First thing was to look at the consultation and comment. We were communicating with scheme members and employers preparing them for what was coming. We had to develop new internal procedures. All our software had to change, we received software updates but not all were received before the introduction of the new scheme which meant going back

to manual calculations. We had to create new letters. We had to ensure all our staff were trained to answer queries from members. Talk to employers making sure they are aware of their responsibilities.

Civica – Gary said the last bit is something we wouldn't do if we had a choice. Civica is a company that are selling us a new pensions administration system. This has come about with our existing provider not wanting to tender for the work and wanting us off the current system by the end of December this year. So we are being driven to replace everything that we've got, everything that we know with something new.

He said we also need new online facilities, the existing online facility for active members had to be taken down. This will be ready sometime next year. 24th November is our Go Live Date!

Gary covered the Annual Review – he said total membership is always increasing with a 3.59% increase from 2013 to 2014. Active membership had bucked the trend and increased for the first time since 2010, up by 0.18%, however by the end of September had started falling again.

He said we had 267 Scheme employers at march 2014, currently 290 with a further 78 in the pipeline and currently 362 employers in total, this is due to a move from schools being part of the council to academies, so from a pension point of view they become a separate employer which brings challenges as we have more employers to deal with and at the moment showing no signs of slowing down.

He also covered performance – he said our performance won't be as good next year, however up to 31 March, 32,668 cases were processed which was 4376 cases more than last year. A performance rating of 99.7%. We had 8 complaints, plus 1 internal dispute. Overall satisfaction - whenever we issue surveys we always ask how members/employers to rate our performance. Employers are 100% satisfied with our performance and members 96% satisfied, so overall a good high number.

He said we benchmark ourselves every year. 49 pension funds took part. Our cost per member was £19.62, below the average of £20.75 which is good. Gary said we believe we provide a high quality service for a below average price and we've achieved that 11 out of the 12 years of participation.

Gary moved onto what's around the corner – UPM, once live we aim to develop it and make improvements.

Governance – Coming from April 2015, all public sector pension schemes, the LGPS included will have to create local pension boards which will sit above the pensions authority and scrutinise what we do and make sure we are doing it right and to make sure we are administering the scheme correctly and that we are efficient. The board will be made up of scheme members and employer representatives, however we don't have final details yet.

Cost sharing - cost sharing has been talked about for years and is a way of adjusting the scheme when employers need to pay more money. Employers will have a limit set on their contribution rate and if after going through a valuation it takes employers above the level, the scheme can be adjusted by either scheme members paying extra contributions or the benefits that are being paid out being reduced.

Freedom of Choice in pensions – A country wide initiative from the Government which says instead of taking your money as a pension you can take it all as cash, provided you are over the age to retire. With our scheme it would mean transferring your benefits to a personal pension provider and taking the fund value as cash, instead of taking it as a monthly pension payable for life. Earlier statistics revealed that SYPA members like to take their money as cash as 81% of members gave up pension in exchange for tax free cash, so it could be interesting times ahead.

Finally Gary covered pensions increase for pensions in payment and deferred pensions – he said pensions increase with effect from 6th April, early indications show the rate will be 1.5% however this is the August figure and we base ours on the September rate of inflation so this could change however will be around the 1.5% mark.

3.6 Questions from the Floor

Q –The asset allocation slide doesn't add up, it totals 100.1%.

A – Its down to rounding's apologies for that.

Q – I'd like to talk about the way the chairman was appointed. It seems to be a given. What's happened in Rotherham over the last few months it's an absolute disgrace. If Cllr Wootton doesn't know anything about what was going on well he's ignorant of his own patch, if he did know what was going on he's an absolute disgrace and I don't know what he's doing sitting there. I'd like to know how he was appointed I'm sure it's a nice little earner, but why was this allowed to happen in the circumstances Rotherham find itself in today.

A – Cllr Wootton responded by saying this meeting is about our performance, it's about pension matters. He said he was not in the position and will not allow it at this moment in time to go into what's happened in great detail, it is not fit and is not right and not the proper time, however he would be willing to speak privately and individually.

Regarding how the chairman is appointed Cllr Wootton went on to say that in his introduction he took over from Keith Goult, Cllr Wootton went on to explain what happens with the joint authorities within South Yorkshire, saying Rotherham takes on the responsibility of pensions, Sheffield has the responsibility for police and Barnsley take the responsibility for fire and

rescue. Cllr Wootton said he became chairman because of his standing in Rotherham in particular with pensions as he spent 6 years with various chair's within the authority.

Cllr Wootton went on to say regarding what is happening in Rotherham, it is sad and really unfortunate, He said he can only apologise emphatically about what is happening. He said he can't say and will not say in great detail what is happening because there are various organisations and various people that are in the authority now doing investigation interviews.

Cllr Wootton finished by saying it saddens him about the findings of Professor Jay and we will do everything possible to try to work with the agencies to bring about the justice for our fragile children, their families and friends and it is absolutely trauma for everyone concerned. Deep regrets.

Q – If we move to the situation of people being able to take their pension as cash, what's your view on the potential adverse effects it may have on the fund because clearly people in receipt of pensions or wish to be in receipt of pensions will have some concerns about that?

A – At a reasonable level it's beneficial for the Fund because people taking cash out will probably not reflect the actual liability that they would have had had they remained on pension. When people do convert pension to lump sum, that's generally good for the fund. If it became a run and we had an avalanche then clearly that wouldn't be beneficial for a cash flow perspective but we're expecting that there should be some measures that will reflect the funding nature of the pension fund at the time the transfers are being made. What we're expecting is if your pension fund is underfunded then there will be an adjustment to the transfer that we would pay out so we wouldn't pay the full amount out we'd pay an amount reflecting the current state of the fund. We need more detail but generally if it's reasonable and just another option for members then it should be ok from a funding point of view. The member has to be retiring to do this and retiring early comes with penalties so it may not be as bad as we expect. From a funding point of view if there aren't too many, then there should be no problems.

John then added, he wasn't giving financial advice, however in 99.5% of cases it is not wise to cash in your pension. Statistics show people are living longer so will need the security of a pension payable for life. People should take independent advice before considering this option.

Q written in – What are the consequences of a Scottish referendum on the pension fund investment policy?

A - An interesting situation. Clearly there are fissures within the economy which we can see has resulted that. One of the big concerns had the vote gone for independence was the amount of debt within the UK and who would support it and who would guarantee it. It has heightened that debate just how much personal debt we still have individually and as a country, and it was

interesting over the political conference season, how some spoke about and how others didn't about the size of the deficit and how it's been reduced or it hasn't been reduced and it is again something to think about that bearing in mind we have one of the best performing economies in western Europe are personal debt levels are not being addressed, that just asks one or two questions. There are fundamental problems still within the UK economy but we're probably not as badly off as western Europe but it does mean that investors overseas have started to look more at the UK balance sheet, they are starting to look more at the strength of the pound and cottoning on to the fact that if we want to have an export lead economy which we are still not achieving when the rest of the world is slowing down, who we are going to be selling to. So the big issues are still there, there are fewer to answer after the vote was to stay together but part of that debate was very interesting.

Q – What is live streaming?

A – Watching this meeting at home on your computer.

Q – With local authorities and other organisations being asked to tighten budgets and reducing their permanent staff by contracting out services what effect will this have on the pension fund?

A – Gary went on to answer, saying we've seen this over the last few years and is highlighted by the membership numbers. Ultimately as numbers fall the amount of contributions coming in will reduce and that can eventually put pressure on employer contributions going forward because there wouldn't be enough money coming in to guarantee the benefits being paid and that is probably why cost sharing has been brought up. We are around the 49,000 member mark and I can't see from what I know about the current year it will change significantly but it will probably depend on how local government will evolve.

John went on to give the quiz answers.

Cllr Wootton then gave his closing remarks

3.7 A full recording of the meeting is available to view at <http://www.youtube.com/user/SYPensions>

4. Implications

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

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

27 November 2014

Report of Deputy Clerk

TRADES UNION REPRESENTATION ON BOARDS

1. Purpose of the Report

To inform the Authority of the appointment of a Unison representative to the Investment Board.

2. Recommendations

Members are asked to note the appointment.

3. Background Information

- 3.1 In June 2014 Barnsley MBC appointed Councillor Mick Stowe to sit on the Pensions Authority. The Authority subsequently appointed Councillor Stowe to the Investment Board at its Annual Meeting in June.
- 3.2 As Councillor Stowe had been Unison's representative on the Investment Board, this left a vacancy for a Trades Union representative on that Board.
- 3.3 Unison has nominated Ms Ruth Askwith as their representative on the Investment Board.

4. Implications and risks

- 4.1 There are no financial, legal or diversity risks arising from this report.

M McCarthy
Deputy Clerk

Officer responsible: Gill Garrety, Democratic Services Officer
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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

Other sources and references: None

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