

**SOUTH YORKSHIRE  
PENSIONS AUTHORITY**

Authorised and regulated by the  
Financial Conduct Authority

Diana Terris  
*Clerk*

18 Regent Street  
Barnsley  
South Yorkshire  
S70 2HG

[www.southyorks.gov.uk](http://www.southyorks.gov.uk)

**NOTICE OF AUTHORITY MEETING**

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley on Thursday 15 January 2015 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  
Email: [ggarrety@syjs.gov.uk](mailto:ggarrety@syjs.gov.uk)

Tel: 01226 772806

**WEBCASTING NOTICE**

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

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

## **Distribution**

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

## **Contact Details**

For further information please contact:

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JANUARY 2015 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE  
PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELY

### Agenda: Reports attached unless stated otherwise

	<b>Item</b>	<b>Page</b>
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 27 November 2014	1 - 6
7	Minutes of the Extraordinary Meeting held on 13 November 2014	7 - 8
8	Work Programme	9 - 10
9	Section 41 Feedback from District Councils	
10	Local Pension Board	Verbal Report
11	Revenue Estimates 2015/16	11 - 14

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12	Board Chairs Report	Verbal Report
13	Compliance with the Principles for Investment Governance: Self-Assessment	15 - 20
14	Cost Control in the LGPS	21 - 28
15	LGPS (Amendment) Regulations 2015	29 - 32
16	Responsible Investment	Presentation

## SOUTH YORKSHIRE PENSIONS AUTHORITY

27 NOVEMBER 2014

PRESENT: Councillor P Wootton (Chair)

Councillors: J Campbell, S Ellis, K Rodgers, A Sangar and B Webster

Trade Unions: R Askwith (Unison) and G Boyington (Unison)

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

Apologies for absence were received from Councillor R Wraith, Councillor E Butler, Councillor B Lodge, Councillor L Rooney, Councillor M Stowe, Councillor J Wood, F Tyas, G Warwick, J Bell and A Frosdick

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Wotton welcomed R Askwith, Unison representative, to the meeting.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 2 OCTOBER 2014

RESOLVED – That the minutes of the Authority meeting held on 2 October 2014 be signed by the Chair as a correct record.

7 MINUTES OF THE INVESTMENT BOARD HELD ON 18 SEPTEMBER 2014

RESOLVED – That the minutes of the Investment Board held on 18 September 2014 be noted.

8 MINUTES OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 13 NOVEMBER 2014

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 13 November 2014 be noted.

9 WORK PROGRAMME

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

M McCarthy referred to the reform to the Local Government Pension Scheme (LGPS) and the requirement for a Local Pensions Board to be established by 1 April 2015. At the last meeting, Members had agreed to establish a Member Working Group which would work towards developing terms of reference for the Board, ensure the Authority was compliant from 1 April 2015, and present a work programme to the Authority for approval. M McCarthy would seek nominations from at least one Member from each local authority for the Group, in addition to the Chair and Vice Chair.

M McCarthy hoped that the first meeting of the Member Working Group would be scheduled before Christmas 2014; alternatively an early stage working paper would be sent out to Members for consultation, for officers to work on during the Christmas period, and the first meeting would be held early in the New Year.

RESOLVED – That:-

- i) Members noted the contents of the report.
- ii) Nominations be sought from Members to establish a Member Working Group.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Rodgers reported that DMBC were working on budget implications, and were working with a large leisure trust and ALMO Housing, to focus on pension liability moving forwards.

Councillor Wootton commented that budget implications had been discussed at a recent meeting at RMBC.

Councillor Wootton added that the Section 41 Member Briefing Notes, sent from the Authority to Members, were always very well received.

11 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2014/15 quarter 2.

Councillor Webster referred to the transactions with Members involving 14073 cases, of which 72.5% were on target, and he queried when this would be back on track.

G Chapman commented that this had resulted from the new system being implemented. Only urgent case work had been undertaken during the last 10 days; it

was expected to take approximately 6 weeks to get back on track once the new system was running smoothly.

RESOLVED – That the contents of the report be noted.

12 REVENUE ESTIMATES 2015/16 - ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

A report of the Treasurer was submitted 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.

Councillor Wootton thanked F Foster and B Clarkson, on behalf of the Authority, for the work undertaken.

RESOLVED – That Members:-

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

13 OPENNESS OF LOCAL GOVERNMENT REGULATIONS 2014

A report of the Monitoring Officer was submitted which reported on the requirements of the Openness of Local Government Bodies Regulations 2014 and recommended amendments to the Authority's Standing Orders regarding recording of meetings in order to comply with the new legal framework.

Councillor Ellis referred to members of the public recording Authority meetings, and queried whether the Authority could request a copy of the recording.

M McCarthy commented that the Authority could not demand a copy of the recording, but could enquire where the individual intended to upload the recording to. The Authority would endeavour to reiterate that the meetings were webcast, which may reduce the number of people wishing to make their own personal recordings. The Authority was presented with an annual report, which detailed the total number of webcast viewings.

RESOLVED – That Members agreed:-

- i) That the requirements of the Openness of Local Government Bodies Regulations 2014 as outlined in this report be noted.
- ii) 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.
- iii) 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.

#### 14 BOARD CHAIRS' REPORTS

Councillor Wootton referred to the integration of the South Yorkshire Joint Secretariat into BMBC and the agreement, in principle, that support services previously provided by SYJS be provided by BMBC with effect from April 2015; the formal agreement between the Council and the Authority to be amended accordingly. South Yorkshire Leaders and BMBC officers would monitor the integration process, and ensure that Joint Authority Members be kept fully informed. He also reiterated the Authority's view that it could obtain support services from other providers where appropriate.

Members were informed of the key issues arising from the Investment Board meeting held on 18 September 2014:-

- a) WM Company had given a presentation, on the Fund's investment performance over the year ending March 2014, and had highlighted 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%.
  - The Fund was doing an efficient job in terms of converting returns to the level of risk adopted.



- b) The Quarterly Report reviewed the performance of the Fund during the quarter ended 30 June 2014, and highlighted that 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.

Members noted that the Review of Pensions Administration Report had indicated that the new administration system would go live on 24 November 2014. My Pension online services would not be available during the implementation of the new system but that the Authority was aiming to roll out a new online service in the New Year.

282 employers were registered with EPIC and 20 new employers had been admitted to the Fund during the period. The new 2014 Scheme had added a new layer of complexities on top of the old Scheme, which continued for pensioners and leavers prior to 1 April 2014. He noted that the latest stage of proposed reform focussed upon introduction of additional scrutiny and required the establishment of a local pensions board by 1 April 2015. The Authority had submitted its response to the consultation prior to 21 November 2014, and the outcome was awaited.

Councillor Wootton gave thanks to the officers for the excellent work provided over the last year.

#### 15 LGPS ADVISORY BOARD: ANNUAL REPORT

A report of the Fund Director was submitted to bring to Members' attention the publication by the Shadow Advisory Board of the first Annual Report for the Local Government Pension Scheme.

Members noted the following main points:-

- Total LGPS membership was 4.8m people.
- There were 9,340 employers in the 89 funds.
- The average age of an active LGPS member was 47 and the average salary was £22,000.
- The average pensioner age was 67 and the average pension was £5,000 per annum.
- The LGPS enjoyed a positive inward cash flow of £12bn which exceeded outgoings of £9bn.
- The size of the average administering authorities' governing body was 10 members.
- Total LGPS assets under management was £180bn which made it one of the largest funded pension schemes in the world.
- The average investment return for 2012/13 was +12.5% after fees.
- 41% of LGPS funds were in pooled vehicles with 38% in equities.
- LGPS liabilities were estimated to be £227bn which equated to an overall funding level of 79%.

RESOLVED – That Members noted the report.

16 ANNUAL FUND MEETING

A report of the Communications Manager was submitted which reported on the Annual Fund Meeting held on 9 October 2014.

The Annual Fund Meeting had been attended by 84 Members:-

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

Members noted that a full recording of the meeting was available to view at <http://www.youtube.com/user/SYPensions>.

Councillor Wootton commented that The New York Stadium, home of Rotherham United Football Club, had been an excellent venue.

Councillor Ellis added that the event had been well organised, and had been delivered in a friendly and informative manner; she gave credit to employees across the board.

RESOLVED – That Members noted the contents of the report.

17 TRADES UNION REPRESENTATION ON BOARDS

A report of the Deputy Clerk was submitted to inform the Authority of the appointment of a Unison representative to the Investment Board.

Members noted that a vacancy for a Trades Union representative on the Investment Board had arisen, following M Stowe's resignation because of his appointment onto the Pensions Authority as a BMBC representative.

Ms Ruth Askwith had been nominated by Unison as their representative on the Investment Board.

RESOLVED – That Members noted the appointment.

CHAIR

# Agenda Item 7

## EXTRAORDINARY MEETING OF SOUTH YORKSHIRE PENSIONS AUTHORITY AND SOUTH YORKSHIRE PASSENGER TRANSPORT PENSION FUND COMMITTEE

13 NOVEMBER 2014

PRESENT: Councillor P Wootton (Chair)  
Councillor R Wraith (Vice-Chair)  
Councillors: E Butler, S Ellis, B Lodge, L Rooney, A Sangar,  
M Stowe, D Leech, I Auckland and B Mordue

Trade Unions: G Boyington (Unison)

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), I Rooth (Head of Technical Services BMBC), M McCarthy (Deputy Clerk) and A Shirt (Senior Democratic Services Officer)

Apologies for absence were received from Councillor J Campbell, Councillor K Rodgers, Councillor B Webster, Councillor J Wood, S Barker, R Bywater, F Foster, A Frosdick, G Warwick, F Tyas and R Askwith

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST.

None.

6 DRAFT REGULATIONS ON BETTER GOVERNANCE AND IMPROVED ACCOUNTABILITY IN THE LOCAL GOVERNMENT PENSION SCHEME

The Authority received a presentation from the Head of Pensions Administration to inform Members that the Department for Communities and Local Government (DCLG) had issued a consultation inviting responses on The Local Government Pension Scheme (Amendment) (Governance) Regulations 2014; which are due to come into force from 1<sup>st</sup> April 2015.

Members were reminded that the previous consultation on the Governance Regulations had closed in August 2014. The draft regulations had now been revised taking into account the consultation responses received.

The consultation focused on a requirement for the Secretary of State to establish a National Scheme Advisory Board to advise him on the desirability of changes to the scheme. Provision is also to be made for administering authorities to establish Local Pension Boards to assist them with the effective and efficient management and administration of the Scheme. The consultation closes on 21 November 2014.

Members discussed in detail the potential implications for the Authorities if the proposals were implemented and agreed that it would be appropriate for this Authority to argue for the creation of a joint Local Pension Board to assist both of the South Yorkshire Funds.

RESOLVED –

- i) That the Authority requests officers to draft a response to the consultation taking account of Members comments by the deadline of 21 November 2014.
- ii) That a Member and Officer Working Party be established to work through the draft guidance in further detail.

CHAIR

## South Yorkshire Pensions Authority – cycle of future meetings

### Authority Meetings

<b>Agendas</b>	<b>2 October 2014</b>	<b>27 November 2014</b>	<b>15 January 2015</b>	<b>19 March 2015</b>
<b>Strategic Overview of Business</b>		Meeting Overview & Context		
	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
<b>Board Scrutiny</b>	Call-Ins	Call-Ins	Call-Ins	Call-Ins
<b>Review of Strategies</b>			Local Pension Board	Local Pension Board
	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
	Annual Review of Risk Management Policy & Corporate Risk Register			Treasury Management Statement
	CPGB Audit Committee Functions Annual Report	Budgets and Revised Estimates	Budgets and Revised Estimates	Strategic Objectives 2015
<b>Business</b>	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	LGPS Cost Control Processes	Debt Write Offs

	<b>2 October 2014</b>	<b>27 November 2014</b>	<b>15 January 2015</b>	<b>19 March 2015</b>
<b>Business</b>	SYJS transition employment/budget implications etc			Constitutional Updates
	FoIA Annual Report/ Publication Scheme			Scheme of Delegation
				Contract Standing Orders
				Social Media Use: Protocol
<b>Training &amp; Development</b>	LGPS New Scheme (GC)	Audit and Risk Management Training	Responsible Investment	

## SOUTH YORKSHIRE PENSIONS AUTHORITY

15 January 2015

### Report of the Treasurer

#### REVENUE ESTIMATES 2015/16

##### **1** Matter for consideration

Following various consultations, to formally confirm the draft budget proposals considered by the Authority on 27 November 2014 and summarised herewith.

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##### **2** Recommendations

**The Authority is asked to formally confirm the budget proposals and approve the budget of £5,710,900 for 2015/16.**

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##### **3** Background Information

- 3.1 At its meeting on 27 November, the Authority considered draft budget proposals for the 2015/16 financial year. The key elements of these proposals were subsequently the subject of consultations with various interested parties and no changes were suggested.
- 3.2 A summary of the draft budget as considered at the Authority meeting on 27 November is attached at Appendix A. The full report considered by members at that meeting can be accessed on the Pensions website .

##### **4** Implications

- 4.1 Financial  
None additional
- 4.2 Legal  
None
- 4.3 Diversity  
None
- 4.4 Risk  
None

**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
<b>TOTAL EXPENDITURE REQUIREMENT</b>	<b>5,387,700</b>	<b>5,402,700</b>	<b>5,710,900</b>
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
	<b>5,387,700</b>	<b>5,402,700</b>	<b>5,710,900</b>
ACTUARIAL WORK CHARGED TO FUND	95,000	90,000	90,000
<b><u>MEMORANDUM ITEM</u></b>			
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 £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
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
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	140,000	140,000	146,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	6,000	7,000
<b>SUPPLIES AND SERVICES</b>			
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
<b>CENTRAL EXPENSES</b>			
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
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<b>GROSS EXPENDITURE</b>	<b>3,048,400</b>	<b>2,998,900</b>	<b>3,092,600</b>
MISCELLANEOUS INCOME	113,500	131,000	86,000
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<b>NET EXPENDITURE</b>	<b>2,934,900</b>	<b>2,867,900</b>	<b>3,006,600</b>
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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 £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
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
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	44,000	44,000	45,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	8,400	8,000	8,400
Car Allowances	3,500	3,500	3,500
<b>SUPPLIES AND SERVICES</b>			
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
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INVESTMENT GENERAL EXPENSES	1,108,200	1,163,400	1,253,300
<b><u>INVESTMENT MANAGEMENT EXPENSES</u></b>			
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/>			
<b>NET EXPENDITURE</b>	<b>2,498,700</b>	<b>2,568,900</b>	<b>2,754,300</b>
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## SOUTH YORKSHIRE PENSIONS AUTHORITY

15 January 2015

### Report of the Clerk

#### COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF-ASSESSMENT

1) Purpose of the report

To update Members on the CIPFA Code of Practice on public sector pensions finance knowledge and skills and the requirements for the self-assessment against the Principles for Investment Governance (formerly Myners' Principles).

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2) **Recommendations**

- a) **That the Authority notes the content of the report.**
  - b) **That Members confirm their commitment to the self-assessment process until the new arrangements for the Scheme come in to place and to review and update the process at this time.**
  - c) **That Members agree to any development needs arising from the results.**
- 

3) Contents

Main Report

Appendix A: Principles for Investment Governance (formerly Myners) and Best Practice Guidance

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4) Background Information

- 4.1 The Myners Report (2001) looked at institutional investment in the UK and established a best practice approach to investment decision making for pension funds. The principles were announced in 2002 following a review of institutional investment by Paul Myners, which found shortcomings in the expertise of investment decision-making by pension fund trustees. The review recommended that there should be a legal requirement that where trustees are taking a decision, they should be able to take it with the skill and care of someone familiar with the issues concerned. In 2008, following extensive consultation, the ten original Myners principles were updated and consolidated into six new principles. These are attached to the report for

information at Appendix A. Local Authorities are required to publish a statement of compliance in the Statement of Investment Principles.

- 4.2 Members adopted a system of self-assessment in October 2011 and agreed to use a template to gauge compliance. Members received individual copies in January 2014 and were asked to retain them until the end of the financial year (March 2014) and return them, duly completed, to the Clerk.
- 4.3 The self-assessment process consists of three separate forms:
- (i) Assessment of Authority Members.
  - (ii) Assessment of the Board Chair by Members of the Investment Board.
  - (iii) Assessment of the Board Chair by the Members of the Corporate Planning and Governance Board.
- 4.4 In order to benchmark, forms will be personalised to show the scores given in the previous year by individual members.
- 4.5 Assessment forms will be posted to all Authority Members immediately after the Authority meeting on 15 January. Members are asked to complete and return the forms before the end of March 2015.

## 5. Development Needs

- 5.1 Any development needs that arise from the self-assessment will be addressed as part of the Member learning and development schedule.

## 6 Implications

There are no direct financial, legal or diversity implications with this report.

There may be some reputational risk implications in relation to the quality of internal governance if results are not reported and acted on appropriately.

D Terris  
Clerk

Officer responsible:  
G Garrety  
Democratic Services Officer  
01226 772806

Background papers used in the preparation of this report are available for inspection at the offices of South Yorkshire Joint Secretariat, Barnsley.

Other sources and references:  
CIPFA Code of Practice  
CIPFA Knowledge and Skills Framework

## Principles for Investment Governance (formerly Myners) and Best Practice Guidance

Principle	Best Practice guidance
<p><b>Principle 1: Effective decision-making</b></p> <ul style="list-style-type: none"> <li>Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.</li> <li>Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<ul style="list-style-type: none"> <li>Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.</li> <li>Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> <li>The board has appropriate skills for, and is run in a way that facilitates, effective decision-making.</li> <li>There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions.</li> <li>It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making.</li> <li>There is an investment business plan and progress is regularly evaluated.</li> <li>Consider remuneration of trustees.</li> <li>Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).</li> </ul>
<p><b>Principle 2: Clear objectives</b></p> <ul style="list-style-type: none"> <li>Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarks and objectives are in place for the funding and investment of the scheme.</li> </ul>

Principle	Best Practice guidance
<p>covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</p>	<ul style="list-style-type: none"> <li>• Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation.</li> <li>• Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates.</li> <li>• Consider the strength of the sponsor covenant.</li> </ul>
<p><b>Principle 3: Risk and liabilities</b></p> <ul style="list-style-type: none"> <li>• In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.</li> <li>• These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Trustees have a clear policy on willingness to accept underperformance due to market conditions.</li> <li>• Trustees take into account the risks associated with their liabilities valuation and management.</li> <li>• Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities.</li> <li>• Trustees have a legal requirement to establish and operate internal controls.</li> <li>• Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.</li> </ul>
<p><b>Principle 4: Performance assessment</b></p> <ul style="list-style-type: none"> <li>• Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.</li> <li>• Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a formal policy and process for assessing individual performance of trustees and managers.</li> <li>• Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings).</li> <li>• The chairman addresses the results of the performance evaluation.</li> <li>• State how performance evaluations have been conducted.</li> <li>• When selecting external advisers take into account relevant factors, including past performance and price.</li> </ul>
<p><b>Principle 5: Responsible ownership</b></p> <ul style="list-style-type: none"> <li>• Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</li> <li>• A statement of the scheme's policy on responsible ownership should be</li> </ul>	<ul style="list-style-type: none"> <li>• Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles.</li> <li>• Trustees consider the potential for engagement to add value when</li> </ul>

Principle	Best Practice guidance
<p>included in the Statement of Investment Principles.</p> <ul style="list-style-type: none"> <li>Trustees should report periodically to members on the discharge of such responsibilities.</li> </ul>	<p>formulating investment strategy and selecting investment managers.</p> <ul style="list-style-type: none"> <li>Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company.</li> <li>Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.</li> </ul>
<p><b>Principle 6: Transparency and reporting</b></p> <ul style="list-style-type: none"> <li>Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.</li> <li>Trustees should provide regular communication to members in the form they consider most appropriate.</li> </ul>	<p>Reporting ensures that:</p> <ul style="list-style-type: none"> <li>the scheme operates transparently and enhances accountability to scheme members; and</li> <li>best practice provides a basis for the continuing improvement of governance standards.</li> </ul>

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JANUARY 2015

### Report of the Fund Director

#### COST CONTROL IN THE LGPS

1) Purpose of the Report

To bring to Members' attention the announcement of the proposed employer cost cap for the Scheme

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2) Recommendation

**That Members note the report.**

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3) Background Information

3.1 Members met in November in order to formulate a response to the draft regulations on 'Better Governance and Improved Accountability in the Local Government Pension Scheme'. The draft regulations contained provisions relating to the employer cost cap but crucially did not include the actual figure although the intention was to issue it before the consultation closed on 21<sup>st</sup> November. This was not achieved and the cost cap figure of 14.6% of pensionable pay was eventually announced on 12<sup>th</sup> December.

3.2 Although the consultation on the governance regulations and the assumptions underlying the calculations formally closed on 21<sup>st</sup> November, Ministers were keen to hear any views on the outcome of the calculations which gave rise to the employer cost and re-opened the consultation for a limited period until 2<sup>nd</sup> January 2015. This date did not coincide with the Authority's meeting cycle but in any event we considered that no response was necessary on this occasion.

3.3 The matters discussed are quite technical in nature and would not normally be reported to Members. However, given that they are complex and that the complexity is further increased since there are two processes running in parallel, both of which are underpinned by theoretical calculations, Members ought to be aware of the possible confusion and difficulties that employers may face.

4) Summary

4.1 Under the new public service pension scheme framework the costs of the pension schemes must be periodically assessed to ensure that the reforms are affordable and sustainable. In the LGPS in England & Wales, there will be two mechanisms used to do this:

- a) the employer cost cap (ECC) process as operated by HM Treasury, and
- b) the future service cost (FSC) process as operated by the LGPS Scheme Advisory Board.

4.2 Both processes could lead to changes to the scheme design or to the level of members' contributions if the costs of the LGPS are shown to have moved sufficiently from the target. The target cost for the FSC process is 19.5% as a total of employer

and member contributions at a 2:1 ratio (13% relating to employers' contributions and 6.5% relating to members'). The proposed target cost for the ECC process is 14.6% of employer contributions alone.

- 4.3 The cost cap mechanisms are both mainly concerned with calculating the cost of providing benefits that have been accrued since the career average reforms took effect in April 2014. The total employer contributions targeted are therefore notional figures, and most employers will find they pay contributions that are different to these notional rates.
- 4.4 There are some differences between the mechanisms in how the requirement to make changes to the Scheme is triggered, but under either process, movement of 2% or more in either direction will require changes to be made to bring the Scheme cost back to the target
- 4.5 Options for changes to the Scheme include adjusting the accrual rate, benefit structure and normal retirement age or changes to employee contributions.
- 4.6 Both processes will be undertaken in the LGPS every three years in line with triennial valuation cycle. The cost control mechanisms will be first used to assess the cost of the scheme as at 31<sup>st</sup> March 2016 and any change in the Scheme's benefit structure or employee contribution rates will be effective from 1<sup>st</sup> April 2019.

## 5) Data Requirements

- 5.1 The shift to a career average scheme will require that certain additional information is held and extractable in order for Government Actuary Department's (GAD) actuarial calculations to be undertaken. For the cost control processes, GAD require the information below to be provided by each administering authority:
  - **Pre- and post- 14 data** - For actives, deferred and pensioner members, pension amounts split between amounts relating to pre-2014 accrual, and amounts relating to post-2014 accrual.
  - **50/50 section and full section data** - For actives, deferred and pensioner members, post-2014 pension amounts split between those relating to 50/50 section membership, and those relating to full section membership.
  - **Cashflows** - For benefits paid and transfers paid, split between pre-2014 membership, post-2014 50/50 section membership, and post-2014 full section membership.
  - **Contributions** - For employee contributions, split between contributions paid whilst in 50/50 section, and contributions paid whilst in full section.
  - **Membership movements** - For those leaving and joining the pension fund 'Benefits at date of exit' for those members leaving or retiring from active service after April 2014, and 'Benefits at date of re-joining' for those members aggregating pre-2014 benefits.
  - **Commutation** - For those who have commuted any of their pension to lump sum since April 2008, how much in annual pension they commuted to lump sum, and the maximum amount they could have commuted to lump sum.

5.2 The full GAD data requirements will be made available upon the issue of the final Regulations but in this form there will be some changes to the way payments are recorded in the accounts particularly in relation to the split between the various tranches of membership.

5.3 The above requirements are in addition to the standard valuation data for all members with a pension liability as at the valuation date and as already required by fund actuary in undertaking fund valuations.

## 6) Communications

6.1 The Shadow Advisory Board has prepared communication material for both employers and scheme members in order to,

- give a broad overview of the background to the cost control processes,
- outline the differences between the cost control processes and local funding valuations,
- and detail the possible impacts on the benefits structure and/ or employee contribution rates which could arise from the results of the cost control processes.

6.2 The communication documents have been added to the Scheme member's website and also to the employers via EPIC.

6.3 A process map timetable has also been produced which is attached for information.

## 7) Implications

7.1 Financial

Log term in nature but has implications for both employers and scheme members.

7.2 Legal

There are no legal implications.

7.3 Diversity

There are no diversity implications.

7.4 Risk

None

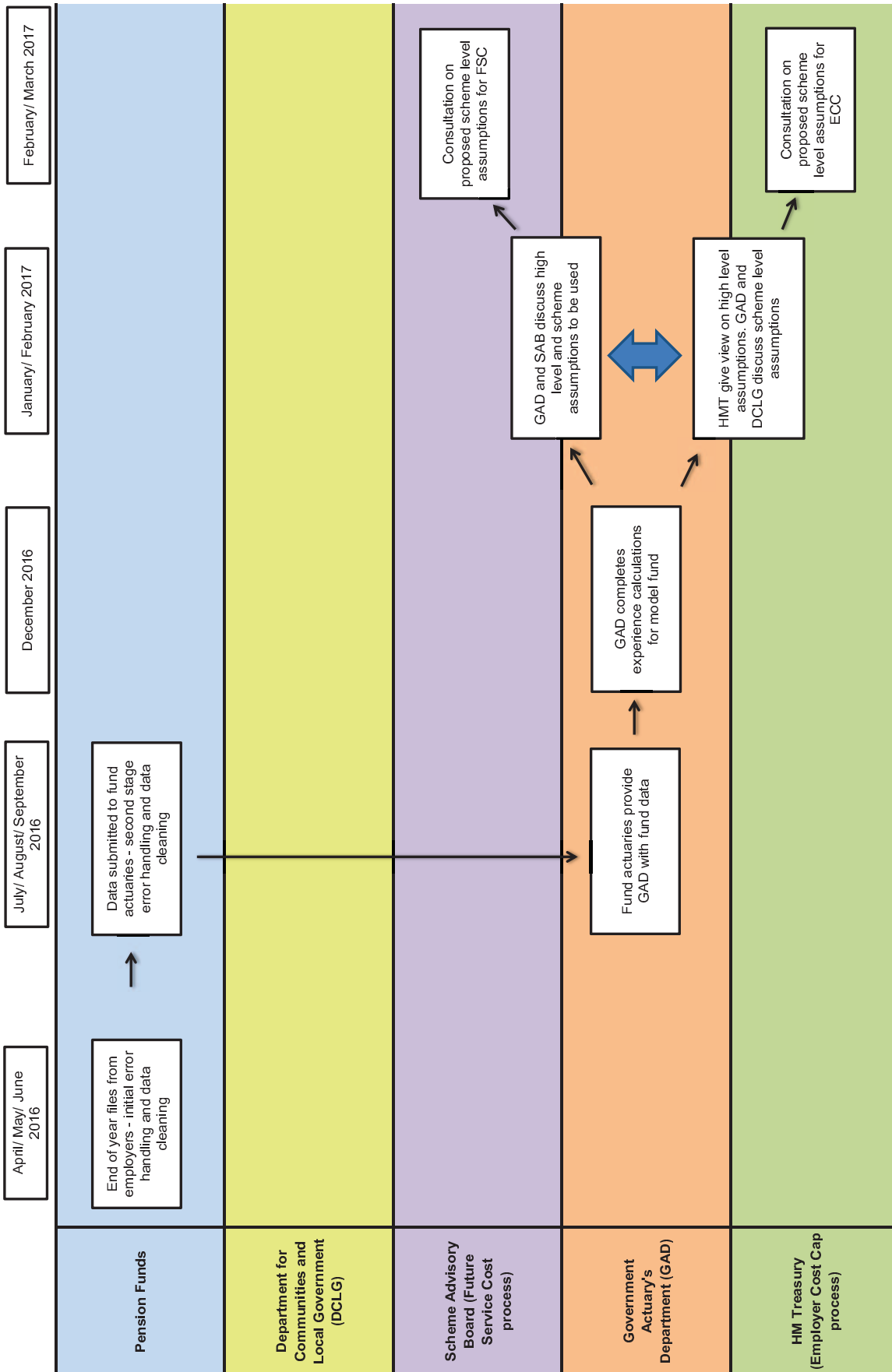
**Gary Chapman**  
**Head of Pensions Administration**

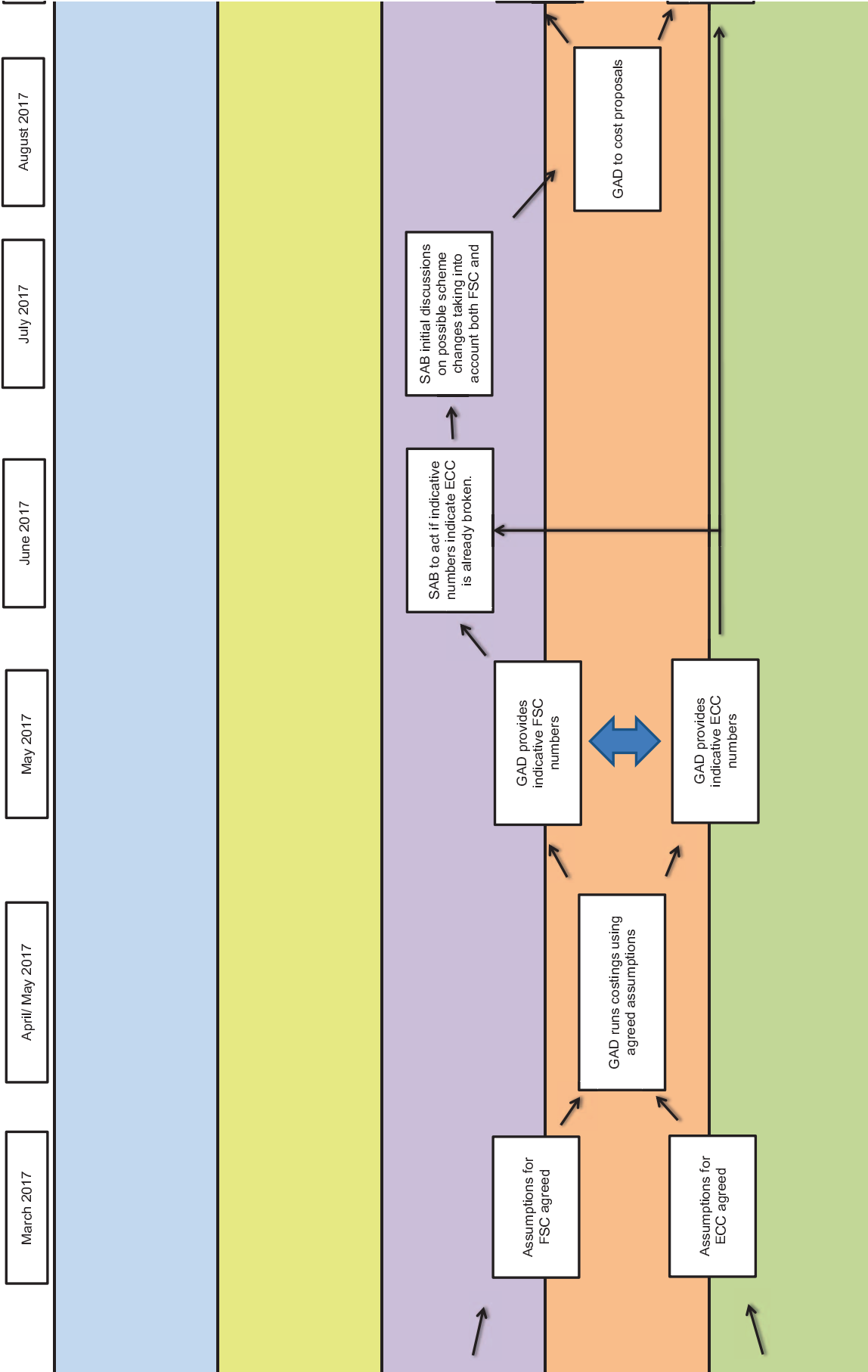
Contact telephone: 01226 772954  
e-mail: gchapman@sypa.org.uk

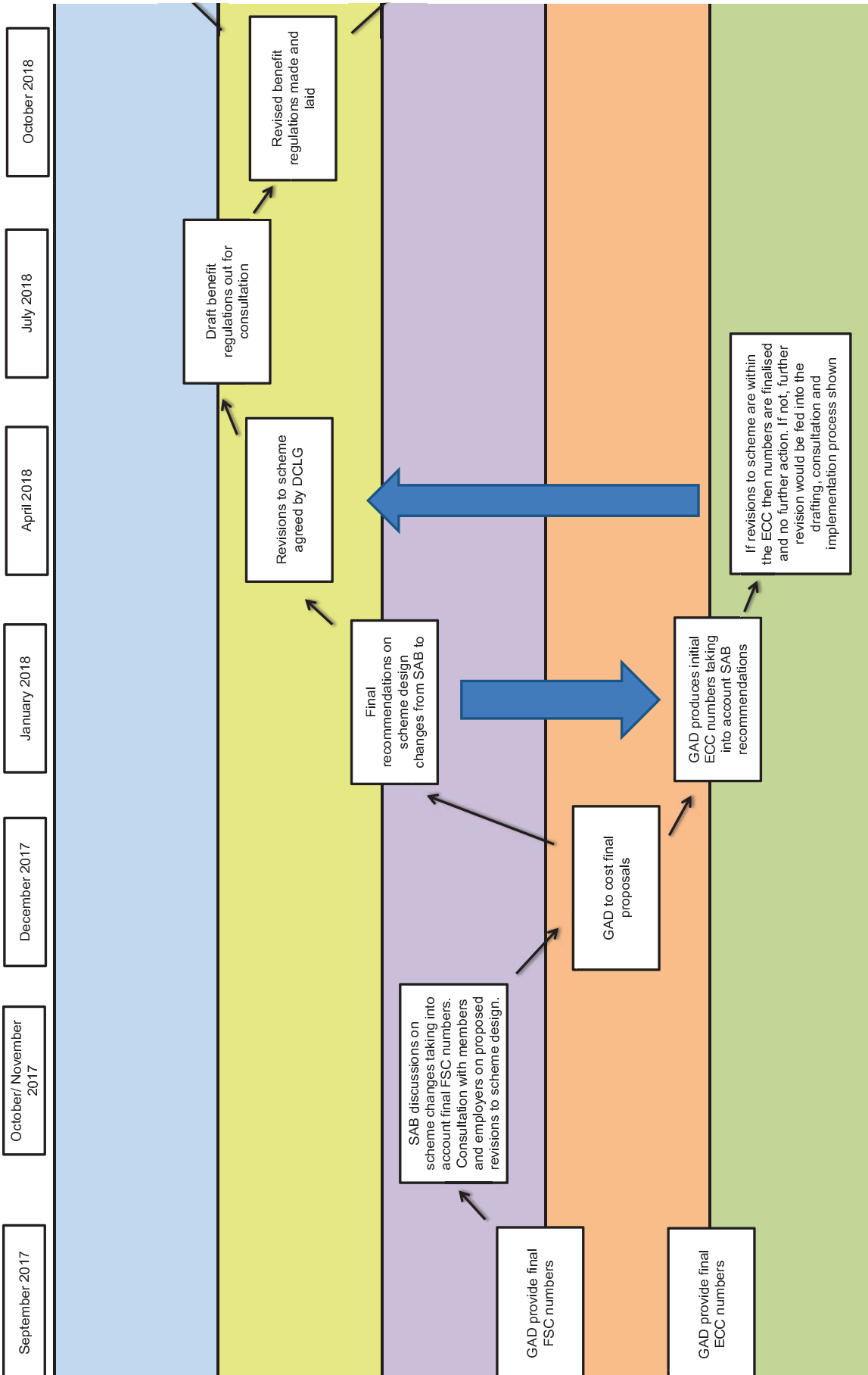
Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority in Barnsley

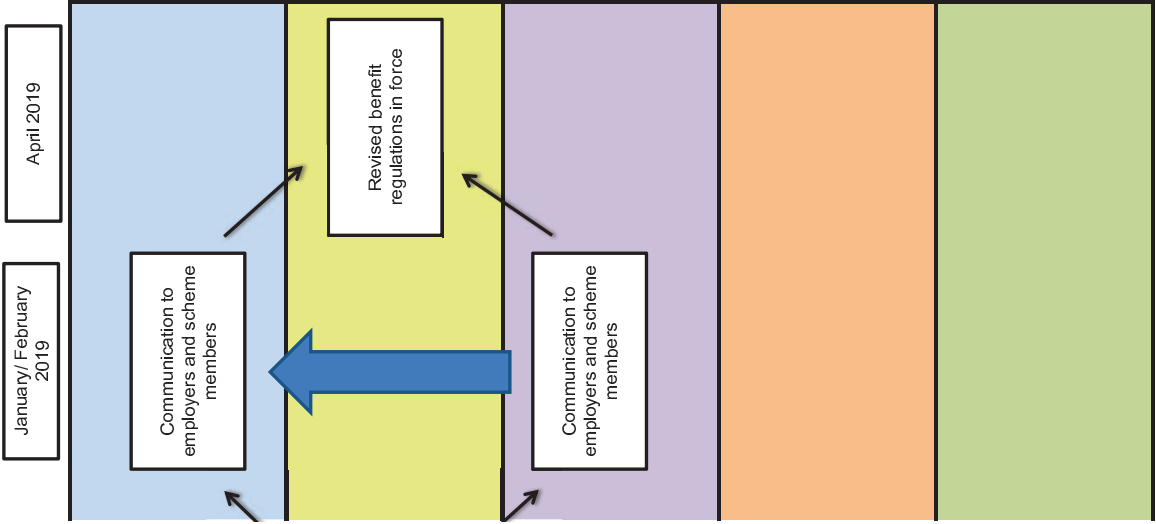
Other sources and references: LGPS Shadow Advisory Board

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JANUARY 2015

### LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2015

#### 1. Purpose of the Report

To alert members to the publication of the above draft regulations and seek an indication of whether or not Members wish to make a response

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#### 2. Recommendations

**Members are recommended to note the contents of the report and indicate whether or not they wish to make a response.**

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#### 3. Information

3.1 On 5<sup>th</sup> December 2014, DCLG issued draft regulations which make a number of technical and cosmetic amendments to LGPS 2014. The required changes have been in the main identified by employers and pensions administrators who apply the regulations to real life situations.

3.2 A copy of the draft regulations, with accompanying explanatory letter is available on request. Responses are invited by 30<sup>th</sup> January 2015. The proposed amendments will be effective from 1<sup>st</sup> April 2015.

#### 4. Summary of Changes

4.1 A summary of the main changes are listed below,

##### Key to Type

**Amendment** – Reference changed but no change of meaning

**Clarification** – New or additional text to better explain existing provision

**Correction** - To replace text that was previously incorrect

**New** - A new provision or new part within an existing regulation

##### **Amendment to the Local Government Pension Scheme Regulations 2013**

Regulation Number(s)	Intention	Type
3	Specifies when a person applies to become a scheme member that they join from the first day of the payment period following the application.	Clarification
4	A survivor or child's pension is payable even if the member dies in service with less than 2 years membership.	Clarification

5	An election for the 50/50 section is cancelled when on no pay due to child related leave.	Clarification
6	An employer is required to provide a member with of any additional pension contributions or AVC's to be paid when they go on reserve forces leave.	Amendment
7	Employers given the discretion to extend time limit for elections to pay additional pension contributions for period of unpaid absence.	Amendment
8	Corrects a reference the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 which have now been replaced by the Occupational and Personal Pension Schemes (Disclosure of information) Regulations 2013	Correction
10	Some incorrect cross references have been corrected in relation to assumed pensionable pay.	Amendment
11	It has been made clear that a member who opts out and subsequently re-joins the scheme cannot aggregate their previous membership.	Clarification
12	Required to ensure that an IRMP could provide an opinion on a case despite the fact that a colleague from the same practice had already provided an opinion for the same member. Needed due to a previous Ombudsman ruling.	New
13	Where a member dies in service but has other different categories of membership they are only entitled to receive the payment that produces the highest amount. They are no longer entitled to multiple death grants.	Correction
14 & 15	To be consistent with protections on ill health retirement it is made clear that reductions in pay taken due to the illness from which they have subsequently died can be ignored in the calculation of death and survivor benefits.	Correction
16 & 17	Confirms the intention that survivors' benefits are based on the members pension before any commutation to lump sum.	Clarification
18 – 22	Minor drafting improvements.	Amendment
23	Pension forfeiture amounts must be calculated by the scheme actuary and paid to the relevant scheme employer	Clarification
24	Completes the categories for whom a change in administering authority triggers a transfer value payment.	Amendment

25	Minor amendments	Amendment
26 – 29	Deals with the admission of combined authorities as scheme employers	Amendment

**Amendment to the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014**

Regulation Number(s)	Intention	Type
31	Extends the additional membership that can be counted in the calculation of survivor benefits.	Amendment
32	To ensure that arrangements for the recovery of unmet liabilities from certain employers who exited the scheme prior 1 <sup>st</sup> April 2014 are able to continue without having to resort to the immediate collection of the full outstanding liability as required by LGPS 2014.	New

**5. Issues not covered by the Draft Regulations**

5.1 DCLG have asked for comment on some policy issues not covered by the draft regulations as follows,

**Transfer of rights accrued in Additional Voluntary Contribution (AVC) Schemes**

LGPS 2014 introduced changes that were detrimental to existing members paying AVC's and therefore the transitional regulations included provisions that protected them from losing out. However, where a member takes up a new job with an employer within a different administering authority the member may lose their protection if the new pension fund uses a different AVC provider.

Proposed Response: Members should not be penalised as a result of a change in employment that results in them transferring their benefits into a different pension fund. There is already an administrative process covering the transfer of the main scheme benefit and therefore it would not be difficult to communicate with the respective AVC providers to ensure the member does not lose the protections they already enjoy.

**Ongoing Final Salary Link for Deferred Pensioners**

A member who has a deferred pension under the 2008 scheme or earlier who returns to work with any public sector scheme employer and chooses not to aggregate/transfer benefits still retains the final salary link protection on their deferred benefits. The consultation seeks views on how this will work in practice considering the administrator of the deferred is unlikely to know that the former member has taken up a new

employment.

Proposed Response: Notwithstanding the fact that it is simply illogical to give final salary protection to members who elect to retain deferred benefits the onus is on the new administering authority to obtain the information required and regulatory provision that assists the flow of information between all public sector pension schemes would be welcome. Although the LGPS national database is still in the early stages of development its usefulness is dependent on 100% acceptance and compliance all LGPS funds and if this could be extended to all the other public sector schemes it would reduce administration considerably.

## **6. Implications and risks**

### **Implications**

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

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**Background papers** used in the preparation of this report are available from the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley, S70 2HG.