

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JANUARY 2015

PRESENT: Councillor P Wootton (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, J Campbell, S Ellis, 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), A Frosdick (Monitoring Officer), M McCarthy (Deputy Clerk), R Bywater (Principal Policy and External Relations Officer), M McCoolle (Senior Democratic Services Officer), I Rooth (Head of Technical Services BMBC) and J Firth (Principal Investment Manager)

Apologies for absence were received from F Tyas, R Askwith, B Clarkson, F Foster and J Bell

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 27 NOVEMBER 2014

RESOLVED – That the minutes of the Authority meeting held on 27 November 2014 be signed by the Chair as a correct record.

7 MINUTES OF THE EXTRAORDINARY MEETING HELD ON 13 NOVEMBER 2014

RESOLVED – That the minutes of the Extraordinary Authority meeting held on 13 November 2014 be signed by the Chair as a correct record.

8 WORK PROGRAMME

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

Councillor Sangar requested a schedule of future meeting dates, to prevent any clashes with full council meetings at the districts.

Councillor Sangar expressed concern at the workload balance between the Pensions Authority, Corporate Planning and Governance Board (CP&GB) and Investment Board; he suggested that more key issues be included onto the Pensions Authority agendas although he acknowledged that this had been attempted before.

M McCarthy commented that the governance structure and the interaction between the Pensions Authority, CP&GB and Investment Board would be reviewed.

RESOLVED – That Members noted:-

- i) The contents of the report.
- ii) A review would be undertaken of the distribution of work between the Authority and its Boards.

9 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

10 LOCAL PENSION BOARD

M McCarthy reassured Members that a Member Working Group had now been established and would meet at the conclusion of today's meeting. Members of the Group would be presented with options in relation to the terms of membership, frequency of meetings and training requirements.

A response was awaited from CLG on the consultation exercise. It was hoped that the membership of the LPB would be clearer by the date of the next Authority meeting.

M McCarthy commented that a briefing paper would be produced for all Members, setting out the proposals for the Local Pension Board, to which Members were recommended to make suggestions. A framework had been prepared for the Local Pension Board, but consultation from CLG was awaited.

G Boyington referred to the proposed draft Constitution prepared by Unison which made proposals as to how all LPBs might be established.

M McCarthy commented that the work undertaken had taken into account draft constitutions prepared by other funds and pressure groups. This would be circulated to interested parties for comment.

Councillor Ellis referred to an email she had recently sent to Members, informing them that her brother currently worked as a Civil Servant on this constitution. Councillor

Ellis assured Members that following legal advice, this did not present a conflict of interest.

RESOLVED – That the update be noted.

11 REVENUE ESTIMATES 2015/16

A report of the Treasurer was submitted for Members to consider formally confirming the draft budget proposals considered by the Authority on 27 November 2014 and summarised within the report.

RESOLVED – That the Authority:-

- i) Formally confirmed the budget proposals.
- ii) Approved the budget of £5,710,900 for 2015/16.

12 BOARD CHAIRS REPORT

Councillor Wootton referred to the recent busy period.

Members noted that the Local Government Pension Board, which would be a non-decision making body, would report to the Authority and have full responsibilities to comply with the LGPS.

Councillor Wootton referred to a number of meetings with J Hattersley on an investment point of view, in relation to world economics, shale oil and oil prices, gilts and bonds etc.

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

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

In October 2011 Members had adopted a system of self-assessment and had agreed to use a template to gauge compliance. Upon Members' confirmation to the self-assessment process, assessment forms would be despatched to Members, to be completed and returned before the end of March 2015.

RESOLVED – That:-

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

14 COST CONTROL IN THE LGPS

A report of the Fund Director was submitted to bring to Members' attention the announcement of the proposed employer cost cap for the Scheme.

The costs of the pension schemes would be periodically assessed under the new public service pension scheme framework, to ensure that the reforms were affordable and sustainable. In the LGPS, two mechanisms would be used to do this in England and Wales:-

- i) The employer cost cap (ECC) process as operated by HM Treasury.
- ii) The future service cost (FSC) process as operated by the LGPS Scheme Advisory Board.

RESOLVED – That Members noted the report.

15 LGPS (AMENDMENT) REGULATIONS 2015

A report of the Head of Pensions Administration was submitted to alert Members to the publication of the draft regulations and to seek an indication of whether or not Members wished to make a response.

Members noted that draft regulations had been issued by the DCLG on 5 December 2014, which had made a number of technical and cosmetic amendments to LGPS 2014. Responses were invited by 30 January 2015 and the proposed amendments would be effective from 1 April 2015.

RESOLVED – That Members:-

- i) Noted the contents of the report.
- ii) Agreed that a response be sent on behalf of the Authority to DCLG on the draft regulations.

16 RESPONSIBLE INVESTMENT

The Authority received a presentation from J Firth, Principal Investment Manager, on Responsible Investment (RI).

The Authority noted the following key points:-

- RI sought to generate both financial and sustainable value, and considered environmental, social, governance and ethical issues into financial analysis and decision making. Active funds also involved active ownership.
- Ethical investment commenced when religious investors began investing in the stock market in early C20th.
- There were a number of legal and regulatory changes during the 1990's to improve corporate governance.
- The convergence of SRI, corporate governance and CSR saw an increasing use of shareholder rights; a shareholder resolution at Shell AGM and reporting by companies on non-financial issues.

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- There had been a move from avoidance to engagement and collaboration including shareholder activism/engagement, coalition of funds and investors.
- The Authority's RI Policy included:-
 - A Statement of Investment Principles.
 - Disclosure of the Top 10 UK and overseas holdings in the Annual Report and a list of all holdings at year end on the website.
 - Proxy voting with published voting activity.
 - Company engagement/collaboration.

Councillor Sangar wondered how the debate with the Directors of Public Health would develop over the next 10 years, in relation to investing in tobacco and potentially alcohol etc.

J Hattersley commented that last year the Authority had given consideration to the issue, when the responsible investment policy had been thoroughly reviewed. The whole issue of public health was full of controversies; it was down to the individual to decide whether to smoke tobacco or drink alcohol though there were public costs associated with some outcomes. It was important for Members to be aware of all sides of the argument. It would be prudent for the Authority to revisit the subject again in either 2015 or 2016, to keep up to date with best practice.

Members noted that a lot of what was now perceived to be best practice had been achieved through pressure through shareholder engagement over the last 10 years.

Councillor Wood questioned whether the Authority was doing all it could to insulate itself from any potential financial risks in terms of litigation or changes in the law, and whether there were any risks in the future.

J Hattersley commented that J Firth ran part of the UK Equity Portfolio; she was aware of general climate change and fossil fuel issues, and all of her colleagues took such factors into consideration when evaluating investment opportunities.

Councillor Stowe welcomed the corporate pay campaign.

J Firth commented that this year LAPFF would be taking tax governance on board. The Authority was a member of IIGCC, which allowed governments across the world to be lobbied. One of the problems with legislation on climate change was that it was very difficult for governments, as they did not want to be the first one to change. In relation to individual oil companies, the Authority had offered to co-file shareholding resolutions at forthcoming BP and Shell annual meetings; LAPFF had been in talks with BP and Shell. If the Authority divested from such areas, it would no longer have a voice and this would present a problem of where to invest money.

Councillor Wootton thanked J Firth for an interesting and informative presentation.

RESOLVED – That the Authority noted the presentation.

CHAIR