

SOUTH YORKSHIRE PENSIONS AUTHORITY

ORDINARY MEETING

11 JUNE 2015

PRESENT: Councillor S Ellis (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, B Lodge, H Mirfin-Boukouris,
K Rodgers, A Sangar, J Scott, M Stowe, B Webster, J Wood
and K Wyatt

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

Officers: J Hattersley (Fund Director), A Frosdick (Monitoring
Officer), M McCarthy (Deputy Clerk), M McCoolle (Senior
Democratic Services Officer), I Baker (Pensions Manager),
D Hanson (HR Business Partner) and I Rooth (Head of
Technical Services BMBC)

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

1 APOLOGIES

None.

2 ANNOUNCEMENTS

Councillor Ellis requested that letters be sent to the Members who had recently left the Authority, to convey the Authority's thanks and appreciation for all of their hard work and dedication as Members of South Yorkshire Pensions Authority.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 LOYAL SERVICE AWARD SCHEME

A report of the Fund Director was submitted to advise Members that there were five officers who were eligible to receive loyalty awards this year.

The following employees were eligible to receive loyalty awards this year:-

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Ian Baker
Sharon Taylor
John Smith
Rachel Cooper
Karen Norman

RESOLVED – The Chair awarded certificates to the three officers present.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 19 MARCH 2015

RESOLVED – That the minutes of the Authority meeting held on 19 March 2015 be signed by the Chair as a correct record.

8 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

J Hattersley commented that the Investment Board had recently held interviews for the new Buy and Maintain Bond Mandate. Royal London Asset Management had been appointed.

9 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 3 December 2015.

RESOLVED – That Members noted the contents of the report.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Rodgers reported that DMBC's Finance Team was awaiting the results of the emergency budget on 8 July. The authority was aware of the triennial actuarial valuation due at the end of next March and DMBC's Overview and Scrutiny Committee would address it in the context of the tightening of resources; a key question was how this would affect the Authority, its partners and the people the Authority paid to carry out services.

11 BOARD CHAIRS' REPORTS

None.

12 LOCAL PENSION BOARD

M McCarthy commented that all bar one of the employers' representatives had been nominated and all of the members' positions had been filled. The first LPB meeting to be held within 4 months from 1 April. It was noted that all arrangements were in place and dates would be canvassed to hold the first meeting before the end of July. There would be implications for Members of the Authority and the Local Pension Board as the Board evolved; officers would provide support to Members of the Authority and the Local Pension Board to enable them to fulfil their roles.

RESOLVED – That the update be noted.

13 QUARTER 4 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2014/15 Quarter 4.

J Hattersley referred to the investment returns for the quarter. The Fund had slightly beaten the benchmark at 5.6% against 5.5% over the quarter but had underperformed the benchmark for the whole year at 14.2% against a provisional 14.5%; it was understood from WM that the average local authority return was about 13.2%.

I Baker reported that although the administrative transactions backlog with Members was slowly improving, there were still some 9,500 cases outstanding. The backlog situation fluctuated each month, depending upon the timing of the payroll reports from the districts, which resulted in a peak of work each month. The software provider was concentrating on providing the Authority with the ability to bulk upload new starters, which would otherwise be a manual and time consuming process each month.

Councillor Scott sought clarification over by how big a margin targets were being missed and how long it would take to clear the backlog. I Baker anticipated that the performance figure would be 60% plus at the next Authority meeting and it was hoped that the backlog would be cleared by the end of year. Unfortunately, at the moment, accurate reports were not available.

Councillor Rodgers referred to 96% of employers that were now registered for EPIC and to the online service which was currently suspended. He queried how long it would be before the service would be restored.

I Baker commented that the Authority had received a number of promises and undertakings from the software supplier, but they were very rarely delivered on time or accurately. He was unsure when the online facility would be available. J Hattersley commented that the Authority was withholding payment due to the supplier under the contract which had been awarded within the constraints of a National Framework Agreement. Eight other funds were involved with the same supplier and all had similar, if different, issues; a national UPM user group had been established, and met on a regular basis. It was rumoured that the former supplier, who was the bulk supplier to other LGPS funds, had also failed to cope with the pension increase calculations this year.

A Frosdick commented that the issue had not been looked at in-depth from a legal perspective. Currently there was an understanding with the supplier that they were not contesting withholding payment. The matter would be kept under review, and Members would be kept informed.

Councillor Wraith commended staff, on behalf of the Authority, for the excellent work undertaken during the transitional period onto the new pension administration system.

RESOLVED – That the contents of the report be noted.

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

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A report of the Clerk was submitted to inform Members of the outcome of the self-assessment against the Principles for Investment Governance.

In October 2011, Members had adopted a system of self-assessment and had agreed to use a template to gauge compliance, to be undertaken annually.

Members had been issued with individual copies in January 2015, to be completed and returned at the end of the financial year; 10 forms from the 12 forms issued had been returned. In the main, the scores were either Very Good or Excellent and no areas of concern or development needs had been identified.

RESOLVED – That the Authority:-

- i) Noted the contents of the report.
- ii) Agreed to review the process when the new governance arrangements under the Public Service Pensions Act 2013 were finalised.
- iii) Agreed to any development needs arising from the results.

15 ACTUARIAL VALUATIONS 2013 AND 2016

A report of the Fund Director was submitted to draw to Members attention issues that needed to be considered ahead of the actuarial valuation due at the end of March 2016. It was necessary as part of the preparation, to identify potential areas of concern and points for further deliberation.

It was noted that it was likely that funding levels had not improved since the last actuarial valuation in 2013, and the low level of interest rates and bond yields would continue to cause the valuation of the Fund's liabilities to increase. As always the Fund would have to have a clear focus on governance and be aware of the policies and positions of district councils and all employers.

In response to Members' questions, when an employer left the Fund, an exit calculation would be made by the Actuary to ensure no damage would be made to the Fund as a whole. Problems could be faced if the district councils started to reduce staffing levels, as this would affect the number of staff on the payroll and the normal way that contributions were calculated against payroll. Membership of the Fund was gradually increasing, although a large proportion of new members were part-time employees.

One of the concerns that had to be confronted was whether or not some of the assumptions the Fund had made in relation to bond yields may not materialise. At the moment it was predicted that the position would not improve between now and 2016. It was hoped that the Treasurers would be in a better position to comment on their needs once the forthcoming budget was announced. Any new contribution rates would come into effect from April 2017. Councillor Sangar enquired about the various stages in determining how the valuation was set and how it would be timetabled. Councillor Rodgers referred to the last triennial actuarial valuation, when district treasurers had commissioned work to challenge the Fund's figures and assumptions. He did not wish to see such a situation arise again.

J Hattersley commented that it was fit and proper for the district treasurers to feel able to challenge the administering authority on matters which were crucial to their own

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budgets. The Fund's Actuary had proven to be prudent. The Shadow Advisory Board had commissioned work on comparing actuarial assumptions across the LGPS and was in favour of instigating regulatory requirements for actuaries to prepare assumptions against standard criteria. The Fund had always adopted a long term view, which had been supported by district treasurers.

Councillor Rodgers encouraged the view that the Authority should ask the major employers about plans to further outsource services or change their service delivery models.

J Hattersley commented that the Fund had been concerned in the past when districts had negotiated outsourcing of services that they had tended to forget about pensions matters until the end of the process. Councillor Lodge acknowledged that this had been the case. He was concerned in particular about the transfer arrangements surrounding academies and free schools given that some bodies were not fully aware of the obligations that they were taking on board.

Councillor Ellis commented that negotiations should commence as soon as possible with the main employers. It was noted that the Investment Board would be asked to comment upon specific aspects of the valuation assumptions.

RESOLVED – That Members agreed to the points raised in the report.

16 SOUTH YORKSHIRE PENSIONS AUTHORITY CUSTOMER SERVICE EXCELLENCE

A report of the Communications Manager was presented to update Members on the results of the annual surveillance assessment.

It was noted that last year the Authority had been re-awarded the Customer Service Excellence (CSE) award in recognition of continued work in providing exceptional customer service. In order to maintain the accreditation, a surveillance visit was undertaken one year after first being accredited. On 26 March 2015 a further surveillance visit took place and the Authority had successfully continued to meet the requirements for the award, and the accreditation would continue for a further 12 months despite the current difficult circumstances.

Councillor Ellis requested the Authority's congratulations be conveyed to staff. The Authority recognised the frustration of the staff who were used to delivering above and beyond industry standards.

RESOLVED – That Members noted the contents of the report.

17 LGPS CURRENT ISSUES

A report of the Head of Pensions Administration was submitted to bring to the attention of Members the LGPS Current Issues document produced by the Pension Fund Actuary.

Members noted that Mercers, the Fund's Actuary, had begun to issue briefing notes on the current issues facing the LGPS, and these would be brought to future Authority meetings for information. Since the last Authority meeting, the major development

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had been the outcome of the general election and the new administration. There had been suggestions prior to the general election about reforming the structure of the LGPS, and discussions had taken place across 3 key Government departments. Given the messages in the manifesto and in the Queen's Speech, it could be assumed that the Government would look for an ongoing reform of LGPS to try to reduce costs and make savings. Future legislation was expected over the next 12 months.

RESOLVED – That Members noted the LGPS Current Issues document.

18 LGPS SCHEME ADVISORY BOARD

A report of the Treasurer was submitted to advise Members of proposed charges to the Fund relating to the establishment of the Scheme Advisory Board.

Members noted the discussions taking place in relation to the budget and resourcing of the Scheme Advisory Board, following the transition arrangements from the Shadow/Interim Scheme Advisory Board to the full board.

The Minister was considering the three budget options published by the Shadow Scheme Advisory Board. These would be translated into fund-by-fund levying bands based upon active membership levels.

RESOLVED – That Members noted the report.

19 WEBCASTING

A report of the Clerk was submitted to seek approval to renew the contract to webcast meetings of the Authority.

The Authority, together with the other South Yorkshire Joint Authorities, had webcast its meetings since 2006. In 2010, Public-i had been awarded a three year contract which had been extended for 2013/14.

Following the integration of the Authority's administrative support with Barnsley MBC, there was an opportunity to include the facilities at Regent Street with those at the Town Hall in a single contract. The extension would be for a 12 month period only, it would align the renewal dates for both contracts and provide a basis for exploring further joint contracting and financial options.

M McCarthy commented that the Authority paid £4,000 per annum for use of the webcasting facility, and that the extension would be a pro rata payment; M McCarthy would provide Members with the cost. If one of the other South Yorkshire Joint Authorities was not in agreement to the extension, then the Authority would not seek to extend the contract, and a report would be presented to the next Authority meeting to determine its value for money.

It was noted that the Authority was one of the first in the country to webcast its meetings. Over the last 12 months, there had been a total of 2,093 live and archived viewings of the Authority.

RESOLVED – That:-

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- i) The Authority approved a short term extension to the webcasting contract to align with Barnsley MBC's webcasting contract renewal date (7 August 2015), (at a cost of c£490), to enable consideration of joint contracting and cost saving options.
- ii) The responsibility to agree a further 1 year contract renewal be delegated to the Chair and Vice Chair (noting the Authority was not due to next meet until 1 October).
- iii) Members noted the commencement of a study to consider the longer term aspirations for webcasting and online communications for the webcasting partners and South Yorkshire districts.
- iv) M McCarthy to provide Members with the cost of the extension to the webcasting facility.

20 MEMBER DEVELOPMENT ANNUAL UPDATE

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

It was essential for every local authority Member to undertake continuous training and development. For Pensions Authorities, the introduction of more demanding governance requirements over the last 10 years had formalised the requirements, due to it being a specialised area of local authority business involving responsibility for substantial levels of funds.

Members noted the aims of the Member development programme, to which officers would provide a degree of support. M McCarthy commented that Members would be provided with a training needs analysis questionnaire for completion, to enable bespoke training plans to be developed.

A discussion arose around the 3 day Fundamentals, which had a single approach to training; Members would shortly be contacted to arrange the training days. M McCarthy would contact the LGPS to determine whether there was a different medium for the training, to take each individual Member's knowledge into account. It was noted that Trade Union representatives would be involved in other training exercises.

RESOLVED – That Members:-

- i) Nominated and appointed Councillor Sangar as Lead Member for Learning and Development.
- ii) Committed to a round of personal development reviews to be arranged with individual Members following the exercise.
- iii) Agreed to develop an annual training plan and approve further development prior to implementation.

CHAIR