

SOUTH YORKSHIRE PENSIONS AUTHORITY

MYNERS PRINCIPLES COMPLIANCE STATEMENT

Principle 1: Effective Decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

SYPA position

The Investment Board is supported in its decision making role by three independent investment advisors, external advisors (where necessary) and its officers. Members receive regular training, provided both internally and externally, and a formal training programme is being developed. A range of skills are present on the Authority. In addition, all Authority Members receive Board papers and there is a review and feedback facility at Authority meetings.

Principle 2: Clear Objectives

An overall investment objective should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

SYPA position

The Fund's overall objectives are defined and further explained in the Funding Strategy Statement and Statement of Investment Principles. These are directly linked to the triennial actuarial valuation.

The leading employers are consulted during the actuarial valuation process and on any significant changes to either of the Statements. Employers understand that contribution rates are set having given consideration to the key tenets of affordability, sustainability and stability but also with the understanding that any decisions made must be prudent. As part of this process the strength of the employer covenant is considered when setting contribution rates.

Following an actuarial valuation the Authority normally commissions an asset and liability study to review the compatibility of its investment strategy with the assumptions made by the actuary. A customised benchmark is then constructed which is Fund specific.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for the local

taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

SYPA position

The actuary reviews the funding position of each employer as part of the statutory actuarial valuation and this includes an assessment of the employer's covenant. The Fund's investment strategy is reviewed following each triennial valuation or whenever it is thought necessary to do so in order to ensure that the investment strategy adopted meets and is compatible with the assumptions made by the actuary during the valuation process. The Fund's customised benchmark is derived from the Fund's specific liabilities and is personal to the Fund. It is amended whenever necessary.

A risk register is maintained both at Fund and Authority level. Both are regularly reviewed by officers and the latter is reviewed quarterly by Members.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

SYPA position

The Fund's investment performance is measured and reported upon against targets quarterly and is independently verified annually. Officers report to the Investment Board on a quarterly basis and external advisors normally present to the Board on at least an annual basis. Administration performance against targets is also reported upon quarterly to the Corporate Planning and Governance Board. Performance data is contributed to national statistical databases as standard practice.

Members of the Authority assess their own performance (collectively and individually) annually as well as that of their advisors.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Stewardship Code.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

SYPA position

The Authority has determined not to formally adopt the Stewardship Code but believes that it complies with it in practice. It has published a Responsible Investment Policy, established its own voting guidelines and publishes its voting decisions. It has adopted a Shareholder Engagement Statement and Members receive an annual report upon its direct engagement activities. The Authority was a founder member of the Local Authority Pension Fund Forum

(LAPFF) and this alone demonstrates a commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility.

Principle 6: Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives
- Provide regular communication to scheme members in the form they consider most appropriate

SYPA position

The Fund's annual report refers to all of the Fund's policies including the governance policy statement, governance policy compliance statement, communications policy statement, Funding Strategy Statement and Statement of Investment Principles. These individual documents and the annual report can be found on the Fund's website. Furthermore, additional information relating to the Fund's investments, such as voting outcomes and quarterly valuations, are available on the website. Reports submitted to the Authority and its Boards are publicly available on the Authority's website. Authority and Board meetings are open to the public.

With effect from April 2015 a Local Pensions Board has been established. The Board membership includes representatives of Fund members, including pensioner and deferred members as well as trades unions, and employers.

An annual meeting with all the Fund's employers is arranged: in addition there are normally quarterly meetings with the district council employers. Informal contact at officer level takes place all the time. Newsletters are sent to Fund members and posted on the Fund website. An annual Fund meeting is held where members have the opportunity to question both Members and officers.

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