



**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

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 1 October 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 Richards
Email: grichards@syjs.gov.uk

Tel: 01226 772806

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Distribution

Councillors E Butler, S Ellis, B Lodge, H Mirfin-Boukouris, K Rodgers, A Sangar, J Scott, M Stowe, B Webster, J Wood, R Wraith and K Wyatt

Contact Details

For further information please contact:

<p>Gill Richards Joint Authorities Governance Unit 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772806 g-richards@syjs.gov.uk</p>	<p>Andrew Shirt Joint Authorities Governance Unit 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772207 a-shirt@syjs.gov.uk</p>
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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELY, S70 2HG

Agenda: Reports attached unless stated otherwise

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2	Announcements	
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ANNUAL 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 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), I Baker (Pensions
Manager), M McCoole (Senior Democratic Services Officer),
I Rooth (Head of Technical Services BMBC) and D Hanson
(HR Business Partner)

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

1 APPOINTMENT OF THE CHAIR OF THE AUTHORITY FOR THE ENSUING YEAR

Councillor Ellis was proposed and seconded as the Chair of the Authority for the forthcoming year.

RESOLVED – That Councillor Ellis be elected as the Chair of the Authority for the ensuing year.

2 APPOINTMENT OF THE VICE-CHAIR OF THE AUTHORITY FOR THE ENSUING YEAR

Councillor Wraith was proposed and seconded as the Vice Chair of the Authority for the forthcoming year.

RESOLVED – That Councillor Wraith be elected as the Vice Chair of the Authority for the ensuing year.

3 MEMBERSHIP OF THE AUTHORITY

A report of the Clerk was submitted to report on the membership of the Authority for the forthcoming year.

The current membership was noted:-

Barnsley Councillors	Doncaster Councillors	Rotherham Councillors	Sheffield Councillors
M Stowe R Wraith	E Butler K Rodgers J Wood	S Ellis K Wyatt	B Lodge H Mirfin-Boukouris A Sangar J Scott B Webster

Pensions Authority: Annual Meeting, Thursday 11 June 2015

Councillor Ellis welcomed Councillors Wyatt, Mirfin-Boukouris and Scott onto the Authority.

RESOLVED – That the report be noted.

4 APPOINTMENT OF BOARDS, COMMITTEES AND CHAIRS

A report of the Clerk was submitted to consider the appointment of Boards, Committee and Chairs for 2015/16.

Membership was confirmed as follows:-

Corporate Planning & Governance Board	Investment Board	Management Committee
7 members	7 members	Section 41 members
Councillor R Wraith (Chair)	Councillor S Ellis (Chair)	Councillor S Ellis (Chair) Sub: Councillor K Wyatt
Councillor S Ellis (Vice-Chair)	Councillor R Wraith (Vice-Chair)	Councillor R Wraith Sub: Councillor M Stowe
Councillor E Butler	Councillor K Rodgers	Councillor B Lodge Sub: Councillor J Scott
Councillor K Wyatt	Councillor A Sangar	Councillor K Rodgers Sub: Councillor E Butler
Councillor B Lodge	Councillor M Stowe	
Councillor J Wood	Councillor B Webster	
Councillor H Mirfin- Boukouris	Councillor J Scott	
And three trades unions representatives	And three trades unions representatives	

RESOLVED – That Members agreed the Terms of Reference and membership of the Boards and Management Committee and their Chairs for 2015/16.

5 QUESTIONS IN MEETINGS OF DISTRICT COUNCILS

A report of the Clerk was submitted to consider the appointment of representatives of the Authority to answer questions raised in meetings of the District Councils and to feedback District Council pensions issues at each meeting of the Pensions Authority.

Membership was confirmed as follows:-

Council	Spokesperson	Substitute
Barnsley MBC	Councillor R Wraith	Councillor M Stowe
Doncaster MBC	Councillor K Rodgers	Councillor E Butler
Rotherham MBC	Councillor S Ellis	Councillor K Wyatt
Sheffield CC	Councillor B Lodge	Councillor J Scott

RESOLVED – That Members agreed the membership.

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:-

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

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 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 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:-

- 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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

PENSIONS MANAGEMENT COMMITTEE

THURSDAY 16 APRIL 2015

PRESENT: Councillor Peter Wootton (Chair)
Councillors: R Wraith and K Rodgers

Officers: John Hattersley (Fund Director), Mel McCoole (Senior Democratic Services Officer), Sharon Smith (Head of Investments SYPA), Fiona Bourne (Administration Officer SYPA), Jo Holden (Mercers) and Kevin Palmer (Principal Investments Manager)

Apologies for absence were received from: Councillor Bryan Lodge

1 APOLOGIES

An apology for absence was noted as above.

2 URGENT ITEMS

None.

3 DECLARATIONS OF INTEREST

None.

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

RESOLVED – That agenda item 5 entitled ‘Bond Manager Interviews’ be considered in the absence of the public and press.

5 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.

6 BOND MANAGER INTERVIEWS

A report of the Fund Director was submitted to advise Members about the candidates attending for interview and to provide background information about the propositions.

RESOLVED – That the Committee appointed Royal London as the manager of a Buy and Maintain bond portfolio with effect from 1 June 2015.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

18 JUNE 2015

PRESENT: Councillor R Wraith (Chair)
S Ellis (Vice-Chair)
Councillors: E Butler, B Lodge and K Wyatt

Officers: J Hattersley (Fund Director), G Chapman (Head of Pensions Administration), R Winter (Head of Internal Audit), M McCarthy (Deputy Clerk) and A Shirt (Senior Democratic Services Officer)

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

L Wild (KPMG)

Apologies for absence were received from Councillor H Mirfin-Boukouris, Councillor J Wood, F Foster, A Frosdick, R Khangura and J Bell

1 APOLOGIES

Apologies for absence were noted above.

2 ANNOUNCEMENTS

M McCarthy provided the Board with a verbal update on the work undertaken to date in establishing a Local Pension Board (LPB). Members were informed that the Board now had a full complement of membership, with the exception of one vacancy for an academy representative, which was hoped to be filled in the coming weeks.

On-going negotiations were taking place between the Authority and the Department for Communities and Local Government (DCLG) regarding the establishment of a Joint Board for the two South Yorkshire LGPS administering authorities.

It was noted that arrangements were currently being made for the inaugural meeting of the SYPF Local Pension Board to be held before the end of July (likely to be held at the conclusion of the Corporate Planning and Governance Board scheduled for 23 July 2015).

3 URGENT ITEMS.

The Committee agreed to receive an urgent item, namely a report of the Head of Pensions Administration entitled 'Release of Preserved Benefit' (Exemption Paragraph 1), which would be considered in the absence of the Public and Press at agenda item 20.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 19 MARCH 2015

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

7 WORK PROGRAMME

The Board considered the Work Programme to 19 November 2015.

RESOLVED – That the contents of the Work Programme be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report of the Head of Pensions Administration was submitted to update Members on administration issues for the period 1 January to 31 March 2015.

Members noted that in terms of overall performance for the quarter, the Authority had achieved 57%. It was explained that the fall in performance had been due to the implementation of the new UPM system and complications arising from LGPS 2014.

Overall performance was showing signs of recovery; however, this would be adversely affected whilst there was a backlog of casework. The total backlog of casework currently outstanding was now up to 14,000 cases. 9,800 cases were awaiting commencement and a further 2,000 cases required examination and recalculation following the recent pensions increase update, which had been run via the new UPM system. During the period there had also been five bulk annual exercises carried out via the new system.

Councillor Lodge asked if the Authority had any indication when the backlog of casework would be manageable and normal service restored. Furthermore, he asked if there were any financial implications for the Authority as a result of the high numbers of backlog casework; would the software provider be liable for these costs.

The Head of Pensions Administration informed the Board that, if the Authority had no added complications, he anticipated that the backlog would be cleared by the end of December 2015. It was noted that a detailed report would be presented to the October Pensions Authority regarding the issues which had been faced by the Authority following the introduction of the new UPM system.

Members were informed that the Authority was currently withholding payment of its final instalment to the software provider, until all issues were resolved to the

Authority's satisfaction. It was noted that the Authority would be obtaining legal advice regarding the supplier's obligations to the Authority.

In relation to employers SLA performance, the Board was informed that due to difficulty in obtaining statistics from the new system, no report would be available for today's meeting. From the retirements processed during the period, the overall performance of the four districts was 93% against target. A full report would be presented at the July meeting with a new methodology.

The Head of Pensions Administration reported that in order to improve reporting, the Authority would be bringing forward the implementation date when all employers must be registered to submit information electronically via EPIC.

During the period there had been 13 new employers admitted to the Fund.

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

RESOLVED – That the contents of the report be noted.

9 CONSULTATION PROGRAMME - COMPLAINTS PROCEDURE SURVEY

A report was submitted to inform Members of the results of a survey carried out amongst Scheme members who had made a formal complaint in the period of 1 April 2013 to 31 March 2014, with a view to providing a basis for Members' further consideration at today's meeting.

During the period eight Scheme members were identified as having made a formal complaint, of which, four completed and returned a survey.

RESOLVED – That the report be noted.

10 ANNUAL GOVERNANCE STATEMENT

A report of the Clerk was submitted which allowed the Board to consider the Authority's Annual Governance Statement (AGS) for 2014/15.

The Annual Governance Statement was published with the annual statement of accounts and related to the governance framework as it applied during the year 1 April 2014 to 31 March 2015.

The draft Annual Governance Statement for 2014/15 was attached at Appendix A to the report now considered, outlining the following:

- i) The purpose of the governance framework;
- ii) The Governance Framework;
- iii) The process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and
- iv) Identifying development and improvement issues, arising from the annual evaluation to be addressed during 2015-16.

RESOLVED – That the Board approves the Annual Governance Statement for 2014/15.

11 AUDIT COMMITTEE FUNCTION ANNUAL REPORT 2014/2015

A report of the Deputy Clerk was submitted requesting the Board to consider the draft Audit Committee Function Annual Report 2014/15 prior to its submission to the full Authority.

Members noted that good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended that audit committees produce an Annual Report for consideration by its “governing body” to enable the Board to be reassured that they are fulfilling their roles and responsibilities.

A discussion arose regarding member training and development and the financial implications associated for the Authority, in light of members’ non-attendance at pre-booked training events and also non-attendance at Authority meetings.

M McCarthy informed the Board that a procedure was in place to deal with Members’ non-attendance at consecutive Authority meetings and pre-arranged training events.

The Board felt that the consistency of membership tenure on the Pensions Authority should be addressed at a future South Yorkshire Joint Leaders’ meeting, given the volume of training required to become a knowledgeable member of the Pensions Authority.

RESOLVED – That Members:

- i) Note and approve the Annual Report for 2014/15;
- ii) Agree to submit the final version to the full Authority on 1 October 2015 and to publish it on the Authority’s website; and
- iii) Request the Deputy Clerk to raise the issue regarding consistency of membership tenure on the Pensions Authority at a future South Yorkshire Joint Leaders’ meeting.

12 INTERNAL AUDIT ANNUAL REPORT 2014/2015

A report of the Head of Internal Audit was submitted setting out the Internal Audit Annual Report 2014/15.

The Annual Report included:

- A summary of the actual position for the year against the original Plan;
- An outline of the work undertaken to review the financial control and other internal control arrangements; and
- The opinion on the internal control framework that had been taken into account in preparing the Annual Governance Statement for the Authority.

Members noted that based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the Head of Internal Audit had given an Adequate assurance opinion. This was reduced from last year's Substantial assurance opinion due to:

- A limited assurance opinion being given for the payroll review, which had impacted upon by the issues during the new UPM system implementation;
- Of the 9 completed pieces of work (89%) received a positive opinion;
- 100% of the recommendations made were either 'Significant' or 'Merits Attention'.

RESOLVED – That the report be noted.

13 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to report on the work completed and that in progress by the Internal Audit Team from 1 April 2015 to 31 May 2015, to report on the position with regard to the implementation of recommendations and to inform the Board about planned work and the performance of the Team.

Members noted the one outstanding recommendation in relation to IT Development, Software Acquisition and Software Maintenance.

RESOLVED – That the report be noted.

14 INTERNAL AUDIT EFFECTIVENESS REPORT 2014/2015

A report of the Head of Internal Audit was submitted to present the information and evidence in support of the statutory review on the effectiveness of the internal audit function.

Members were reminded that the Public Sector Internal Audit Standards (PSIAS) had come into effect on 1 April 2013. The PSIAS required the Head of Internal Audit (HoIA) to develop and maintain a quality assurance and improvement programme (QAIP) that covered all aspects of the internal audit activity. The QAIP had been monitored during 2014/15 and a further full self- assessment would be undertaken at the year end.

It was highlighted that the QAIP must include both internal and external assessments. There were two elements to the internal assessment process. Firstly, the ongoing monitoring arrangements of the performance of the internal audit activity. The second element of the internal assessment process was the requirement to undertake periodic assessments to evaluate conformance with the PSIAS by an independent person.

The Audit Committee was required to assess this evidence and form a view as to their satisfaction that the Internal Audit function is effective and where improvements have been identified, agree these and monitor them during the course of the year.

Feedback obtained from 'auditees' highlighted that there was a positive level of satisfaction with the work of the Internal Audit function.

RESOLVED – That the Board:

- i) Considered the information in support of the review of the effectiveness of the internal audit function and confirmed their satisfaction with the service; and
- ii) Agreed to receive a progress report in approximately 6-months' time to monitor progress against the Quality Assurance and Improvement Programme Action Plan.

15 EXTERNAL AUDIT ARRANGEMENTS

A report of the Treasurer was submitted to advise Members of the external audit arrangements going forward following the demise of the Audit Commission.

Members noted the closure of the Audit Commission on 31 March 2015, and that from 1 April 2015 other organisations became responsible for delivering several of the Commission's functions.

A Code of Audit Practice would be produced and maintained by the National Audit Office, and would provide supporting guidance to auditors from 1 April 2015.

RESOLVED – That the report be noted.

16 BUDGET MONITORING

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

Members noted that in November 2014 the Authority had approved a revised budget for 2014/15 of £5,435,800 to maintain current levels of service, with £34,100 utilised from reserves to give a net budget of £5,402,700. In January 2014 the Authority approved funding of £530,000 to purchase a new Pensions Administration system. Although, there are still some issues to be resolved all costs were due and had been included in the financial year 2014/15.

Members noted an underspend of £199,246 when compared to the revised budget, which equated to a 3.66% saving. Full details of variances would be presented at the Authority's July 2015 Corporate Planning and Governance Board meeting.

RESOLVED – That the report be received.

17 TREASURY MANAGEMENT UPDATE

A report of the Treasurer was submitted updating the Board on the treasury management operations of the Authority. This included updates on the state of the economy, the Bank of England's forecasts for UK growth; the Authority's banking

arrangements and the status of deposit recovery from the UK subsidiaries of Icelandic banks.

RESOLVED – That the report be noted.

18 FCA CONSULTATION ON MIFID PROPOSALS ON CLIENT CLASSIFICATION OF LOCAL AUTHORITIES

A report the Treasurer was presented to advise Members that the Financial Conduct Authority had issued a paper on its proposals for implementing the Markets in Financial Instruments Directive II in respect of treasury management activities of local authorities, taking effect on 3 January 2017.

Members noted that the Authority had submitted a response to the Financial Conduct Authority on its views regarding the proposed implementation issues, prior to formal consultation later in the year.

RESOLVED – That the report be noted.

19 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That, under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 1 of Schedule 12A of the Act, and the public interest not to disclose information outweighs the public interest in disclosing it.

20 RELEASE OF PRESERVED BENEFIT

A report of the Head of Pensions Administration was submitted to seek ratification from Members of an Officer decision in relation to a request from a former Compass Scolarest employee for the release of preserved benefits.

RESOLVED – That Members:

- i) Reviewed the circumstances surrounding the request for release of preserved benefits as set out in Appendix A to the report;
- ii) Approve the decision taken by Officers to allow the request; and
- iii) Delegates decision making responsibility for similar future cases, where there are no costs to the Authority, to the Head of Pensions Administration.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

23 JULY 2015

PRESENT: Councillor R Wraith (Chair)
S Ellis (Vice-Chair)
Councillors: E Butler, B Lodge, J Wood and K Wyatt

Officers: F Foster (Treasurer), A Frosdick (Monitoring Officer),
M McCarthy (Deputy Clerk), J Hattersley (Fund Director),
G Chapman (Head of Pensions Administration), B Clarkson
(Head of Finance), R Winter (Head of Internal Audit),
D Hanson (HR Business Partner) and A Shirt (Senior
Democratic Services Officer)

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

R Khangura (KPMG)

Observers: G Boyington, S Carnell, J Thompson and S Ross
(Members of the South Yorkshire Local Pension Board)

Apologies for absence were received from Councillor H Mirfin-
Boukouris, J Bell and L Wild

1 WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed Members of the South Yorkshire Local Pension Board to the meeting.

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 agenda item 23 ‘Value Added Tax’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 18 JUNE 2015

RESOLVED – That the minutes of the meeting of the Board held on 18 June 2015 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to 24 March 2016.

RESOLVED – That the contents of the Work Programme be noted.

8 ANNUAL REVIEW OF ILL HEALTH RETIREMENTS

A report of the Head of Pensions Administration was submitted informing the Board of the number and cost of ill-health retirements during the period 1 April 2014 to 31 March 2015.

Members noted that there had been 138 referrals in 2014/15 to the Fund's Medical Advisors, compared with 133 in the previous year. 61% of referrals had met the assessment criteria, which was up from 52% in the previous year. 88% of referrals had been recommended for ill-health retirements.

Across the employers for the period 1 April 2014 to 31 March 2015 there had been a total of 39 ill-health retirements at a cost of £5,507,967, compared to the period 1 April 2013 to 31 March 2014 of 38 ill-health retirements totalling £2,682,909.

Members were informed that the cost of ill-health retirement was managed through an addition to the employers' contribution. Large employers and transferee admission bodies have an individual allowance, whilst other smaller employers participate in a group 'insurance' initiative. There was one further ill-health retirement where the employer had used up all its actuarial allowance and required a cash injection into the fund amounting to £31,285.00.

RESOLVED – That the report be noted.

9 ANNUAL REVIEW OF APPEALS

A report of the Head of Pensions Administration was submitted which provided Members with an annual review of appeals dealt with through the dispute resolution procedure and customer service complaints.

Members noted that during 2014/15 over 75,000 items of casework had been processed by the Authority, ranging from complex benefit calculations to simple data amendments. From this casework the Authority received the following appeals and complaints:-

Appeal Type	2014/15	2013/14
Stage 1 Appeal	2	2
Stage 2 Appeal	2	0
Complaints	13	8
Pensions Ombudsman	1	0

In addition to appeals against decisions made by the Authority, the Fund Director had also been required to issue stage 2 determinations regarding decisions made by other employers within the fund on 14 occasions.

Members wished to thank SYPA staff for effectively resolving a significant number of informal complaints regarding issues arising from implementing the new Pensions Administration System and for resolving these issues first time, without them escalating to the formal appeals process.

RESOLVED –

- i) That the contents of the report be noted.
- ii) That staff be complimented on their handling of informal complaints, thus limiting the number of formal ones received.

10 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was presented to update the Board on employers' performance and any known levels of outstanding workload during the quarter 1 April 2015 to 30 June 2015.

The Head of Pensions Administration reported that, with effect from 1st July 2015, the Authority would have a new way of recording employers' performance, which would produce reliable results without the need for any manual recording of key dates, upon which the old system relied. As part of this new methodology, the Authority had now enforced the electronic provision of member data across all of its EPIC user employers.

Members noted that the district councils' overall performance for the period with regards to retirements was 93%. District councils' overall performance regarding deaths in service was 17%. It was acknowledged that the district councils continued to struggle to meet the tight timescales for the notification of deaths.

Other employers' overall performance with regards to retirements for the period was 93%. Deaths in service were 50%.

Councillor Wraith asked for reassurances that Barnsley MBC were still on track to meet its targeted implementation date of the end of September 2015 for the automation of its processes.

F Foster confirmed that work on Barnsley MBC's automation would be complete and implemented by the end of September 2015.

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

11 PENSIONS ADMINISTRATION UPDATE

A report of the Head of Pensions Administration was submitted to update Members on administration issues for the period 1 April 2015 to 30 June 2015.

Members noted that in terms of overall performance for the quarter, the Authority had achieved 53%. It was explained that the fall in performance had been due to the on-going implementation of the new UPM system and complications arising from LGPS 2014.

The total backlog of casework currently outstanding was 13,499 cases. 4,678 cases had commenced and were awaiting further information/decisions. A further 8,821 cases were awaiting commencement. Members noted that the target for clearing the backlog was 31st December 2015.

With regards to employers registered for EPIC, it was reported that the Authority had now placed an embargo on the submission of paper forms for any employer registered to use the EPIC system. From 1 July 2015 paper forms submitted would no longer be accepted by the Authority. 308 employers were registered to use EPIC, leaving just 15 employing organisations who were currently not registered covering just 25 active members.

Members noted that the Annual Fund Meeting had been arranged to take place at Doncaster Racecourse on 22nd October 2015.

During the period, nine employers had been admitted to the Fund and no employers had left the Fund.

In relation to staff development and training, Members were pleased to note that one member of staff had successfully passed their first exam in pursuit of the professional pensions' qualification supported by the Authority. Another member of staff had passed her final internal career grade scheme exam and had been promoted as a result.

Members asked that their congratulations be passed on to the two members of staff on their recent achievements.

Councillor Ellis commented that SYPA staff be congratulated for all their efforts during this period, given the difficulties experienced with the new Pensions Administration system.

RESOLVED –

- i) That the contents of the report be noted.
- ii) That the Head of Pensions Administration passes on the Board's congratulations to the two members' of staff on their recent examination achievements.
- iii) That SYPA staff be congratulated for all their efforts during the period.

12 CONSULTATION & COMMUNICATION POLICY

A report was submitted to obtain Members continuing approval of the Authority's current Consultation and Communication policy document and to enquire if there was any formal consultation Members would like the Authority to undertake on their behalf.

Members noted that the Policy now included live streaming of this year's Annual Fund Meeting as an additional means of communication with all Fund Members.

RESOLVED – That the amended Consultation and Communication Policy be approved.

13 THE LOCAL GOVERNMENT (AMENDMENT) REGULATIONS 2015

A report of the Head of Pensions Administration was presented to alert Members of changes to the Local Government Pension Scheme following the publication of the 2015 Amendment Regulations.

Members noted that the Local Government Pension Scheme (Amendment) Regulations were made on 17 March 2015 and had come into force on 11 April 2015.

The Regulations contained a combination of scheme changes and technical corrections; some regulations were backdated to 1 April 2014. A summary of the main changes were set out in the report.

RESOLVED – That Members noted the changes.

14 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

KPMG's annual report to those charged with Governance (ISA 260) 2014/15 was presented. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2015 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money (VfM) in its use of resources.

It was anticipated that an unqualified opinion would be issued on the financial statements by 31 July 2015.

R Khangura reported that the quality of accounts and supporting working papers provided to audit were satisfactory. Officers had dealt efficiently with audit queries and the audit process had been completed within the planned timescales. It was acknowledged that the Authority's organisational control environment was effective overall. KPMG had not identified any significant weaknesses in controls over key financial systems; however, they had made one recommendation for improvement in respect of introducing a control/check for the valuation of certain unquoted investments.

The VfM conclusion had indicated that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. KPMG anticipated issuing an unqualified VfM conclusion by 31 July 2015.

R Khangura thanked officers and Members for their continuing support and co-operation throughout the audit work.

RESOLVED – That the Board notes KPMG anticipate:-

- i) Issuing an unqualified audit opinion on the Authority's 2014/15 financial statements by 31 July 2015.

- ii) Issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report, by 31 July 2015.
- iii) Issuing an unqualified opinion on the VfM conclusion by 31 July 2015.

15 RISK MANAGEMENT

A report of the Clerk was submitted to review the Authority's Risk Register.

Members noted that no new risks had been added onto the Risk Register since the Board's last meeting.

Councillor Wyatt commented that the Authority's current Risk Register did not include any of the Pensions Service operational risks, for example, the new Pensions Administration System.

M McCarthy informed Members that officers were consulting with Internal Audit about revising the Risk Register's content and format. It was hoped that the review would be completed by March 2016.

RESOLVED – That Members:-

- i) Approved the Risk Register; and
- ii) Noted that a revised Risk Register format was being developed.

16 FINANCIAL CONDUCT AUTHORITY: CLIENT ASSETS REPORT

The Board considered the Clients Assets report prepared by the Authority's external auditor (KPMG) as required under Rule SUP 3.11.2 of the Financial Conduct Authority.

The report confirmed that the Authority did not hold client money or custody assets.

RESOLVED – That the report be noted.

17 STATEMENT OF ACCOUNTS 2014/15

A report of the Treasurer was submitted seeking the Board's approval of the audited Statement of Accounts for 2014/15.

The Treasurer thanked B Clarkson for producing the Statement of Accounts to a very high standard, given the difficulties with accessing financial information from the new Pensions Administration System.

RESOLVED - That the audited Statement of Accounts for 2014/15 be approved and that the Chair of the Board be authorised to sign them.

18 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2014-2015

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Fund Report 2014/15 for Members' consideration.

It was noted that CIPFA had issued guidance, suggesting that it was good practice that the Annual Fund Report be formally reviewed by those charged with governance of the Fund prior to publication.

RESOLVED – That Members approve the draft Annual Fund Report submitted today for publication.

19 LETTER OF REPRESENTATION

A report of the Treasurer was submitted seeking approval of the Treasurer's formal letters to the Auditor confirming:

- i) the accuracy of the information in the final accounts for 2014/15 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) the disclosure of information regarding the Authority's operations in relation to the Financial Conduct Authority (FCA) and that the Authority does not hold client money or custody assets.

It was noted that this was now part of the annual statutory audit.

RESOLVED –

- i) That Members note and approve both of the above-mentioned formal letters to the Auditor; and
- ii) That the first letter be signed by the Chair of this Board and the Treasurer.

20 EXTERNAL AUDIT ARRANGEMENTS: HOUSE OF COMMONS BRIEFING PAPER

A report of the Treasurer was presented advising Members of the external audit arrangements going forward following the demise of the Audit Commission. Members noted that the House of Commons had published a briefing guide on the subject, which was attached at Appendix A to the report for information.

RESOLVED – That Members note the report.

21 BUDGET MONITORING

A report of the Treasurer was submitted to advise Members of current expenditure levels against the approved budget up to 30 June 2015.

A summary of the major budget variances was discussed.

RESOLVED – That the report be received.

22 FINANCIAL REGULATIONS: INTERIM REVIEW

A report of the Treasurer was submitted requesting Members to consider and approve an amended version of the Authority's Financial Regulations.

Members noted that in addition to minor name changes, the Regulations had also been updated to include specific clauses governing the transfer of reserves.

RESOLVED – That Members approve the revisions to the Authority's Financial Regulations.

23 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That, under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Act, and the public interest not to disclose information outweighs the public interest in disclosing it.

24 VALUE ADDED TAX

A report of the Treasurer was presented advising Members that the latest VAT "health-check" had not revealed any causes for concern and that a potential tax recovery opportunity had been identified.

RESOLVED –

- i) That Members sought further information regarding the potential litigation costs that might be incurred should the claim be lost, but agreed in principle to proceed with the action as proposed, subject to receipt of a satisfactory answer to the above;
- ii) That the Chair and Vice-Chair of the Board be authorised to instruct officers to proceed if the outcome to the cost enquiry was satisfactory; and
- iii) That a further report be presented to the next meeting of the Board.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

25 JUNE 2015

PRESENT: Councillor S Ellis (Chair)
Councillors: R Wraith (Vice-Chair), K Rodgers, M Stowe and B Webster

Officers: J Hattersley (Fund Director), M McCarthy (Deputy Clerk), S Smith (Head of Investments SYPA), F Bourne (Administration Officer SYPA), M McCoolle (Senior Democratic Services Officer) and N Copley (Finance Service Director)

Trade Union Members: G Warwick (GMB) and R Askwith (Unison)

Investment Advisors: T Gardener and L Robb

Apologies for absence were received from: Councillor A Sangar, Councillor J Scott, N MacKinnon, F Tyas and F Foster

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

RESOLVED – That an urgent item be taken at Item 18a on the agenda entitled 'Index Linked Bond Exposure: Proposal to Vary Constituents'.

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 19 Illiquid Premium Allocation Update

Item 20 Illiquid Premium Allocation

Item 21 Standard Life Presentation

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING OF THE INVESTMENT BOARD HELD ON 12 MARCH 2015

RESOLVED – That the minutes of the meeting of the Investment Board held on 12 March 2015 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its' Work Programme to 10 March 2016.

RESOLVED – That the Work Programme be noted.

8 UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

The Fund Director updated Members on the following issues:-

- i) The Scheme Advisory Board had recently issued proposals to invite interested parties to assist in developing options in relation to the increased separation of LGPS funds from their administering authorities. One of the options involved a stronger role for the Section 151 officer; another was for the establishment of joint committees for more than one authority; or complete separation of the pension fund from the host authority. In the past, the CLG had looked at the Fund's constitution as a model going forwards, and this seemed to be one of the three options for discussion.
- ii) A number of enquiries had been made by Fund Members in relation to the vote on Sir Martin Sorrell's remuneration at WPP. These had been prompted by a lobbying group and were received after the Fund had already exercised its' vote in accordance with its voting guidelines. The Fund had responded to those Members to explain how it had voted and why. The Fund was aware of an initiative being led by three asset managers namely RPMI RailPen, Royal London and Standard Life, to approach Roberto Quarta, the new Chair of WPP, to suggest that succession planning should commence, in order to plan for the future. Members' views were sought as to whether this should be supported.

RESOLVED – That Members supported the suggestion that WPP should begin succession planning around the CEO and should participate in any appropriate shareholder action.

9 SOUTH YORKSHIRE PENSION FUND: KEY FACTS

The Board was presented with a Key Facts document, which was a snap shot educational tool, primarily for new Members.

L Robb suggested that the wording relating to the Asset and Liability Study should focus upon the need to increase returns in UK equities rather than the low volatility approach suggested by Mercers but which was rejected.

Councillor Rodgers commented that it was important to monitor the number of active members in the Fund.

RESOLVED – That the report be noted.

10 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.

A report had been submitted to the Authority Meeting on 11 June 2015, on the potential issues and questions that needed to be addressed ahead of the actuarial valuation in March 2016. These related inter alia to bond yields, inflation and pay growth assumptions, whether to include the impact upon certain specific employers or classes of employers of a significant increase in employer contribution rates, and the impact of yield movements on all Fund employers, together with the assessment of appropriate recovery periods.

The starting position had to be that the Fund's deficit position was unlikely to improve between now and 2016 or since 2013. It was pertinent for the Board to consider how to address the matters and whether any changes were required to the strategy to be put forward to the 2016 valuation process. It was noted that any increase in deficit could lead to an increase in notional contribution requirements. Despite investment returns having out performed expectations over the last 3 years, they had not done so to a significantly large extent to overcome the increase in liability costs, which was down to the historically low level of bond yields. The Fund Director suggested that the Board gave consideration to the increased volatility in bond yields over the last few months, and that it would be helpful if the Board offered guidance over where they thought bond yields might be later this year or in 2016.

A broad discussion ensued between Members and the Advisors. The latter expected to see an increase in inflation rates and bond yields, although it was difficult to predict when this would happen. T Gardener commented that it would be interesting if the Actuary did the valuation on an optimistic but realistic basis. TG wondered what the funding position would have been had the alternate assumptions been used rather than those finally chosen. He thought that the Fund should press the actuary to develop a series of potential solutions.

JNH commented that advisors and officers had put forward various scenarios to the actuary in the past and had tended to take a pragmatic view.

The Fund Director commented that it was important for the district councils' Section 151 Officers (Directors of Finance) to be aware of the pension implications of any decisions made in relation to outsourcing or changes to service delivery models.

Councillor Ellis was pleased that the report was presented in a timely fashion to allow discussions to commence. It was important for the Authority to ensure that discussions continued and gained momentum.

The Advisors suggested that a follow-up report be brought to the next Board Meeting and, in the meantime, undertook to convey their views, including consideration of Sections 4.5 and 4.6 of Appendix A to the report, to officers for inclusion in the report. Advisors also suggested that the employers had to consider the short term pressures they faced in the context of the longer term funding issues and that the Authority ought to determine how robust it would be in relation to individual contributing employers.

RESOLVED – That Members:-

- i) Gave consideration to the points raised within the report.
- ii) Agreed that an update report be presented to the next Board Meeting.
- iii) Agreed to give consideration to Sections 4.5 and 4.6 of Appendix A to the report, to provide feedback at the next Board Meeting.

11 LOCAL AUTHORITY PENSION FUND FORUM: JANUARY 2015 BUSINESS MEETING

A report of the Fund Director was submitted to inform Members that the minutes of the Forum's January 2015 business meeting had been issued.

The last business meeting of the Forum had been held on 24 March 2015 in London.

Members noted that the Forum had discussed a fringe meeting programme proposed for the 2015 party conference season, and whether it should seek to establish an All-Party Parliamentary Group on the LGPS post the election.

RESOLVED – That the report be noted.

12 SHAREHOLDER ENGAGEMENT: STATEMENT ON CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

A report of the Fund Director was submitted to reaffirm the current policy Statement on Shareholder Engagement and the Authority's responsibilities as a shareholder.

The Authority periodically reviewed its Shareholder Engagement Statement to ensure that it reflected current best practice.

It was noted that the Authority's voting guidelines had been reviewed against current best practice, and only minor amendments had been made. It would be appropriate to retain and revisit the present Statement on Shareholder Engagement, following the outcome of the FRC Stewardship Code review.

RESOLVED – That Members reaffirmed the current Statement on Shareholder Engagement.

13 PROPERTY PORTFOLIO: MANAGEMENT ISSUES UPDATE

A report of the Fund Director was submitted to update Members on matters relating to the asset management of the investment property portfolio.

Members were updated on the following:-

- Empty Property Rates - There had been an increase in the sum spent on empty property rates during 2014-15 due to a refurbishment project and the letting situations in Guildford and Warrington.
- Insurance Issues – The agricultural business, which had previously been awarded to a mutual insurer (who was not a party to the framework agreement), had now been awarded to a framework bidder at a premium of 20% higher than last time.
- Leases and Covenant Strength – It was noted that the Fund was currently exploring a potential development funding agreement and that voids continued to improve.
- Renewable Energy – The Government had made announcements in relation to tariff support for onshore wind farms. Only one project was being evaluated at the moment and this could be caught within those proposals.
- Legislation Update – The new Construction (Design and Management) Regulations had come into force on 6 April 2015, which would abolish the CDM co-ordinator function and replace it with a new role of ‘principal designer’.

RESOLVED – That the report be noted.

14 OVERSEAS EQUITIES

A report of the Fund Director was submitted to advise Members and Advisors on the overseas equity allocation and its distribution across markets.

The Fund Director gave background information as to how the present benchmark was selected. It had been recognised at the time that the US had the largest, most dynamic and entrepreneurial economy in the world, but the view of the Advisors had been to look further at emerging developing markets. This had resulted in a bias towards the Pacific and the greater Far East.

T Gardener suggested that work be carried out to evaluate whether the present benchmark was appropriate for the next 3 or 4 years.

RESOLVED – That the Board:-

- i) Noted the contents of the report.
- ii) Agreed that further consideration be given to the approach and that a report be presented to the next Board meeting.

15 ASSET & LIABILITY STUDY 2013: REAL ESTATE BENCHMARK

A report of the Fund Director was submitted to advise Members of discussions that had taken place concerning the future composition of the real estate element of the Fund’s customised benchmark. This followed the discussions held at the December 2014 Board.

RESOLVED – That the Board agreed:-

- i) To amend the real estate customised benchmark and adopt the IPD Balanced Monthly and Quarterly Fund Index as the overarching benchmark with effect from 1 July 2015.
- ii) For portfolio reporting and attribution purposes the Fund to use the IPD Balanced Monthly Index for commercial real estate and the IPD UK Rural Property Investment Index for agricultural properties.
- iii) The revised Standard Life Investment Management Agreement restrictions.

16 EMERGING MARKET EQUITY EXPOSURE

A report of the Fund Director was submitted to update Members on the present position regarding Fund exposure to emerging market equities.

Councillor Wraith commented the paper was highly technical and queried whether a simplified overview of strategies could be considered. The Fund Director said it would be difficult to simplify it as it is a difficult subject.

Tim Gardener pointed out that he and Leslie Robb came as Advisors while this was ongoing and they were not sure they would have gone this way but it was wrong to alter it when so much work had been done. Leslie Robb thought it was a good opportunity to revisit some of the discussions now as the portfolio has been in place for a while and there was some element of it being unsatisfactory at the time.

The Fund Director expressed concerns regarding the Latin American Large Cap Manager who was underperforming; there would be a significant cost implication to changing managers. He suggested that one of the options within the review would be the possibility of developing in-house expertise to undertake the work, using the existing broker contacts; it was noted that to put this out to a global equity manager would significantly increase fees, and the performance returns may not be commensurate with the fee.

LR suggested the whole issue of the EM equity allocation should be reviewed within 12 months but preferably within the context of reviewing the whole overseas equity exposure. TG agreed with this unless something occurred which would precipitate such a review.

Councillor Ellis suggested that an update report be presented to the next Board Meeting, to include a timeline for a global review; and that discussions be held with the Fund Director and Advisors in the interim.

RESOLVED – That Members:-

- i) Noted the contents of the report.
- ii) Agreed that an update report be presented to the next Board Meeting, to include a timeline for a global review.

17 ECONOMIC IMPLICATIONS OF THE UK GENERAL ELECTION

A report of the Fund Director introduced a paper published by a US Investment Bank on the implications for investors of the outcome of the UK General Election.

Members noted that the paper argued that the outcome of the UK general election on 7 May 2015 did not imply major changes to the British economic outlook and little change for the Bank of England's monetary policy. The planned referendum on the continued UK membership in the EU was the largest uncertainty, which the Prime Minister had promised to hold before the end of 2017. If voters chose to leave the EU, the UK could lose some of the economic benefits that EU membership conferred.

RESOLVED – That the report be noted.

18 QUARTERLY REPORT TO 31ST MARCH 2015

The Board reviewed the performance of the Fund during the quarter ended 31 March 2015.

The Fund ended the last quarter with an underweight position to bonds (in particular high yield bonds) and cash, an in-line position to equities and overweight position to alternative funds, private equity funds and property.

For the quarter, the Fund had returned 5.6% against the expected return of 5.5%, with the Fund valuation rising from £5874.2m to £6245.2m.

Fixed interest returns were Henderson in-line at 3.2% against the benchmark of 3.2%; Index-linked gilts 4.0% against a benchmark of 4.7%; higher yield 2.3% against an expected 3.2%; emerging market 4.0% against an expected 2.6%.

UK equities had returned 5.0% against the expected benchmark return of 4.7%. International equities had returned 8.1% against the benchmark of 8.2%. Property had returned 2.5% against the benchmark of 3.0% whilst private equity had returned 6.3% against the benchmark return of 0.6%. Illiquid premium had returned 1.4% against the benchmark of 0.6%.

SJS described the rationale behind the decisions taken during the quarter and the broad investment background highlighting the decision by the ECB to commence a version of QE, its consequences for currencies and the perceived slowdown in the Chinese economy.

SJS stated that looking forward a pro-risk stance was still favoured but that caution was justified. Bonds remained historically expensive and some equity valuations were full but so long as central bank liquidity supported markets this scenario could continue for some time.

RESOLVED – That Members noted the contents of the report.

18a Index Linked Bond Exposure: Proposal to Vary Constituents

A report of the Fund Director was submitted to seek Member and Advisor comments on a proposal to vary the composition of the Fund's index linked bond exposure.

The Fund Director referred to the relatively low bond yields. He commented that as Members were aware, officers had been short of duration in the portfolio and this had adversely affected performance. However, when the WM universe data had been received the Fund had come in at the eighth percentile. However, a switch into comparable US Treasury TIP issues out of UK Index Linked Gilts would enhance the yield. Any such exposure would be currency hedged. Officers acknowledged that the present portfolio formed part of the protection allocation and that is why it was only being put forward as a temporary measure.

Whilst T Gardener supported the proposal on a short term investment-driven basis he raised concerns over the consequences for liability matching. If the switch proved to be a wrong decision it would happen at the same time as the funding level decreased. There was the potential for the Fund to face a double risk. He could not support the idea because of this risk.

L Robb shared TG's concerns over the potential consequences for asset-matching should the switch prove to be wrong. The Fund already had a significant duration bet and this proposal might just add unnecessary risk.

Members took a vote on the proposal, and it was agreed not to proceed further.

RESOLVED – That Members agreed not to proceed with the proposal.

19 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.

20 STANDARD LIFE PRESENTATION

The Board received a presentation from Standard Life Investments on the commercial real estate portfolio.

The Board noted the following key points:-

- UK economic foundation was robust and projections were for this to continue; European economies were improving.
- UK real estate forecasts reflected modestly lower expectations and a normalisation of returns over the next few years.
- Europe was expected to catch up near term and outperform longer term.
- Rental growth momentum had taken over from yield shift as the main influence on prices.
- Robust single digit returns were anticipated from UK real estate over the next three years; slightly higher returns were expected on the continent.
- Returns were likely to remain attractive on a relative basis.

- Headwinds from European exposure were expected to be accretive to returns going forward.
- Long-term interest rate expectations had increased modestly.
- The Fund had outperformed the benchmark over 3 and 5 years.
- 1 year performance had been impacted by European exposure; Europe was forecast to outperform the UK over 3 and 5 years.
- Significant progress was being made on reducing Fund void rates with levels now below the market average and in accordance with the Fund IMA.

The Board noted that R Marshall would shortly be replaced as the Fund's client manager following an internal promotion. He would be replaced by James Britton.

Councillor Ellis thanked the representatives from Standard Life Investments for an assuring presentation, and she gave special thanks to R Marshall for his work provided to the Fund over the last 8 years.

RESOLVED – That the Board noted the presentation.

21 ILLIQUID PREMIUM ALLOCATION UPDATE

A report of the Fund Director was submitted to bring Members up to date with aspects of the portfolio's theme implementation. L Robb repeated his view that exploiting income in this way was appropriate.

RESOLVED – That the Board noted the report.

22 ILLIQUID PREMIUM ALLOCATION

A report of the Fund Director was submitted to seek Members' approval to investigate investing in a vehicle involved in the provision of affordable housing. The report also mentioned the possibility of investing in healthcare related properties. It was suggested that a blend of the two might enhance income returns. Whilst supporting in principle the concept of investing in affordable housing Members were much more cautious over healthcare provision citing reputational issues as being of concern.

RESOLVED – That the Board agreed that investing in affordable housing was an appropriate activity for the Fund and whilst not rejecting the idea of healthcare property investment expressed caution. Any further proposals relating to the latter should be referred to the Board by officers.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	11 June 2015	1 October 2015	3 December 2015	14 January 2016
Strategic Overview of Business	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting
	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins	Call-Ins	Call-Ins
Review of Strategies	Local Pension Board			
		Constitution & Terms of Reference Local Pension Board		
		Government “consultation” investment pooling		
		Pensions Regulator Policy Enforcement		
	Qtr 4 Performance Snapshot Report	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report	
		Actuarial valuation 2016	Budgets and Revised Estimates	Budgets and Revised Estimates
Business	Board Chairs’ Reports	Board Chairs’ Reports	Board Chairs’ Reports	Board Chairs’ Reports

	11 June 2015	1 October 2015	3 December 2015	14 January 2016
Business	Loyalty Awards	CP&GB Audit Committee Functions Annual Report	Annual Review of Risk Management Policy	Members Self-Assessment Report
	Members Self-Assessment Report	Governance Compliance Statement	LGPS Advisory Board Annual Report	
	Actuarial Valuation Update	Corporate Strategy Policy	Data Protection Act update	
	Customer Service Excellence Award	SYPF Annual Fund Meeting	SYPF Annual Fund Meeting	
	LGPS Current Issues	Myners Principles Compliance Statement	FoIA Annual Report Publication Scheme	
	Advisory Board levy	UPM Annual Review		
	Webcasting	Annual Benefit Statements		
		Appointment of Fund Director		
		Senior Manager Pay Review		
Training & Development	Member Development Annual Update			PIRC presentation

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 October 2015

Report of the Deputy Clerk

CONSTITUTION AND TERMS OF REFERENCE OF THE SOUTH YORKSHIRE LOCAL PENSION BOARD

1. Purpose of the Report

To consider amendments to the Constitution and Terms of Reference of the South Yorkshire Local Pension Board.

2. Recommendations

Members are recommended agree to the suggested amendments.

3. Background

3.1 At its first meeting on 23 July 2015 the South Yorkshire Local Pension Board considered its Constitution and Terms of Reference as approved by the Authority on 19 March 2015.

3.2 Section 5 of the Constitution details the make-up and length of appointment of Scheme member and employer representatives of the Local Pension Board.

3.3 It is usual practice for a member to serve a maximum of two terms of office and it is suggested that the Constitution should be amended to make this clear, with the addition of:

5.1.4 A member may serve a maximum of two terms of office.

3.4 Section 10 of the Constitution deals with the meetings and procedures of the Board. Section 10.1 states "the Board shall hold meetings at least twice a year. Additional meetings may be called at any time by the Chair". In order to ensure the Board can fulfil its aims and objectives satisfactorily, it is suggested that this is amended to:

10.1 The Board shall hold meetings quarterly. Additional meetings may be called at any time by the Chair.

4. Implications

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

M McCarthy
Deputy Clerk

Officer Responsible:

Gill Richards, Democratic Services Officer
South Yorkshire Joint Authorities Governance Unit
01226 772806; grichards@syjs.gov.uk

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 October 2015

Report of the Clerk

LOCAL PENSION BOARD BUDGET 2015/16

1) Purpose of the Report

To consider and agree a budget for the recently established Local Pension Board for the period 2015/16.

2) Recommendations

Members are recommended to:

- a) agree a budget of £15,000 for the period 2015/16.
 - b) note these costs will be met on a pro-rata basis by the local Government pension fund in South Yorkshire and the South Yorkshire Passenger Transport Pension Fund.
 - c) note expenditure will be reported as part of the Authority's budget monitoring arrangements.
-

3) Background Information

3.1 Guidance issued in respect of the establishment of local pension boards makes provision for them to have access to a budget for specified purposes. This might include, but is by no means exhaustive:

- Seeking professional advice;
- Member training;
- Production of an Annual Report;
- Expenses in relation to travel, accommodation and subsistence in connection with membership.

3.2 Any costs incurred by the Board shall be regarded as part of the costs of administration of the Fund.

3.3 As expressly stated in the Board's Constitution and Terms of reference:

"....the Board shall not enter into contracts of behalf of the Authority..... incur a cost to the Pension Fund....."

4) Budget Proposal

4.1 Given that Local Pension Boards are new entities and will understandably evolve dependent on their required programme of work, establishing a budget will to a degree be somewhat subjective at the outset.

4.2 It is important that adequate provision is made based on for example the number of meetings the Board proposes to hold, the degree of training Members require to enable them to properly fulfil their role and the extent to which they may choose to seek professional support in meeting its statutory obligations.

4.2 The proposed budget below is based on the current financial year, 2015/16, acknowledging the Panel met for the first time some way into the year. A full year revised budget for 2016/17 will take account of expenditure in this first year of operation and acknowledge the factors previously identified in the report.

4.3 As reported, the Authority has been successful in obtaining approval from DCLG to establishing a Joint Local Pension Board comprising representation from the local government pension fund in South Yorkshire and the South Yorkshire Passenger Transport Pension Fund.

4.4 As such the proportion of costs associated with the administration and running of the Local Pension Board will be met on a pro-rata basis by each of these funds.

Budget	Projected Full Year Costs £
Travel, Accommodation and Subsistence	3,500
Training	8,000
Professional Advice	3,500
TOTAL	15,000

4.3 The Board will as part of its remit discuss its budget with the Authority and the Chair of the Local Pension Board will be invited to discuss matters relating to expenditure with the Authority where necessary.

4.4 Local Pension Expenditure will be reported as part of the Authority's overall budget monitoring process.

4) Implications and risks

- Financial – Identified in the report at paragraph 4.

- Legal – There is as statutory requirement to establish Local Pension Boards and make adequate financial provision for their operation

Officer Responsible: Martin McCarthy

Post: Deputy Clerk, South Yorkshire Pensions Authority

01226 772808

MMcCarthy@syjs.gov.uk

Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority, 18 Regent Street, Barnsley.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Fund Director

GOVERNMENT CONSULTATION ON LGPS

1) Purpose of the report

To advise Members that the Government intends to consult over the pooling of investments to reduce costs.

2) Recommendation

That Members note the report and the response so far proposed by the Investment Board.

3) Background information

3.1 This paper is a copy of one presented to the Investment Board last month. Officers will verbally update Members on progress since then.

3.2 In the Summer Budget documents there was a brief paragraph relating to LGPS reform. It is reproduced below:-

2.19 Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.

3.3 A later message was sent by the Department for Communities and Local Government:-

“As you may be aware, the Chancellor announced at the Budget that local government pension scheme administering authorities will be invited to bring forward proposals to invest collectively and deliver savings.

This announcement represents the next phase in the work to deliver savings from local government pension scheme investments, building on the consultation Opportunities for collaboration, cost saving and efficiencies, published last May.

As the Hymans Robertson report which accompanied that consultation demonstrated, the cost of investment in the scheme is considerably higher than currently reported. With costs estimated to be at least £790 million in

2012-13, there is a clear rationale for exploring the opportunities to deliver savings in this area.

Hymans established that savings and efficiencies of up to £660 million could be achieved by pooling investment into collective investment vehicles to access economies of scale, and by making greater use of passive management for listed assets. Creating larger pools of liquidity could also improve the capacity of the scheme to invest in larger and more innovative projects across the UK and create a platform for better stewardship of the market.

The Chancellor has therefore announced that the Government will work with local government pension scheme administering authorities to significantly reduce investment costs by pooling investments, while maintaining overall investment performance.

Later this year, the Government will invite administering authorities to bring forward your proposals to deliver against that objective. This invitation will be accompanied by criteria that will be used to assess the proposals brought forward, including the scale and size of pooled investments and the role of passive management in an investment strategy.

We know that a number of authorities have already made progress in this area and we intend to build on that work. However the proposals will be most effective when adopted by all 89 funds, so we will also publish a consultation with draft legislation that will require authorities to participate in a collective investment vehicle, should they not come forward with sufficiently ambitious proposals.

The Government is keen to see authorities take the lead in delivering savings. We will publish more detail on the criteria for your proposals, and the consultation on draft legislation, later in the year. However, we will be talking to a wide range of stakeholders over the summer to develop these criteria and expect to commission work from external experts to support this.

In the meantime, should you have any queries about the Budget announcement, please contact either myself or Victoria Edwards using the information provided below.

Chris Megainey

Deputy Director, Workforce, Pay and Pensions, Department for Communities and Local Government"

- 3.4 Further information is awaited.
- 3.5 It appears that Government will expect very high levels of participation in pooled arrangements but there has been very little guidance so far regarding details of size and scope of pools. It is not clear either whether the starting position will be for funds to be presumed to enter into arrangements and then seek exceptions or if funds will start outside of the default and then fall in. It is not clear just how forceful Government will be in achieving these aims.
- 3.6 It seems that asset allocation decisions will remain with administering authorities.

- 3.7 The Fund did, of course, respond to the consultation last year. As part of its input it was demonstrated that this Fund would be adversely affected by switching its assets into pooled vehicles or passive instruments. That position has not changed.
- 3.8 Various seminars and discussions have taken place amongst funds as to the way forward. Whatever the outcome it seems unlikely that keeping the status quo is an option.
- 3.9 The Government announcement hides many complex issues and it is not clear whether Government understands the implications arising out of the questions asked. However, at this stage there is little of substance that can be raised. Further information regarding Government intentions needs to be received but the importance to the future of the LGPS is such that a full response needs to be made.
- 3.10 At its September meeting the Investment Board acknowledged the seriousness of the position given its potential effect upon the Authority and Fund. It was agreed to organise a workshop to discuss the options open to the Authority and this is being done. It was also agreed to investigate participation in a working group believed to be being pulled together by an investment consultancy and, if appropriate, make a financial contribution to the work.

4) Implications

4.1 Financial

There are no specific costs linked to this report other than the cost of participating in the working group. However, there could be significant implications for the Authority depending upon the outcome of the consultation.

4.2 Legal

There are no immediate legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

This Board is the formal decision-making body for investment issues relating to the Fund. It has the responsibility to ensure that the Fund maintains an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities. The employment of independent advisors to assist the Board strengthens the governance of decision-making.

J N 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 Authority in Barnsley

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Clerk

COMPLIANCE AND ENFORCEMENT BY THE PENSIONS REGULATOR IN THE LGPS

1) Purpose of the Report

To draw to Members' attention the publication by the Pensions Regulator of an enforcement policy document affecting the LGPS.

2) Recommendation

Members note the report.

3) Background Information

3.1 As Members are aware the Public Service Pensions Act 2013 introduced the framework for the governance and administration of public service pension schemes. The Pensions Regulator (TPR) is now the LGPS regulatory body.

3.2 The TPR has already issued a Code of Practice on the governance and administration of public service schemes. It has recently issued a document outlining its enforcement policy and a copy is attached.

3.3 The policy clarifies that the Code is not just a "nice to have" but a "must comply". In essence it underlines that the LGPS now has a full-time statutory scrutiniser with real powers.

3.4 Section 2.3 of the Policy explains that the TPR wants assurance that funds are compliant with the Code in the following key areas:-

- Knowledge and understanding
- Conflicts of interest
- Record-keeping
- Internal controls
- Member communication
- Internal disputes

3.5 The TPR asserts that their approach will be proportionate and evidence-based. In order to do this it will monitor returns, research, reports received and plan surveys etc.

3.6 The TPR emphasises it will be pragmatic so that use of the word 'enforcement' might be unnecessarily daunting. But the policy does repeat the powers that it has over LGPS funds including the right to visit premises and impose civil penalties.

Notwithstanding this the thrust of the policy is to encourage and enable so as to achieve better outcomes rather than pursuing funds, boards or individuals.

4) Implications and risks

4.1 Financial

There are no immediate financial implications arising from this report.

4.2 Legal

There are not thought to be any specific legal implications arising out of this report.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are a number of possible risks for the Authority and the Fund but falling foul of the Regulator is a major one.

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.

D Terris
Clerk

Officer responsible:-
John Hattersley, Fund Director.

Telephone contact 01226 772873

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: Hymans Robertson

Compliance and enforcement policy for public service pension schemes

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1. Introduction

The Pensions Regulator (the regulator) was established under the Pensions Act 2004 (the 2004 Act) as a non-departmental public body, sponsored by the Secretary of State for Work and Pensions, to regulate work-based pensions.

The Public Service Pensions Act 2013, together with the Public Service Pensions Act (Northern Ireland) 2014, introduces an expanded role for the regulator in overseeing the major work-based pension schemes for those working in the public services throughout the UK. Our expanded role includes regulating public service schemes in relation to the new governance and administration requirements introduced by those Acts¹.

This policy sets out our approach to compliance and enforcement in relation to public service pension schemes, which are those principally covering civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers and members of police and armed forces. It describes our expectations for compliance with relevant legal requirements and how we will proceed in cases of non-compliance, including when we may use our enforcement powers.

This document sits under our approach to regulating work-based pensions and our public service regulatory strategy. We refer throughout to provisions of English law. References to provisions of English legislation which do not apply to Northern Ireland or Scotland should be read as references to the provisions of any corresponding Northern Ireland and Scottish legislation.

1
The Public Service Pensions Act 2013 (in NI, the Public Service Pensions Act (Northern Ireland) 2014) introduces new requirements about the governance and administration of public service pension schemes and extends our regulatory responsibility, including by making amendments to the 2004 Act (in NI, the Pensions (Northern Ireland) Order 2005).

1.1 Approach to regulation of public service schemes

Our public service regulatory strategy sets out how we approach the regulation of public service schemes in light of our statutory objectives. We aim to ensure that all schemes meet the new governance and administration requirements as soon as possible.

Our primary focus will be on educating and enabling schemes to improve standards of governance and administration and comply with legal requirements. We will also be developing our own systems and processes to enable us to better monitor standards, assess where schemes are falling short and best direct our resources to enable them to improve standards and become compliant. We will share this information with the public service schemes to enable them to understand how they are performing alongside their peers.

Public service pension schemes have a total membership of around 13 million and there are approximately 25,000 participating employers spanning the public, private and third sectors. These reforms are significant and those involved with public service schemes face complex and challenging conditions. There are new governance and administration requirements and therefore there may be some scheme managers and pension board members who will fail to comply with the duties because they have not fully understood them. In these cases, we will focus on working with schemes in the early stages of the new regulatory regime to help them become compliant.

We expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members, recognising that governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries throughout their membership, including the payment of the correct benefits to the right people at the right time.

However, we are aware that there may be situations where some schemes do not fulfil their responsibilities. We regard failures to address poor standards and non-compliance with the law as unacceptable. Should a scheme manager or pension board member (or other person responsible for complying with legal requirements) fail to comply with their legal requirements under pensions legislation, we may select from one or more of our enforcement options. These range from statutory compliance notices and monetary penalties, to criminal prosecution.

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1.1 Approach to regulation of public service schemes continued...

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Most of our activities will be focused on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements. We will focus on:

- ▶ promoting the public service code of practice and educational tools for public service schemes
- ▶ surveying schemes to understand the extent to which they are meeting the standards and practices we expect
- ▶ engaging with schemes to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas, and
- ▶ undertaking thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues and report back to our regulated community about best practice and risks.

Where scheme managers or pension board members fail to address poor standards resulting in non-compliance with the law, we may consider escalating our activities and taking enforcement action.

In considering whether to use our regulatory powers, including any enforcement action, we will take into account all of the circumstances and will act fairly and proportionately.

We will keep this policy under review and update it as required.

1.2 Who does this policy relate to?

This policy relates to public service pension schemes established under the Public Service Pensions Act 2013 and Public Service Pensions Act (Northern Ireland) 2014, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It is not relevant to schemes in the wider public sector which are not public service pension schemes within the meaning of section 318 of the Pensions Act 2004 or Article 2 of the Pensions (Northern Ireland) Order 2005.

This policy is relevant to anyone who has legal requirements or responsibilities relating to the management or administration of a public service pension scheme, or where those responsibilities have been delegated or outsourced – for example scheme managers, pension boards and administrators. It is also relevant to anyone else who could be subject to any of our statutory powers of investigation and enforcement, such as employers and professional advisers.

2. Risk framework

2.1 Our approach to risk in relation to public service pension schemes

In this section, we explain how we will take a risk-based and proportionate approach. A key aspect underpinning our approach is how we will identify and respond to risks and prioritise our activities. In setting our strategic approach to regulating public service schemes, we are primarily guided by two of our five statutory objectives:

- ▶ To protect the benefits of members of occupational pension schemes, and
- ▶ To promote, and to improve understanding of, the good administration of work-based pension schemes.

All public service schemes must be governed and administered in accordance with the requirements of the law. Across all public service schemes, governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries, including the payment of benefits.

Code of practice 14² provides practical guidance for schemes to support them in improving standards of governance and administration and complying with the legal requirements. In considering where to focus our resources on improving standards we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant.

We will ensure that any action we take is proportionate and evidence-based. While our key risk areas will be consistent across all public service schemes, what we consider to be tolerable at a particular point in time may vary. We will develop internal risk assessment processes, which will support our operational activity and ensure we are targeted and proportionate. We will ensure our approach to managing risk is proportionate and consistent by obtaining and analysing information from a variety of sources in order to maintain an informed strategic view across public service schemes. This will enable us to:

- ▶ swiftly detect patterns and causes of potential non-compliant behaviour, and
- ▶ establish and maintain effective risk assessment processes to direct and inform our activities.

² The Pensions Regulator is required to issue a code of practice relating to the following specific matters: i) Knowledge and understanding required by pension board members, ii) Conflicts of interest and representation, iii) Information to be published about schemes, iv) Internal controls, v) Scheme record-keeping, vi) Maintaining contributions, vii) Information to be provided to members, viii) Internal dispute resolution and ix) Reporting breaches of the law (section 90A of the 2004 Act).

2.2 Monitoring and reviewing our compliance activities

Gathering information

In order to maintain an informed strategic view, we will identify, obtain and analyse information from a variety of sources, which may include:

- ▶ scheme returns
- ▶ enquiries and reports we receive
- ▶ media analysis
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ internal and external research, and
- ▶ exchange of information with key parties.

We are required to maintain a register of scheme information which forms the bedrock of information about schemes. We will assist managers for new public service schemes which have arisen out of the new legislation, to meet the legal requirement to register with us and we plan to introduce a bespoke version of the statutory scheme return for all public service schemes. This will request 'registrable information'³ (including information about the scheme, managers of the scheme and employers linked to the scheme) as well as other information which we may reasonably require to exercise our functions.

We plan to engage with schemes in the early stages of the new regulatory regime. While these interactions are primarily intended to enable schemes to raise standards of governance and administration and comply with the legal requirements, we will also gather information. This will be used to inform the risk-based prioritisation of our regulatory activities.

We will conduct an annual governance and administration survey with schemes to understand the extent to which they are meeting the standards and practices we expect. The first survey, which we plan to conduct in 2015, will comprise of a short online questionnaire. This will serve as an enablement tool for schemes and will help inform our risk assessment processes.

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³ 'Registrable information' is certain information relating to a scheme specified in section 60 of the 2004 Act. Managers must provide this information when registering a scheme and keep it up to date. The regulator must ask for this information in scheme return notices and record it in the register of pension schemes.

2.2 Monitoring and reviewing our compliance activities continued...

Generally, we do not expect to specify how schemes should evidence any improvement activities, although we may seek or require information in a certain format on a case-by-case basis. Wherever possible, we will seek to make use of information that has already been gathered or reported by a scheme, to avoid duplication and unnecessary burdens. We will be proportionate in our activities, focusing on key areas that will help managers and others involved with public service schemes to improve governance and administration standards and comply with the law, and we will consistently work to minimise burdens on schemes.

Reporting breaches of the law

People involved in running or advising public service schemes are required by statute to report 'materially significant' breaches of the law to us under section 70 of the Pensions Act 2004. Those people include scheme managers, members of pension boards, anyone else involved in the administration of a scheme, employers, professional advisers and anyone who is otherwise involved in advising the scheme manager in relation to the scheme. Our public service code of practice provides guidance on how to assess 'material significance'.

We expect whistleblowers to follow our guidance on reporting breaches, which requires two key judgements:

1. Does the reporter have reasonable cause to believe there has been a breach of the law?
2. If so, does the reporter believe the breach is likely to be of material significance to The Pensions Regulator?

Receiving a report of a breach will not necessarily result in enforcement action. It may inform our education and enablement activities or the focus of a thematic review. In line with our risk framework, we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant. We will assess reports against a range of risk factors to determine the best course of action.

continued over...

2. Risk framework

2.2 Monitoring and reviewing our compliance activities continued...

Whistleblowing is an important component in our public service monitoring activity. We understand that when an individual provides information to us it may have a potential impact on the relationship between them and those to whom they report, particularly in the case of a scheme manager and member of a pension board. Individuals can always opt to report anonymously to us. However, having an individual's contact details is useful in case we need to ask for more information so we can investigate the concerns raised.

The Employment Rights Act 1996 provides certain protection for employees and workers making a whistleblowing disclosure to us. We will seek to protect a reporter's identity (if requested) and will not explicitly disclose the information except where lawfully required to do so. We will take all reasonable steps to maintain confidentiality, but we cannot give any categorical assurances as the circumstances may mean that the identity of a reporter becomes apparent during the course of an investigation, or we may be ordered by a court to disclose it. We will ensure that individuals who provide information have a specific point of contact and any witnesses are supported throughout our process.

2.3 Risk-based prioritisation

When undertaking risk assessment, we will focus on risks in the following critical areas:

- ▶ **Knowledge and understanding⁴**
Members of pension boards must comply with the requirement to have the appropriate knowledge and understanding, to be able to assist their scheme manager effectively. Failure to do so is a breach of law.
- ▶ **Conflicts of interest⁵**
Scheme managers must ensure that pension board members do not have any conflicts of interest. A failure to do so is a breach of the law and could, for example, result in the advice and/or decisions of the pension board being open to challenge and, ultimately, the ineffective governance of the scheme.
- ▶ **Records⁶**
Legislation specifies the records that must be kept and failure to comply is a breach of the law. The completeness and accuracy of these records will be key to the effective and efficient operation of schemes, including ensuring that the right benefits are paid to the right person at the right time. This will be supported by operating appropriate internal controls.
- ▶ **Internal controls⁷**
Scheme managers must establish and operate internal controls. Failure to comply with this requirement is a breach of the law and it may also result in schemes not being run in accordance with the law and/or risks not being identified, mitigated and managed properly.
- ▶ **Member communication⁸**
The quality of the information provided to members in terms of accuracy, timeliness and clarity is an important factor in achieving good member outcomes. Failure to comply with disclosure requirements is a breach of the law and may indicate incomplete or inaccurate record-keeping and/or inadequate internal controls.
- ▶ **Dealing with internal disputes⁹**
Where we become aware of matters that are raised under internal dispute resolution procedures, this can be an indicator of wider systemic issues which may impact the effective governance and administration of schemes.

continued over...

4

As required under section 248A of the 2004 Act.

5

Scheme regulations must require scheme managers to be satisfied that pension board members do not have a conflict of interest (section 5(4) of the Public Service Pensions Act 2013).

6

Section 16 of the Public Service Pensions Act 2013 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (in particular).

7

Section 249B of the 2004 Act.

8

Section 14 of the Public Service Pensions Act 2013, section 113 of the Pension Schemes Act 1993 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (in particular).

9

Dispute resolution procedures must be made and implemented in accordance with section 50 of the Pensions Act 1995.

2. Risk framework

2.2 Risk-based prioritisation continued...

In prioritising risk-based regulatory activities, we will consider factors such as schemes' ability and willingness to put matters right and the likely impact of the various types of intervention available to us.

We will adopt a 'test and learn' approach to investigations and regulatory action in relation to public service pension schemes. We plan to use a governance and administration survey, conducted in 2015, to baseline standards and monitor improvement in the following years. We will also learn through our early scheme engagements and feed that learning into the development of our risk-based approach.

3. Our activities to support compliance and enforcement

3.1 Education and enablement

In addition to Code of practice 14 providing practical guidance for schemes to support them to improve standards of governance and administration and comply with the legal requirements on how to comply with regulations, we will produce specific guidance for schemes through educational tools.

These will include e-learning modules aligned to the themes covered in code of practice 14, such as conflicts of interest, managing risk, internal controls and maintaining accurate member data.

We expect scheme managers and pension boards to make use of educational tools and products, whether they are products the regulator has provided, or others. This will help schemes address gaps in knowledge and understanding and assist in compliance. We will consider requests for us to attend training sessions for board members, although we will not lead these sessions.

The practical guidance in Code of practice 14 and the educational tools we have developed may also be used by employers and others to understand the legal requirements of the Public Service Pensions Acts and how their role may be relevant in helping scheme managers comply with them.

We will engage with scheme managers and pension boards to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas.

We will encourage and facilitate those involved with different public service schemes to learn from each other via peer support, challenge networks and action learning sets. We will share best practice that we see as part of these engagements, working with scheme advisory boards, as appropriate, where they have a remit to promote best practice.

We plan to annually survey schemes to assess the extent to which they are meeting the standards and practices that we expect. We intend to publish the results of our surveys and encourage schemes to use the findings to review and refresh systems and controls, monitor risks and prioritise actions.

3.2 Thematic reviews

We will undertake thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues. The main purpose of these reviews will be to report back to our regulated community about best practice and risks. They will also improve our understanding of public service schemes and key risk areas, which will inform our activities and enable us to provide targeted and proportionate support.

Thematic reviews across all or part of the public service scheme landscape will be a particularly useful way for us to engage and communicate efficiently with the numerous scheme managers and pension boards of the locally administered schemes. Where appropriate, they will also enable us to engage and communicate with those to whom legal requirements or responsibilities relating to the management or administration of a public service pension scheme apply, or have been delegated or outsourced – for example, employers, administrators and professional advisers.

Selecting a theme for review

We will select the theme for each review based on key risk areas and issues that are identified through different channels, including:

- ▶ educating and enabling activities
- ▶ enquiries and reports we receive
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ information from key parties, which may include scheme advisory boards
- ▶ media analysis.

We may select a theme based on a particular risk area such as record-keeping or internal controls, in order to understand practices in a particular area and help us develop our ongoing regulatory work.

Alternatively, we may choose to focus a review on a particular segment of public service schemes – for example, funded or unfunded, locally or centrally administered schemes – or groups involved in the management or administration of schemes such as scheme managers, pension boards, employers or administrators.

Participation in the review

Where we commence a review, we will expect scheme managers, pension boards and any other parties involved in the management or administration of public service schemes to respond to all requests for information or provide an explanation as to why they can't or won't supply the information. We expect to be able to gather the information on a voluntary basis, but if needed, we may also consider using our formal information-gathering powers under section 72 of the 2004 Act.

3.3 Enforcement

We may become aware of breaches of the law, or significant risks of breaches and a failure to address them, by any of the ways in which we gather information, as well as enquiries or reports we receive.

Actual or potential breaches may be identified via engagement with schemes, thematic reviews or reports. Where an actual or potential breach is identified, we will assess the risk and decide how to proceed.

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Generally, we expect to educate and enable scheme managers and pension board members, so they comply with legal requirements. However, where scheme managers or pension boards fail to address poor standards and non-compliance with the law within a reasonable time period, we will consider escalating our activities, undertaking further investigations and taking regulatory action where there has been a breach of pensions legislation. In certain circumstances we may consider it appropriate to go straight to enforcement action. Further information about how we undertake investigations, our powers and our decision-making process can be found in the Appendix on page 16.

A number of our powers extend to third parties such as employers, for example the power to provide information, education and assistance, or to issue third party notices when we believe a breach by a person is, wholly or partly, a result of a failure of another person.

Appendix

Our regulatory powers and decision-making process

Undertaking investigations

Where we investigate, we may need to make some further enquiries to gather evidence, including for those schemes where we have already made information requests as part of a thematic review. This could include assessing the individual circumstances, the context of any breach of the law, any factors which may affect a decision to take enforcement action and the form that enforcement action might take.

We may seek information, documentation or an explanation from scheme managers and/or pension boards or any other relevant person. A reasonable period of time will be allowed for a response to be provided, taking into account the complexity and amount of information requested and the breach to which it relates.

Before making decisions, we may ask scheme managers and/or pension boards to provide us with information or other evidence of compliance with legal requirements. This may include (but is not limited to) copies of:

- ▶ pension board meeting minutes
- ▶ pension board training plans or logs
- ▶ registers of interest
- ▶ risk registers
- ▶ third party contracts and service level agreements
- ▶ scheme-approved policies and procedures
- ▶ stewardship reports
- ▶ statements of assurance
- ▶ audit reports
- ▶ annual reports and accounts.

continued over...

Appendix continued...

Undertaking investigations continued...

We may also contact other persons or third parties if we believe they may be in possession of relevant information or documents. These parties may include:

- ▶ third parties giving advice or providing business services to scheme managers and/or pension boards, and
- ▶ participating employers.

We may gather information through written requests, telephone calls or face-to-face meetings.

All information and evidence gathered during an investigation which amounts to personal data will be held securely and disposed of in accordance with the Data Protection Act 1998. We will disclose information only where we can lawfully do so and in line with the 2004 Act¹⁰ and the Data Protection Act 1998, which govern the disclosure of information we receive in the exercise of our statutory functions.

Any investigation activity will only be undertaken when it is proportionate and reasonable to do so. We will record our decision-making and the justification for our actions and we will assess the risk of each case to ensure the appropriate course of action is taken. Investigations will be conducted in line with our legal obligations including compliance with the Human Rights Act 1998 and the Equality Act 2010.

continued over...

10
Sections 82 to 87
of the 2004 Act.

Statutory information-gathering powers

While we expect to be able to gather information on a voluntary basis, where a person fails to respond to information requests without explanation, or we otherwise consider it necessary, we may consider using our formal information-gathering powers.

Under section 72 of the 2004 Act, we can require any person to provide information, or produce any documents in the manner, place and period as specified in the notice.

If we consider it necessary and to be a reasonable and proportionate way of obtaining the relevant information we need during an investigation, we can enter premises at any reasonable time (potentially including those of an employer or other third party) and conduct an inspection for the purpose of investigating whether scheme managers and pension boards have not complied, or are not complying, with certain legislative provisions, as set out under section 73(2) of the 2004 Act.

We may conduct an inspection where we have reason to believe the information could not be obtained under a section 72 request as the information or documents may be destroyed or altered. In these circumstances, we may decide to inspect premises without prior notice and arrive at premises unannounced.

Where a person does not have access to the documents or the information requested in the section 72 notices or they require a longer period in which to locate or gather together the requested information, they should tell us, otherwise sanctions may be imposed for non-compliance with the notice¹¹. We will not refuse reasonable requests for an extension of time without good reason.

Where there is a failure to comply with a section 72 notice without reasonable excuse, we may consider criminal prosecution under section 77, or if false or misleading information is provided, under section 80 of the 2004 Act.

We may also consider the use of a 'Skilled Persons' report under section 71 of the 2004 Act. Provided the appropriate conditions are met, we may also use our powers to apply for a warrant under section 78 of the 2004 Act.

11
Section 77 of
the 2004 Act.

Deciding whether to take enforcement action

Once we have completed our investigations, we will determine what, if any, action should be taken in relation to a particular breach of the law, including enforcement action where there has been a breach of pensions legislation. Where enforcement action is undertaken, we will follow our case team and Determinations Panel procedures¹² which describe how determinations on cases are made and how they can be appealed.

In deciding our approach and whether to take enforcement action in relation to a breach of pensions legislation, we will take into account factors such as the immediacy and materiality of the risk or issue, or the reaction of the parties involved. We will focus on the outcome that the action would provide.

The factors we will consider when deciding whether or not to take enforcement action will vary on a case-by-case basis. However, a key factor will be the extent to which scheme managers, assisted by pension boards as appropriate, have taken steps to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

continued over...

12
Available at: www.tpr.gov.uk/procedures

Deciding whether to take enforcement action continued...

Some general examples of other factors are provided below. These examples are not exhaustive, nor are they prescriptive or weighted in any way:

- ▶ The number of members affected.
- ▶ The extent to which there is a systemic problem.
- ▶ The financial impact on individual and/or groups of members.
- ▶ The severity and duration of the breach.
- ▶ Whether the breach could have easily been prevented.
- ▶ The degree to which practices relating to the breach in question are inconsistent with Code of practice 14.
- ▶ Whether the scheme manager or pension board has deliberately sought to conceal their non-compliant behaviour by giving false or misleading information to members and/or us.
- ▶ Whether members of pension boards are able to demonstrate that they have adequate knowledge and understanding and have training plans in place.
- ▶ Reaction of the scheme manager and pension board once the non-compliance has been brought to their attention. For example:
 - the speed and co-operation shown to resolve any issues brought to their attention
 - whether they accept responsibility for the non-compliance or demonstrate negative/non-compliant entrenched behaviours, and
 - willingness to engage and co-operate with us.
- ▶ The track record of the scheme manager and/or pension board in complying with their duties and obligations, and
- ▶ Evidence of dishonesty or wilful failures to comply.

Deciding what enforcement action to take

Our enforcement options derive from legislation. We may select from one or more enforcement options, which range from statutory compliance notices and monetary penalties to criminal prosecution.

Our enforcement powers can variously be applied to scheme managers, members of pension boards, employers or third parties such as administrators. We will ensure that we act in accordance with all our legal obligations, including those contained within the Data Protection Act 1998 and Human Rights Act 1998.

Statutory notices

If we believe that a breach of pensions legislation has occurred (as defined in section 13 of the 2004 Act) and that a statutory remedy is needed to secure compliance, we can issue statutory notices to scheme managers, pension board members or third parties, such as participating employers or outsourced payroll providers.

There are specific rules governing the use of different statutory notices. They may be used to direct a person to take, or not to take, specific actions within a specified timeframe. We will consider the circumstances in each case when deciding the most appropriate course to achieving compliance. We may consider the following interventions:

- ▶ Under section 13 of the 2004 Act, we may issue an Improvement Notice requiring specific action to be taken within a certain time, if a person has contravened pensions legislation. An Improvement Notice may direct compliance with a code of practice and will be preceded by a Warning Notice under section 96 of the 2004 Act.
- ▶ Under section 14 of the 2004 Act, we may issue a Third Party Notice requiring specific action to be taken (or to be refrained from being taken) within a certain time. This notice may be issued when we believe a contravention of pensions legislation is, wholly or partly, a result of a failure of another person (as defined in section 13 of the 2004 Act) and will be preceded by a Warning Notice under section 96 of the 2004 Act.

Non-compliance with a statutory notice may result in a penalty.

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Civil penalties

We may impose a penalty under section 10 of the Pensions Act 1995. The maximum amount of a penalty in relation to each breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Other statutory powers and orders

We have a variety of statutory powers, which include the following:

- ▶ **Power to recover unpaid contributions**
If an employer does not make a contribution payment towards an occupational or personal pension scheme on or before the due date, we may, on behalf of the scheme manager, exercise such powers as the scheme managers have to recover that contribution payable under section 17 of the 2004 Act.
- ▶ **Power to appoint a skilled person**
Under section 14A of the 2004 Act, we can assist a pension board in the discharge of its functions where we consider it desirable for the purpose of ensuring compliance with pensions legislation (within the meaning given in section 13 of the 2004 Act). The pension board must have regard to the advice of the skilled person and their costs will be met by the scheme manager.

Publishing the outcome of activity

We may publish reports of our regulatory activities in order to encourage learning and show lessons learned through our work. A decision to publish a report (under section 89 of the 2004 Act) will be taken on a case-by-case basis in line with our publication policy. We will usually engage with those directly involved in advance of publication.

Publishing the outcomes of our regulatory activities is an important way of encouraging improved standards and practices. Publication also raises awareness of the risks to the good governance and administration of schemes and should assist others in avoiding problems.

Publication also enables third parties to understand how their actions may have an impact on schemes. We put great emphasis on preventing problems from occurring, providing guidance to build good practice in collaboration with the regulated community.

How to contact us

Napier House
Trafalgar Place
Brighton
BN1 4DW

0845 600 0707
customersupport@tpr.gov.uk
www.tpr.gov.uk

www.pensionseducationportal.com

Free online learning for those running public service schemes

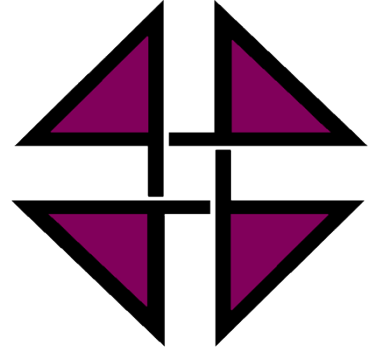
Compliance and enforcement policy for public service pension schemes

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The Pensions
Regulator

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**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Business Planning and
Performance Framework 2015/16
for the Pensions Service
and Pensions Authority

**Performance Snapshot Report
2015/16: Q1**

ISSUED: October 2015

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	15078 cases of which 53.87% were on target	97%	Backlog following UPM implementation affecting overall performance

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£6096.2m	N/A	£6245.2m at end Mar.
Performance Against Benchmarks	Qtr -2.5% YTD -2.5%	Qtr -2.7% YTD -2.7%	Global equity markets all gave negative returns. UK and Eurozone came under pressure as Greek crisis deepened. US was impacted by the anticipation of higher interest rates as were the emerging markets. They were also worried about the slow down in China. Japan was the strongest performing market driven by QE and positive corporate results season. Bond yields rose.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Reaffirmed the Statement on Shareholder Engagement		
Shareholder Engagement			

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	0 Leaver 1 New Starters	Annual 4.25%	On target
Staff Training	LGA Training Courses UPM training	Plan 100% up to date	On target
Sickness Monitoring	4.1% total	None	3.1% of sickness absence relates to three members of staff on long-term sick leave.

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	No new employers registered for EPIC this period	N/A	308 employers (96%) now registered for Epic. Non-Epic employers only represent 25 active members.

	Online registration suspended pending new system		Fee retained until viable system produced by supplier
Face to Face Communication	406 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	9 New Employers (5 Academies 3 Contractors 1 Community Admission Body) 0 Terminations	N/A	There are currently 408 participating employers of which 335 have active members and there are a further 33 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	June – CP&GB considered Internal Audit progress report	100%	On target
Annual and Quarterly Reports	June – CP&GB considered Internal Audit Annual Report 2014/15 June - Audit Committee Function Annual Report considered by CP&GB		
External Audit Reports /Plans	July - report to the charged with governance (ISA 260) considered by CP&GB	100%	On target
Risk Management Annual and Quarterly Reports	July – CP&GB considered Risk Register	100%	On target

Area under Review	Activity During Quarter	Target	Status/Comment
Constitution Policy /Procedure Revision Dates	July - Financial Regulations Interim Review completed	100% Up to date	
Financial Reporting	June - Budget Monitoring report – Quarter 4 considered by CP&GB July - Budget Monitoring report - Quarter 1 considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion	June - AGS approved by CP&GB	No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Annual Self-Assessment	June - Annual Self-Assessment completed		No significant issues
Member Training		100% Induction & Fundamentals Training & Fundamentals Refresher	66.5% had induction. 66.5% had Fundamentals Day 1. 66.5% had Fundamentals Day 2. 66.5% had Fundamentals Day 3. 42% had Fundamentals Refresher Training All new Members booked on Fundamentals 2015

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Fund Director

ACTUARIAL VALUATION 2016 TIMETABLE

1) Purpose of the Report

To advise Members about the provisional timetable for considering aspects of the actuarial valuation due at the end of March 2016.

2) Recommendation

Members are asked to note the report.

3. Information

3.1 The Authority has retained responsibility for the production of the actuarial valuation to itself and has not delegated it to a Board.

3.2 The next triennial actuarial valuation of the Fund is due as at 31 March 2016. As Members are aware the preparation of the valuation involves a lot of work from the employers, the actuary and the Authority and given the other pressures on the parties, not least in terms of employers' budget preparations, it might be helpful to know what the provisional timetable is:-

- Discussions with Actuary, Officers and Districts regarding approach/budgets : Oct-Dec 2015
- Consideration of data requirements by employers : Jan/Feb 2016
- Valuation effective date : 31 March 2016
- Further discussions re assumptions/estimated results between actuary and administering authority : April/May 2016
- Employers supply data to Fund : April 2016
- Fund supplies data to actuary : July 2016
- Actuary processes data : July/August 2016
- Actuary discusses results/funding strategy with Fund : Sept 2016
- Actuary/Fund to discuss/agree initial results with Districts : Sept/Oct 2016
- All individual employer results finalised by actuary : Sept/Oct 2016
- Liaison with employers re contributions from 2014 : Oct/Nov 2016
- Production of formal report : March 2017
- Production of certificates : March 2017

Members are aware that preliminary discussions are already underway between officers and the actuary with regard to the underlying principles to be adopted for setting the valuation assumptions/methodology and a meeting will be held in early October on this subject. The outcome will then be discussed with the district councils.

Given the expected level of discussions with the district councils as part of the valuation process, Members are also asked to note that officers will seek to continue the dialogue with the districts in the lead up to the valuation (and also in the period up to their results being assessed), both in terms of the

discussions with the actuary, and also with regard to their own budget preparations and potential valuation outcomes.

3.3 The Fund normally commissions an asset and liability study to check the continuing relevance and suitability of the Fund's investment strategy following an actuarial valuation. At the very least it is important to ensure that the assumptions being used to determine that strategy agree with and/or are compatible with those used by the actuary in the valuation process. As such the Investment Board will need to input into the discussion no later than the first quarter of 2016. The study itself can be commissioned to start once the preliminary valuation results are known, say in September 2016, with a view to the strategy being agreed by December for implementation with effect from April 2017. If the preliminary valuation outcome suggests that a full asset and liability study isn't warranted it might still be prudent to procure a "health check" in order to assure stakeholders that all matters are being considered.

3.4 It goes without saying that the timeliness, quality and reliability of the underlying membership data will affect both the speed and accuracy of the valuation process. The validation of data received is a significant aspect of the process and the risk of slippage resulting from the need to estimate or substitute data must be minimised as much as possible. Materiality is important for each employer: the results must have credibility.

4) Implications

4.1 Financial

Provision has been made within this year's budget and estimates will be included in the 2016/17 budget.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are no risk implications.

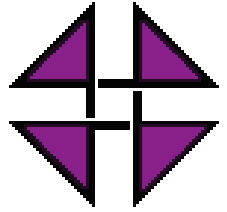
Officer responsible:-

J N 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 Authority in Barnsley

Other sources and references: Mercers



**CORPORATE PLANNING AND
GOVERNANCE BOARD**

AUDIT COMMITTEE FUNCTION

ANNUAL REPORT 2014/15

**Draft agreed by the Corporate Planning and Governance Board on 18
June 2015**

Final version to be presented to the full Authority on 1 October 2015

Foreword

I am pleased to present the Committee's annual report for the period 2014/15 which provides evidence of the arrangements the Authority has in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Richard Wraith
Chair
Corporate Planning and Governance Board

AUDIT COMMITTEE ANNUAL REPORT 2014/15

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1. INTRODUCTION

This report is prepared for the full Authority and covers the Board's work during the financial year 2014/15 in relation to its audit committee function. It outlines the Board's:

- Role and responsibilities;
- Membership and attendance; and
- Achievements.

2. BOARD INFORMATION

Audit Committee Role and Responsibilities

The Board provides an overview role on all aspects of governance and achieves this by:

- providing a forum for monitoring governance arrangements;
- receiving and discussing monitoring reports from internal and external sources; and
- making recommendations to the Authority for action to address any deficiencies.

The Board performs the core audit committee functions recommended as good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA). These functions are included in the Boards terms of reference which are attached at Appendix 1. Its achievements are considered in Section 3 below.

Board Membership

The Board's membership at the end of March 2015 was:

Councillor R Wraith (Chair)
Councillor E Butler
Councillor S Ellis
Councillor B Lodge
Councillor L Rooney
Councillor P Wootton (Vice-Chair)
Councillor J Wood

Membership changes occurring during the year were as follows:

- Councillor S Ellis replaced Councillor K Goulty
- Councillor B Lodge replaced Councillor M Lawton
- Councillor J Wood replaced Councillor B Ford

Board Meetings and Attendance

The Board held four meetings in the year (June 2014, July 2014, November 2014 and March 2015). The business conducted was in accordance with the work programme which was reviewed at each meeting.

The schedule of Members' and Officers' attendance is attached as Appendix 2. The good practice guidance suggests that the Chief Financial Officer should attend regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

3. COMMITTEE WORK PROGRAMME AND OUTCOMES

The Board maintains a work programme for its main areas of activity which is considered at each meeting. The reports received during 2014-15 relating to its audit committee functions are shown in Appendix 3; the outcomes of the Board's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Board has achieved its responsibilities.

3.1 Risk Management and Internal Control

- *Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.*
- *Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors.*
- *Being satisfied that the Authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.*

The Board has:

- Considered regular reports on the corporate risk register and considered the movements in individual risks and their categorisation;
- Received progress reports from the Head of Internal Audit on internal audit matters and from KPMG on external audit issues;
- Considered the results of the review of internal control and internal audit for 2013/14;
- Approved, the Annual Governance Statement 2013/14 including the improvements required in 2014/15;
- Received regular update reports on the Authority's treasury management position;
- Received regular Budget Monitoring reports.

3.2 Internal Audit and External Audit

- *Approving (but not directing) Internal Audit's strategy and plan, and monitoring performance.*
- *Reviewing summary Internal Audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.*
- *Receiving the annual report of the head of Internal Audit.*
- *Considering the reports of external audit and inspection agencies.*
- *Ensuring that there are effective relationships between Internal Audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.*

Internal Audit:

The Board has:

- Agreed the Internal Audit Strategy and Annual Plan for 2014/15;
- Received and considered Head of Internal Audit's Annual Report for 2013/14, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

KPMG (Appointed External Auditor) (see also Accounts below):

The Board has:

- Received reports from KPMG on their Audit Plans for the Authority;
- Received regular progress reports from KPMG
- Approved KPMG's fee for the financial year 2014/15.

3.3 Accounts

- *Reviewing the financial statements, the external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.*
- *Overseeing the production of, and approving, the Authority's Annual Governance Statement.*
- *Overseeing the production of, and approving, the Authority's Annual Statement of Accounts, focussing on:*
 - *the suitability of, and any changes in, accounting policies;*
 - *major judgemental issues e.g. provisions.*
- *Receiving and agreeing the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.*

The Board has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2013-14;
- Reviewed and approved the Authority's Statement of Accounts 2013/14;
- Received and approved the Audit Commission's Annual Governance Report 2013/14 and agreed the responses to the recommendations made.

3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2013/14 which was presented to the full Authority and published on the Authority's website.

The Board revisited the self-assessment of its position against the best practice guidance and considered the extent to which its arrangements remained robust.

CORPORATE PLANNING & GOVERNANCE BOARD

TERMS OF REFERENCE (extract)

- 6) Carrying out the following core audit committee functions:
- a. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - b. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - c. Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
 - d. Approve (but not direct) internal audit's strategy and plan.
 - e. Monitor performance against Internal Audit's strategy and plan.
 - f. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - g. Receive the annual report of the Head of Internal Audit.
 - h. Consider the reports of external audit and inspection agencies.
 - i. Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
 - j. Review financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
 - k. To oversee production of, and approve, the Authority's Annual Governance Statement.
 - l. To review and approve the annual Statement of accounts, focussing on the suitability of, and any changes in, accounting policies; and major judgemental issues e.g. provisions.
 - m. To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.

MEMBER/OFFICER ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Member / Officer	June 2014	July 2014	Nov 2014	March 2015
Members				
Councillor R Wraith (Chair)	✓	✓	✓	✓
Councillor P Wootton (Vice-Chair)	✓	✓	✓	✓
Councillor E Butler	✓	✓	✓	✓
Councillor S Ellis	r/a	✓	✓	✓
Councillor B Lodge	✓	r/a	✓	✓
Councillor L Rooney	r/a	✓	✓	✓
Councillor J Wood	x	✓	x	x
Observers				
Kevin Rodgers		o		
Andrew Sangar		o	o	
Brian Webster		o		
Representative Bodies				
Unison – G Boyington	✓	✓	✓	✓
GMB – G Warwick	✓	✓	x	✓
UCATT – F Tyas	✓	✓	x	✓
Officers				
Treasurer (FF)	r/a	r/a (rep)	r/a (rep)	r/a (rep)
Monitoring Officer (AF)	x	✓	r/a	✓
Deputy Clerk (MM)	✓	✓	✓	✓
Head of Internal Audit (RW)	✓	✓	✓	✓
Member Services Representative	✓	✓	✓	✓
Fund Director (JNH)	r/a (rep)	✓	✓	r/a
Head of Finance (BC)		✓	x	x
Head of Pensions Admin (GC)	✓	✓	✓	✓
KPMG Appointed External Auditor				
District Auditor (KPMG)	x	✓	r/a	✓
Audit Manager (KPMG)	✓		✓	✓

Notes:

- Shaded cells = membership not current at the time of the meeting
- ✓ = attended
- r/a = apologies for absence recorded
- o = observer
- rep = sent representative

APPENDIX 3

BOARD ACTIVITY – AUDIT COMMITTEE FUNCTION

Function / Issue	June 2014	July 2014	Nov 2014	March 2015
Risk Management				
Risk Register		Noted	Noted	Noted
Governance and Internal Control				
Review of Internal Control 2013/14			Agreed	
Annual Governance Statement (AGS) 2013/14	Approved			
AGS Improvements Action Plan 2014/15	Agreed			
Treasury Management Update	Noted		Noted	
Internal Audit				
Audit Strategy & Plan 2015/16			Noted	
Outstanding Recommendations	Noted		Noted	Noted
Annual Report 2013/14	Noted			
Progress Report	Noted		Noted	Noted
External Audit				
Audit Fee 2014/15				
Annual Audit Letter			Noted	
External Audit Plan 2015/16				Noted
Report to those charged with governance (ISA 260)		Noted		
Accounts				
Audited Statement of Accounts 2013/14		Approved		
Letter of Representation		Approved		
Budget Monitoring 2013/14	Noted	Noted	Noted	Noted
Board Working Arrangements				
Work Programme	Noted	Noted	Noted	Noted
Annual Report 2013/14	Approved			

(The term “Noted” is used to include resolutions to note and to receive reports).

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1st October 2015

South Yorkshire Pension Fund Annual Fund Meeting 2015

1. Purpose of the Report

To advise members about the 2015 Annual Fund Meeting.

2. Recommendations

Members are recommended to note Thursday 22nd October for this year's AFM.

3. Information

- 3.1 The 2015 Annual Fund Meeting will be held at Doncaster Racecourse on Thursday 22nd October commencing at 5.30 pm.
- 3.2 The style and format of the meeting will follow previous events with presentations from the Fund Director and the Head of Pensions Administration plus pre-notified questions from attendees. Attendance was up last year but in attempt to attract even more attendees the meeting has been set at a later date in the month to give members more time to complete the attendance form which goes out with the autumn newsletter in September. We will also email members who have registered their e-mail address with an invite prior to the newsletter being issued. A light buffet will be served after the meeting has concluded and transport for Fund members will be arranged to and from the meeting.
- 3.3 New for this year, and subject to testing the quality of the mobile network at the Racecourse, we will be live streaming the event. We will promote this new service in the newsletters and via email, issuing a link to enable members with internet access to watch the event in near real time (with a 30 seconds delay).
- 3.4 Full details of the meeting and an invite will be forwarded to Members shortly before the meeting.

4. Implications and risks

Implications

- Financial

There is a provision within this year's budget to hold the event

- Legal

There are no legal implications

- Diversity

There are no diversity implications

Officer Responsible: Joanne Webster Communications Manager

Telephone contact 01226 772915

Gary Chapman

Head of Pensions Administration

Phone 01226 772954

E-mail gchapman@sypa.org.uk

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

Other sources and references:

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Clerk

MYNERS' PRINCIPLES: COMPLIANCE STATEMENT

1) Purpose of the Report

To ask Members to approve an updated version of the Myners' Principles Compliance Statement.

2) Recommendation

Members approve the amended version of the Myners' Principles Compliance Statement.

3) Background Information

3.1 Members last approved a Statement of Compliance with the Myners' Principles in September 2013.

3.2 In anticipation of the establishment of the new website an updated document was prepared and this version reflects the introduction of a Local Pension Board. No other material changes have been made.

3.3 The new document is attached.

4) Implications and risks

4.1 Financial

There are no immediate financial implications arising from this report.

4.2 Legal

There are not thought to be any specific legal implications arising out of this report.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are a number of possible risks for the Authority if it fails to comply with the Myners' Principles. It is impossible to be sure what the risks might be or how best to respond to them.

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.

D Terris
Clerk

Officer responsible:-
John Hattersley, Fund Director.

Telephone contact 01226 772873

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

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.

June 2015

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Clerk

REVIEW OF CORPORATE STRATEGY

1) Purpose of the Report

To seek Members retrospective approval of a decision by the Chair and Vice Chair to approve the publication of a revised Corporate Strategy Statement.

2) Recommendation

Members approve the decision of the Chair and Vice Chair to agree to the publication of a revised Corporate Strategy Statement.

3) Background Information

3.1 Members will recall that in March it was agreed not to review the Authority's Corporate Strategy given the lack of clarity surrounding the future of the Local Government Pension Scheme.

3.2 Members were also aware that Local Pension Boards were to be introduced with effect from 1 April 2015 and were conscious that the introduction of an LPB could influence Authority strategy going forward.

3.3 However, the existing document was increasingly out of date. It had not been revised to reflect the introduction of the 2014 LGPS or in light of the changes resulting from the dissolution of the South Yorkshire Joint Secretariat. In anticipation of the establishment of the new website an updated document was prepared. No material changes to the Strategy or Objectives have been made.

3.4 The new document is attached.

4) Implications and risks

4.1 Financial

There are no immediate financial implications arising from this report.

4.2 Legal

There are not thought to be any specific legal implications arising out of this report.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are a number of possible risks for the Authority and the Fund pending the outcome of the government consultation. At the present time it is impossible to be sure what the risks might be or how best to respond to them. Once the position is clearer the Authority will need to consider its position carefully.

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.

D Terris
Clerk

Officer responsible:-
John Hattersley, Fund Director.

Telephone contact 01226 772873

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



Corporate Strategy

June 2015

Commitment to Excellence

Foreword

I'm pleased to introduce the latest update to the South Yorkshire Pensions Authority's Corporate Strategy document which sets out in one place our focus and priorities for the next few years.

Organisations are so often preoccupied with immediate issues that they lose sight of their ultimate objectives. This document seeks to set out the strategic framework for the Authority and for this to be used by the Service when setting its work priorities. It is also intended to act as a communication channel with our key stakeholders.

This document is intended to:

- Serve as a framework for decisions ensuring that all our work is integrated
- Provide a basis for more detailed operational planning and delivery
- Explain the Authority's business to all stakeholders in order to inform, motivate and involve them
- Assist benchmarking and performance monitoring
- Stimulate change and become a building block of change for the next three years

Although dating back a number of years the initiative has been regularly reviewed and this is the latest update of that evolutionary process. As an administering authority of the Local Government Pension Scheme it is obvious that the Authority has to be aware of changes taking place to the LGPS and local government generally and it would be an understatement to state that both of those entities have undergone massive changes over the last few years.

Although this update is being prepared after the new LGPS was introduced in 2014 and in the light of the March 2013 actuarial valuation it would be premature to state the future of the LGPS and this Fund is known. The introduction of Local Pension Boards is a major innovation and it is far too early to understand the impact of the innovation. It is also clear that future reform of the structure of the LGPS at national level remains upon the Government's agenda. Although it might, therefore, appear to be premature to make fundamental changes to the Strategy it is still appropriate to refresh it where necessary.

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- Excellent
- Good
- Average
- Poor

Introduction

The South Yorkshire Pensions Authority was created by Parliament to administer the investment and administration of the Local Government Pension Scheme (LGPS) in South Yorkshire.

The Authority is responsible for paying occupational and dependents' pensions and transfer values to former employees of local authorities and many related bodies in South Yorkshire, with the exception of police officers, teachers and fire fighters.

The Authority fulfils this operational role through the Pensions Service which is divided into two parts: Administration and Investment. In total the Service has around a hundred staff. The Authority provides them with a budget each year (currently in excess of £5m) to implement its policies.

The Authority is unusual, and fortunate, among local authorities in that it has its own "in house" investment team. In its Investment role the Authority seeks to obtain the best financial return in order that the Fund can meet its long-term liabilities. It currently manages a Fund of around £6.4 billion.

The Authority acts as a group of quasi-trustees, and has ultimate legal responsibility for the Fund and the services that it provides. Its priorities are to maximize pension fund investments; focus on the service provided to Fund members and have a close relationship with all the contributing employers. The Fund has more than 140,000 members.

Both in terms of Fund membership and contributions payable the largest employers are the Barnsley, Doncaster, Rotherham and Sheffield Councils. In addition, the support staffs of the fire and police services are Fund members.

The Chief Officer of the Pensions Authority is the Clerk: Diana Terris; the Treasurer is Frances Foster and the Monitoring Officer is Andrew Frosdick.

The Head of Service, the Fund Director, is John Hattersley.

The Pensions Administration Unit was the proud holder of the prestigious Charter Mark award for a number of years and has successfully been awarded the even more challenging Customer Service Excellence standard.

The Authority's Head Office is in Regent Street, Barnsley which houses both the Administration Unit and Investments Division. The Authority also has satellite offices in each of the four council districts providing local administration services to both employers and members.

Pensions Authority Membership

The Pensions Authority is made up of 12 Members:

- Two Councillors drawn from the elected Members of Barnsley Council.
- Three Councillors drawn from the elected Members of Doncaster Council.
- Two Councillors drawn from the elected Members of Rotherham Council.
- Five Councillors drawn from the elected Members of Sheffield Council

Further details of all the Pensions Authority Members can be found on the Members page of the Authority's internet site, which can be accessed via <http://www.southyorks.gov.uk/>

The Authority is currently chaired by Cllr Sue Ellis from Rotherham Borough Council.



The Vice Chair is Cllr Richard Wraith from Barnsley Metropolitan Borough Council.



The Government wants public services for all that are “efficient, effective, excellent, equitable and empowering” - with the citizen always and everywhere at the heart of public service provision. With this in mind Customer Service Excellence was developed to offer public services a practical tool for driving customer-focused change within their organisation.

The Government’s ambition fits well with the Authority’s own Vision and Corporate Strategy.

SYPA’s Corporate Values

- Customer Focus
- Integrity
- Teamwork
- Respect
- Innovation
- Enthusiasm
- Professionalism
- Continuous improvement

These Values were carefully selected and are complementary to each other. Together they provide a framework of behaviours which we believe will enable our employees to consistently offer our customers an excellent service.

Whilst we have already obtained the Customer Service Excellence Award we are not complacent and continue to work hard to maintain and improve upon that status.

Of course, the Authority’s aspirations need to be viewed in the context of the existing economic realities. All public sector organisations, including our leading contributing employers, will be trying to maintain the same level of service to their communities with far fewer resources. Of necessity, the public sector has had to look at doing things differently and maintain this approach. This Authority has embraced this ‘new normal’ and continues to explore new avenues.

In the following pages we outline our integrated strategy for the transformational change of South Yorkshire Pensions Authority.

SYPA's Vision, Mission, Values and Strategic Objectives Statement

Our Vision:

To effectively demonstrate a Commitment to Excellence in everything we do.

Our Mission:

“To provide the best possible and most cost effective pensions administration service to all the employing bodies, pensioners, contributors and dependents, incorporating best practice in corporate governance at all times”

Our Values:

The way we expect everyone in the Pensions Service to work and behave:-

- Customer Focus
- Integrity
- Teamwork
- Respect
- Innovation
- Enthusiasm
- Professionalism
- Continuous Improvement

Our Strategic Objectives:

- **The Best:**
to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.
- **Investment Returns:**
to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities.
- **Responsible Investment:**
to develop our investment options within the context of a sustainable and responsible investment strategy
- **Valuing our Employees:**
to improve the capacity and capability of our workforce by investing in our staff development whilst, at the same time, endorsing equality and diversity best practice.
- **Pensions Planning:**
to encourage and support well informed pensions planning amongst our member organisations and their employees.
- **Effective and Transparent Corporate Governance:**
to uphold and exemplify effective governance showing prudence and propriety at all times.

Within our Corporate Strategy we have incorporated a deceptively simple Vision Statement. This, nonetheless, lies at the heart of what we do:

To be an Authority which effectively demonstrates a Commitment to Excellence in everything it does.

Within the Strategy are our eight Corporate Values. These Values have been further developed to describe supporting behaviours. We expect all Pensions Authority employees to live up to these Values and behaviours.

The next page provides a high level description of the behaviours which support each of the eight values. We believe that working to these values and behaviours will enable us to ensure that the way in which the organisation works and performs will meet the needs of all its customers.



COMMITMENT TO EXCELLENCE VALUES	BEHAVIOURS <i>Things we can do to demonstrate these values and support others.</i>
Customer Focus	Focusing on, understanding and satisfying customer needs.
Integrity	Communicating and dealing with others with complete trust, honesty and fairness.
Teamwork	Maximising the contribution individuals can make to the team through effective communications co-operation and listening to, and supporting one another.
Respect	Setting a strong personal example of respect and recognition and actively co-operating with others.
Innovation	Showing enterprise and welcoming change by taking sensible risks and learning from mistakes.
Enthusiasm	Demonstrating a positive spirit and enthusiasm for the vision and mission and driving towards achieving the goals of the Pensions Authority.
Professionalism	Working efficiently to get it “right first time”, managing by fact and eliminating personal prejudice.
Continuous Improvement	Concentrating on finding solutions rather than simply stating problems, and identifying and acting upon improvement opportunities

Strategic Objectives

Strategic Objective 1

The Best: to be the pensions administrator and investment manager of choice, providing high quality but cost effective and efficient services to all of our customers.

The key areas of focus for this objective are:

- 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 standard awards such as Customer Service Excellence.
- 1.4 Ensuring that we continue to provide Value for Money.

Whilst we have re-examined and reframed our Vision, Mission and Corporate Values we have not amended our strategic objectives, although the “key areas of focus” and the activities that underpin them will be kept under review and updated wherever and whenever necessary.

Our existing strategic objectives provide us with a good framework for moving the organisation forward.

The intended outcome of these activities:

To ensure the Authority provides value for money quality services to its partners and through active monitoring of performance levels meets all of their requirements in an efficient and cost-effective manner.

Strategic Objective 2

Investment Returns: to manage an investment strategy that produces the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.

The key areas of focus for this objective are:

- 2.1 Ensuring that the investment strategy is appropriate for the liability structure of the Fund (with the aid of external advisors where necessary).
- 2.2 Monitoring performance against the adopted benchmark and targets.
- 2.3 Ensuring that investment management is conducted in a cost effective and efficient manner.
- 2.4 Targeting the maximum investment return after allowing for an appropriate level of risk.

Employers are increasingly aware of the cost of providing proper pensions but are also aware of the importance of pensions as part of the overall remuneration and retention package. One of the Authority's main responsibilities is to manage the Fund so that investment returns make the biggest possible contribution towards the total cost of liabilities, but to do so only with an acceptable level of risk.

Therefore, the Authority regularly reviews its policies. Its long term objective is to set policies which should ensure that the investment returns achieved will be at least in line with the assumptions underlying the actuarial valuation. This should ensure, as far as possible, that the investment strategies are appropriate with the liabilities of the Fund.

This requires a number of ongoing activities which include:

- Ensuring that the tactical benchmark and constraints are appropriate and monitored.
- Monitoring trends and developments within financial markets and the instruments that are available to the Fund including the appointment of external managers and advisors.
- Drawing up soundly based investment strategies, set out in the Statement of Investment Principles and the Funding Strategy Statement.
- Commissioning regular actuarial reviews and asset and liability studies.
- Ensuring an appropriate balance in investment strategies between risk and return, including the diversification of investments.
- Appointing and retaining suitably qualified professional staff to manage the Fund's assets on a day to day basis

The intended outcome of these activities:

The investment strategies developed and deployed by the Authority deliver the requisite balance between risk and return to ensure both immediate and long term liabilities are met.

Strategic Objective 3

Responsible Investment: to develop our investment options within the context of a responsible and sustainable investment strategy.

The key areas of focus for this objective are:

- 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.

The Investment team ensures that the Fund is in the vanguard of industry developments through its relationships with other like-minded funds and industry bodies.

The Authority has considered how environmental, social and governance factors should be taken into account when managing the Fund's investments whilst seeking to obtain returns that are in the best interests of both contributors and beneficiaries of the Fund.

We have decided that contact with the companies in which we invest is the most effective means by which the policies of those companies can be influenced, whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives.

Consequently, we will not actively disinvest from companies solely or largely for social or environmental reasons. The Fund employs the strategy of "voice over exit".

The intended outcomes of these activities:

Responsible investment considerations are integral to the Authority's business.

Strategic Objective 4

Valuing our Employees: to improve the capacity and capability of our workforce by investing in our staff development, whilst at the same time, endorsing equality and diversity best practice.

- Supporting and empowering staff to undertake continuous improvement projects.

The intended outcomes of these activities:

That all Pensions Authority employees understand and are committed to the concepts of Commitment to Excellence, quality services and continuous improvement.

Employees who are committed and feel empowered to be proactive in their work.

Greater job satisfaction levels.

Strategic Objective 5

Pensions Planning: to encourage and support well informed pensions planning and decision taking amongst our member organisations and their employees.

The key areas of focus for this objective are:

- 5.1 Providing information through written material to all customers.
- 5.2 Developing interactive website facilities.
- 5.3 Encouraging attendance at annual events and hosting forums for discussion.
- 5.4 Maintaining a robust district office structure and provide an “on-site” presence to address personal concerns.
- 5.5 Supporting employers with technical expertise.

The Authority wants to encourage membership of the Fund wherever it is appropriate for an individual member and will utilise existing and potential organisations. In doing this, the Pensions Authority has a responsibility to work closely with employers, to ensure that employees are offered advice which is tailored to their own circumstances and enables them to make an informed judgement about the benefits of scheme membership. It must also make itself accessible to employees to offer advice on the benefits of pensions planning and to promote the LGPS.

The intended outcomes of these activities:

Stakeholders receive information that is clear and relevant to their needs.

Employers receive improved service levels and the opportunity to make efficiency gains in their own operations.

The Employers’ Forum promotes productive dialogue between the Authority and employers.

Pensioners, contributors and deferred members have local access to skilled pensions officers.

Employers receive a constructive response to all requests for technical pensions support.

Key performance measures

- all performance measures and targets are detailed in our business plan.

Strategic Objective 6

Effective and Transparent Corporate Governance: to uphold and exemplify effective governance showing prudence and propriety at all times.

The key areas of focus for this objective are:

- 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 Ensuring that Members and officers are properly trained to be effective in carrying out their roles and responsibilities.
- 6.4 Ensuring robust accountability.

The Authority has well defined policies and codes which together combine to ensure effective and transparent corporate governance. The main elements are:

The **Code of Corporate Governance**, the system by which local authorities direct and control their functions and relate to the communities they serve. The business of the Authority must be conducted in accordance with the principles of Corporate Governance (openness, integrity and accountability). This code sets the standard for the whole business of the Authority and runs through each of its objectives.

Risk Management Policy. The risk management process involves the systematic application of the policy, its procedures and practices to identify, evaluate and control risks.

The **Policy Statement on Fraud and Corruption** is intended to be preventative, but it also ensures that if it occurs then the detection and investigation is conducted in a correct and agreed manner.

The **Whistle Blowing Policy and Procedure** is designed to provide a process for the raising of genuine concerns, to allow feedback on action taken, to allow matters to be further progressed if dissatisfied with the Authority's response, and to reassure whistleblowers that they will be protected from reprisals or victimisation.

Our **Standards** protocol outlines a code of ethics and operational standards of behaviour expected of Members and officers of the Authority.

The Authority has policies which address the six recognised strands of **Equality and Diversity:** race, gender, disability, age, sexual orientation and religion and belief.

The intended outcomes of these activities:

We comply with, and where possible exceed, guidance on best practice for local authorities and pension funds.

A comprehensive range of individual processes which combine together to form the governance framework.

Demonstrably high standards of conduct by staff and Members.

Pensions Authority Members are effective in their roles.

The Pensions Authority is accountable to stakeholders and the public through timely reporting throughout the year.

Conclusion

We hope that this strategy document has enabled you to understand our Vision, Mission, Values and each of our six strategic objectives.

These strategic objectives have not changed substantially as we believe that they provide the right focus for the Authority.

The overall intended outcomes of our strategy are to ensure that the Pensions Authority and service;

- continues to deliver a quality service which consistently meets agreed partner and customer requirements,
- maintains an investment strategy which obtains the best financial return, ensuring that the Fund can meet both its immediate and long-term liabilities.





Produced by South Yorkshire Pensions Authority ·

18 Regent Street ·

Barnsley ·

S70 2HG ·

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

Report of the Clerk

REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

1) Purpose of the Report

To ask Members to retrospectively approve a revised version of the Fund's Governance Compliance Statement.

2) Recommendation

Members approve the revision of the Governance Compliance Statement.

3) Background Information

3.1 It is a statutory requirement that the Fund publishes a Governance Compliance Statement. Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) applies.

3.2 The current Statement dates from June 2013.

3.3 The existing document is increasingly out of date. It has been reviewed in light of the introduction of the 2014 LGPS and the changes resulting from the dissolution of the South Yorkshire Joint Secretariat. It also incorporates references to the introduction of the Local Pension Board. Otherwise, no material changes have been made.

3.4 The new document is attached.

4) Implications and risks

4.1 Financial

There are no immediate financial implications arising from this report.

4.2 Legal

There are not thought to be any specific legal implications arising out of this report.

4.3 Diversity

There are no diversity implications.

4.4 Risk

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.

D Terris
Clerk

Officer responsible:-
John Hattersley, Fund Director.

Telephone contact 01226 772873

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

South Yorkshire Pension Fund

Governance Compliance Statement*- effective April 2015

1. Introduction

1.1 As a statutory public service scheme the LGPS has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement and its contents are determined by law :

1. After consultation with such persons as the Authority considers appropriate they shall prepare and publish a written statement setting out -
 - a) whether they delegate their function or part of their function to a committee, sub-committee or officer,
 - b) if they so delegate –
 - (i) the terms, structure and operational procedures of the delegation;
 - (ii) the frequency of any committee or sub-committee meetings;
 - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
 - c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
2. The first such statement must be published on or before 1 November 2008
3. The statement must be revised and published following a material change in policy

**(a) This Statement has been prepared by South Yorkshire Pensions Authority (the Authority) to set out the governance policy for the South Yorkshire Pension Fund (the Fund), in accordance with Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).*

2. Governance of the South Yorkshire Pension Fund

- 2.1 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.
- 2.2 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions. One member from each district has been nominated as the Section 41 spokesperson.
- 2.3 The Authority has created two Boards and one Committee to formulate and implement detailed policy.

The Corporate Planning and Governance Board meets at least four times a year. Its objective and terms of reference are -

To secure the Authority's responsibilities in relation to the delivery of the most efficient, effective and economic service

In connection with this:

- Monitor delivery provision of a high quality pensions service
- Commission triennial and interim actuarial valuations and agree the assumptions leading to the setting of employer contribution rates
- Be responsible for liaison with the Actuary
- Set and monitor the admissions policy
- Formulate, review and publish Strategies and Policies on Administering Authority discretions
- Determine, publish and review a:
 - o Funding Strategy
 - o Governance Policy
 - o Communications Strategy
- Determine and maintain an appeals procedure under the scheme's IDRPs
- Management and review of stakeholder relationships, including District Council relationships
- Review of results from stakeholder consultation and using those results to inform priorities and quality of service delivery

- Agree and monitor delivery against Service Level Agreements and reporting issues of major concern to the full Authority
- Determine strategies to implement the priorities set out with the Authority's Corporate Plan
- Determine a work programme for the Board and approve the publication of the Annual Report
- Carry out the following core audit committee functions:
 - a. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
 - b. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
 - c. Be satisfied that the Authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it
 - d. Approve (but not direct) Internal audit's strategy and plan
 - e. Monitor performance against internal audit's strategy and plan
 - f. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
 - g. Receive the annual report of the Head of Internal Audit
 - h. Consider the reports of external audit and inspection agencies
 - i. Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted
 - j. Review financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit
 - k. To oversee the production of, and approve, the Authority's Statement on Internal Control
 - l. To review and approve the annual Statement of Accounts, focusing on:
 - the suitability of, and any changes in, accounting policies
 - major judgemental issues eg provisions

- m. To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
- Monitor and develop the Authority's risk register and statement of internal control, reporting issues of concern to the full Authority
- Monitor compliance with:
 - FCA
 - Standing Orders and Financial Regulations

and raise any matters of concern with the full Authority

- Respond, on behalf of the Authority, to Department for Communities and Local Government (DCLG) and other government or industry consultation exercises, notifying the Authority of any major issues
- Determine and maintain, as appropriate, employment practices for the Authority's own workforce
- Appoint Professional Advisors in connection with these functions

The Investment Board meets at least four times a year. Its objective and terms of reference are -

To obtain the best financial return in order that the Fund can meet both its immediate and long-term liabilities

In connection with this:

- Development of a work programme for the Board
- Develop the Investment Strategy – medium and long term in accordance with guidelines applied by the Authority, including the commission of asset and liability modelling studies or similar as necessary
- Hold the fund managers to account for delivery of the Authority's Investment Strategy
- Review the overall Fund Performance
- Be aware of industry developments
- Publish and keep under review a Statement of Investment Principles
- Publish and keep under review corporate governance/ responsible investment policies and voting guidelines

- Determine Membership of lobbying and pressure groups etc e.g. LAPFF
- Respond, on behalf of the Authority, to Department of Communities and Local Government (DCLG) and other government or industry consultation exercises, notifying the Authority of any major issues
- Appoint external managers, professional advisors and members of the Investment Advisory Panel and monitor their performance.

The Management Committee meets on an ad-hoc basis as dictated by its business needs. Its terms of reference are -

- To receive urgent reports and make decisions on behalf of the Authority, or its Boards, where, due to tight timescales, it is not possible to refer to the Authority or Boards
- To exercise all the Authority's functions in respect of:
 - Appeals by staff (where a right of appeal exists)
 - Complaints against senior officers

3. Representation

3.1 The Authority's constitution is laid down in Statutory Instrument 1987 No.2110. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 The Corporate Planning and Governance Board is chaired by the Authority's Vice-Chair and contains 6 other Authority Members (including the Chair). Representatives from the trade unions, who are nominated by their regional Secretaries/Organisers, attend as observers.

3.3 The Investment Board is chaired by the Authority's Chair and contains 6 Authority other members (including the Vice Chair). Representatives from the trades unions, who are nominated by their regional Secretaries/Organisers, attend as observers.

3.4 The Management Committee is chaired by the Authority's Chair (who is also the Section 41 representative for Rotherham MBC) and contains the other Section 41 representatives.

3.5 Both the Boards and the Committee have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

4.1 Myners' first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority undergo the Local Government Employers' fundamentals training and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues, such as hedge funds, private equity, bonds etc.

4.2 In the CIPFA guidelines relating to the governance regulations, it states that ...

"As things stand, Section 7 of the Superannuation Act 1972 does not permit the Secretary for State to make regulations which impact on the constitution and membership of local authority committees. The ODPM has advised that there are no plans at present to amend local government law to change the provision regarding the composition of investment or pension committees. This must be a matter for individual fund administering authorities to consider, reflecting local circumstances and choice. But in exercising that choice, the ODPM advise it is important that authorities recognise the desirability of achieving an effective and comprehensive level of stakeholder representation within the LGPS nationally.

The challenge for pension fund panels is to find ways of engaging those people with an interest in decisions made without undermining the operation of the panel. The Funding Strategy Statements will encourage greater emphasis on consultation and if local authority employers contributing to the fund do not have representation on the panel or committee, be it voting or non-voting, then there would be a need to demonstrate they were being engaged in other ways. For example by the holding of

- *Bi-lateral discussions, or similar forums, involving employers and other stakeholders*
- *An annual general meeting for all employers;*
- *A triennial meeting between all employers and the actuary to discuss the results of the actuarial valuation"*

4.3 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation of the Authority provides the appropriate balance between accountability and inclusion as required by best practice with members having full voting rights as a matter of course.

5. Arrangements Outside of Formal Governance

5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website.

5.2 The Authority holds an annual meeting, usually in October, to which members and employers are invited. The venue moves to a different area of the county each year to encourage a greater attendance. Transport to and from the venue

is provided from other district centres and refreshments are provided at the end of the event. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions.

- 5.3 The Authority has established, with effect from 1 April 2015, a Local Pension Board in accordance with Regulatory requirements.
- 5.4 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to LGPC Circulars whenever these are published so that they can view the national perspective as well as the local view.
- 5.5 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Service normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.
- 5.6 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

6. Comparison Against "Best Practice" Principles

- 6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- 6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

|

APPENDIX

Principle A – Structure

		Compliant*
a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Mainly
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's statutory constitution provides automatic district council representation. It is not practical for the many non-local authority employers, whose activities are diverse, to be separately represented. Trades unions representatives attend meetings of the

Authority and Boards. The Local Pension Board operates outside the formal Authority structure but is intrinsically linked with it.

Principle B – Representation

		Compliant*
a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Mainly
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Independent advisors are appointed as necessary.

Principle C - Selection and role of lay members

		Compliant*
a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via the LGPC 3-day programme

Various ad-hoc training events are held when new topics are introduced or when cyclical issues require consideration by inexperienced Members (e.g. Triennial Valuation).

Principle D – Voting

		Compliant*
a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's statutory constitution provides full voting rights to all Members.

TU attendees at the Investment and CP&G Boards are not given voting rights

Principle E – Training/Facility time/Expenses

		Compliant*
a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	Mainly

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction and in-house training events are made available to all members of the Authority, its Boards and Committees. In addition, all Authority members are required to undertake the Fundamentals course provided by LGE within the first year of their appointment.

Members are offered individual training plans. Records of training received are logged.

Principle F – Meetings (frequency/quorum)

		Compliant*
a)	That an administering authority’s main committee or committees meet at least quarterly.	Yes
b)	That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority and its Boards meet at least quarterly. In addition annual forums are held for both fund employers and Scheme members

Principle G - Access

		Compliant*
a)	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H – Scope

		Compliant*
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority has created an Investment Board and a Corporate Planning & Governance Board to reflect the specialist nature of the business they deal with. A review of the effectiveness of the governance arrangements is undertaken by the Authority.

Principle I – Publicity

		Compliant*
a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The arrangements are published on the website and also within the annual report.

Webcasting of Authority meetings and annual forums provide stakeholders with a direct view of governance arrangements in action.

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 October 2015

Review of Pensions Administration since the Implementation of the UPM System

1. Purpose of the Report

To provide Members with a comprehensive review of the experience of the Pensions' Administration Division of the Authority since the implementation of the UPM Pensions Administration System in November 2014.

2. Recommendations

Members are recommended to consider the contents of the report with a view to:

- **Commenting specifically on any areas of the Report giving rise to major concerns**
- **Commenting generally on the Authority's position as detailed in the Report**
- **Expressing views as to how Officers should continue to manage the project and the workloads described within the report**
- **Suggesting areas of priority for Officers to concentrate on**
- **Providing any other advice and guidance to Officers as Members deem appropriate**

3. Introduction

3.1 There is no doubt that the switch to the UPM System has affected the Authority's ability to conduct its business at or near its accustomed service levels and standards since the November 2014 launch. The failings of Civica as a Company to:

- deliver a fully working and tested product
- react appropriately to product faults
- provide adequate training, support and resource both prior to and following the live launch
- provide crucial fixes in a timely manner at critical junctures,
- comprehend the sensitive nature of the Authority's business, and
- understand the imperative of statutory deadlines

has resulted in 11 months of reactive crisis management that has potential to be detrimental to the reputation of the Authority and its staff. At this juncture there are improvements to note but progress is slow and for the time being a return to our normal level of service for all aspects of work is still a number of months way.

4. Background Information

4.1 Long-standing Members will be aware of the logic and reasoning behind the decision to purchase UPM, the drivers for change and the procurement framework that dictated the majority of the decisions in the process. However for the benefit of new members it is worth noting the following,

- The Authority had not tendered for a pensions administration system for many years due to no viable competition but had an obligation to do so given there were now a number of possible suppliers
- The Authority collaborated with other LGPS funds on a Framework Agreement which saved time and money with regard to the tender process.
- It was with great surprise that our previous system supplier chose not to participate on the Framework Agreement and an even greater surprise when they gave us notice to cease using their system with effect from 31st December 2014.
- The period implementation period was fixed at 10 months when in reality we needed twice that time period.

4.2 What may be less clear to Members are the following:

- Despite demonstrations to the contrary the Authority purchased a concept rather than a working product, a fact that officers only became aware of after contracts were signed and the live launch date was imminent
- In hindsight, it now appears that this is why Civica were unable to release the product or any part of it far enough in advance of the launch date to allow thorough testing and familiarisation by staff and management
- They also simultaneously engaged with 8 other new client sites, also moving from the same product and supplier as SYPA, without sufficient resource to service and support all of the sites concerned
- They promised a timeframe for delivery, installation and launch that they were unable to keep and was apparently never realisable or feasible from the beginning given their over-commitment to the new client base
- The product eventually delivered and released was still in development and had major flaws and faults in many of its calculation routines and process maps that meant certain categories of casework could not be started, some cases required lengthy manual calculations and some calculations were not up to date with the New 2014 CARE Scheme requirements
- The bulk interface loading facility that SYPA and the District Councils had worked so long and hard to perfect no longer functioned under UPM meaning staff had to revert to the manual loading of scheme joiners and miscellaneous changes

4.3 As a result the Authority quickly found itself in a casework backlog situation. By February 2015, less than three months after the live launch, the Authority had over 11,000 cases awaiting commencement with the Year End and The Annual Pensions Increase exercises fast approaching. Civica had also failed to release at this point the bulk data processes to enable this work to be undertaken.

4.4 As Members may be aware, the end result of the Year End Annual Return Process, in simple terms, is a cleaner data base and the issue of Annual Benefit Statements to as many members as possible. This was the first Year End that the Year End Routines were to be performed under the CARE Scheme, which in itself was already proving problematical across the country for those Funds on their existing system without the added problems of using the UPM without the requisite tools to do so.

4.5 Historically, the Authority has dealt with its Year End Returns, and investigations of queries arising, as one exercise before moving on to the issuing of member statements. Under CARE and UPM the journey from Annual Return to Annual Statement follows a compulsory trail of interdependent tasks within one overall

process. This means that all members must have their record updates performed in the following specific sequence. No part of the sequence can be omitted or left:

- Contributions and pay posted to the record
- A CARE Benefit Pension Account created and recorded
- The Treasury Revaluation Order applied to the CARE Account
- The Annual Statement Calculation Routine performed and recorded
- The Annual Allowance Calculation Routine performed and recorded

An error or warning at any point in the sequence is a potential showstopper for that member in terms of being able to issue them with a benefit statement. Each and every error has to be investigated and resolved before that member can be moved on to the next step in the overall process. This has proved virtually impossible to achieve as yet given the late release of the programs and process maps and the fact that when released they have not been error free.

- 4.6 As this report is being written the Authority has failed to issue any annual statements by the statutory deadline of 31 August. It is unlikely now that the Authority will be in a position to issue the bulk of its statements to members before the end of December. Because other funds including non-UPM clients were in a similar position the LGA undertook to contact the Pensions Regulator to ascertain the Regulator's likely view on this failure and whether Funds will need to self-report these breaches. Fortunately it would appear that self-reporting will be unnecessary this year given that the Regulator's Code of Conduct specifically provide justifiable dispensations where a fund has 'teething problems' as a result of the implementation of a new system. However this will hold good for one year only and next year, deadlines will have to be met or sanctions will be likely.
- 4.7 The Pensions Increase bulk process was released to the Authority only a month before the program need to be run. Much of that time was spent in resolving errors in the running process before deadlines meant that the program had to be run in the live environment. Whilst the live run allowed the Authority to pay about 43,000 of its 45,000 pensioners their correct increases in April it also meant that staff were left with about 2,000 cases to investigate where the program had not calculated the correct increases.
- 4.8 To exacerbate matters there was no single logical reason for the errors and so each case required detailed investigation to identify the problem and its cause. Remedial action requiring manual intervention was then required to correct the errors. Some members had no increase calculated at all, whilst some had increases applied to the wrong pay elements, others received incorrectly calculated increases on the correct pay elements whilst yet others simply received too much of an increase. Some errors occurred as a result of member GMP data and the interaction with Pensions Increase rules and some cases had no discernible reason for being incorrect and simply had to be amended to the manually calculated correct payment figure. Some overtime resource was necessarily used on this issue alone because of the imperative to complete the exercise and pay people correctly as quickly as possible.
- 4.9 The pensions increase bulk process also had a negative impact on the payroll elements that we directly recharge to some employers. The data conversion from the old system transferred the payments correctly but some of the descriptions and rules behind them were incorrect. Whilst the total payment to the individual continues to be correct the split between the amount charged to the pension fund and the amount charged to the employer is now incorrect. There are over 2000 of these and these need to be

corrected before the year-end to ensure employers are correctly recharged and also to ensure the problem does not reoccur when we apply the 2016 increase.

5. Payroll

- 5.1 The Pensions Payroll amounted to £16.363M in August and paid 45,102 members and dependants. A small proportion of Pensioner Members are paid annually or quarterly but the vast majority are paid monthly. Reputationally, and for the financial welfare of Payroll Members, It is vital that the payroll runs smoothly, quickly, efficiently and accurately. Regrettably, this is currently not the case, although every payroll since November 2014 has been paid on time.
- 5.2 However, the Payroll Process performance is affecting the way the Authority has to conduct its business. In order to allow sufficient time for the payroll to run through to period closedown and allowing for the errors that invariably crop up, the interventions and assistance required of Civica each month, and the time that the RTI submission takes, the Authority is having to close its Pensioner Payroll approximately 5 days earlier on average than it did previously. This impacts on new entrants to the Payroll where members retire later in the month or their retirement documentation is received later in the month and also impacts upon leavers from the payroll as a result of member deaths where death or notification occurs in the latter part of the month..
- 5.3 RTI – the Real Time Information submission to HMRC invariably errors each month requiring Civica intervention and assistance. In addition the File “hangs” meaning that a submission through the Government Gateway facility that should take perhaps 20 to 30 minutes takes a minimum of 4 or 5 hours and in August took several days.
- 5.4 Closing the tax period – This also presents problems each month and can be difficult to close without consistently erroring and requiring Civica assistance. The corollary of this is that until the tax period is closed no further transactions can take place on the payroll meaning, effectively, that Payroll can be closed for a week instead of a few hours.
- 5.5 Single Payments – there are a number of problems still ongoing with the single payments facility. Chief amongst these is the tendency for non-members to appear on the single payments file and also for retirement lump sums not to be paid if the new pensioner has not yet been created on Payroll. Despite Civica assurances that there is no co-relation between the payroll and the single payments file process the Authority has proven that there actually is and the matter has now been formally logged with them for resolving.
- 5.6 Mini Payruns – this is a facility that the Authority was very keen to use and was promised was fully developed and working. This was not the case. In 10months the Authority has attempted to use the facility only once and it caused more problems and errors than it solved. It currently remains unusable.
- 5.7 Accounts Reporting – despite concerted efforts by the Head of Finance this is a vital part of the system that is still not functioning as it should and in reality is far short of ideal although we now have our own reports and workarounds in place.
- 5.8 Effects on the rest of the System – although there should be no performance problems with the Server for the new System and staff should be able to access it and continue to process work during payroll closedown, a big selling point originally, the opposite has in fact been found to be true. The system has crashed on a number of occasions when payroll processes have been run, staff have been thrown out of the system in the

middle of processing casework, exacerbating the problems already being experienced and creating additional recovery work for both Member Services staff and the UPM Development Team. In effect the Authority has had to reintroduce its Policy of making the system unavailable to any but payroll personnel until such time as the payroll is complete.

6. Member Services

- 6.1 Backlog situation - as mentioned earlier in this report by mid-February the Authority had a backlog of over 11,000 cases. A situation very foreign to staff and management alike. An overtime strategy has been in place since late January and through the efforts of staff on Saturdays, (every Saturday falling within a Bank Holiday since January has also been worked so a number of staff have not had the benefit of a two day weekend for over 8 months let alone a three day weekend break), the backlog was first kept in check and then slowly reduced to the levels reported below.

Total Cases Outstanding	8,192
Cases commenced and awaiting further information/decisions	2,230
Cases awaiting commencement	5,962

At the time of writing this report 10,300 cases had been completed on Saturdays alone at a cost of £30,985.11. This equates to an enhanced overtime cost per case of £3.01. However, this needs to be measured against the position the Authority would be in now were it not for the efforts of staff on Saturdays and the cost to the Authority of being in that worse position.

Officers have also devised a further strategy to support the overtime effort and over the next month it is hoped to have made some major headway with the numbers. This supporting strategy is being monitored and reviewed on a weekly basis but the initial results are encouraging. In just one week, including Saturday 1736 processes were completed relating to personal details changes and GMP loading.

6.2 Performance

Performance for the period 1 December 2014 to 14 September 2015

Work Category	Number Completed	Within Target	Target
Priority Casework	6,531	66.16%	100%
Non-Priority Casework	37,655	54.44%	96%
All casework	44,187	56.17%	97%

By contrast, the performance for August 2015 was as detailed in the next table below:

Work Category	Number Completed	Within Target	Target
Priority Casework	725	77.93%	100%
Non-Priority Casework	5,503	60.29%	96%
All casework	6,228	62.35%	97%

By further contrast the overall performance for January 2015 was **48.12%** from **4,437** cases completed. August saw an increase of **40%** in casework produced and an increase of **14%** in cases completed within target when compared to January. As at 17 September overall performance was running at **65.12%**, a small but important improvement demonstrating that the Authority is making headway and getting back on track, from a similar number of cases to August, (pro-rata).

- 6.3 As can be seen, progress is being made and the latest performance figures are somewhat encouraging and promise a more optimistic future. However, because all of the non-priority work in the backlog is already out of time it will be some months at the earliest before the performance is of a more acceptable level and back towards where the Authority wants it to be. The further updated performance for September will be reported verbally at the meeting where, hopefully, further progress will be demonstrated. True performance figures will only be available when the backlog is clear and staff are able to concentrate solely on the new work arriving in the office.
- 6.4 Although Officers have now developed some of the detailed reports required the Report Suite itself is still incomplete. Despite this it was felt appropriate that Members be provided with some additional detailed information about some of the priority category casework and the extent to which those cases had either been completed within, or outside, of their target performance times and how close or otherwise targets were to being achieved. That information is provided below.

6.5 Priority performance detail

Case Type	Target Days	Numbers Completed	In Target	Outside Target
Retirement	5 days	2069	1471	598
Death In Service	4 days	24	5	19
Pensioner Death	4 days	1091	639	452
Divorce Quote	5 days	226	93	133

Case Type	Outside Target by:										
	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days	8 Days	9 Days	10-20 Days	over20 Days
Retirement	82	42	43	33	35	38	36	28	26	144	92
Death in Service	1	0	0	1	1	0	0	0	1	5	10
Pensioner Death	44	22	29	24	23	17	14	17	12	122	128
Divorce Quote	10	8	6	5	6	6	7	3	3	32	47

6.6 To put some of the above figures in context:

- For Divorce quotations, the legislation allows three months in which to provide the information requested for the financial settlement negotiation whilst the

Authority target is only 5 days, yet 80% of these cases were still completed within 20 days which is more than two months inside the time allowed by law

- For retirements, over 95% of first time retirees received their lump sum retiring allowance and benefit details within 20 days and their first payment of pension on the first available payroll following receipt of their retirement documents
- Death processes and their associated process maps have been amongst the most problematical on UPM and this is reflected in the performance with 42% of cases done out of time. The Authority’s target time is a very demanding 4 days and it is pleasing to note that 88% of cases were still done within 20 days indicating that most dependants and benefit recipients would have received their first pension payments on the earliest available payroll anyway.

7. Information Technology

- 7.1 Even at this late stage of the implementation project there is as yet no working Web facility for Members or Employers. This has led to a number of complaints from members.
- 7.2 Civica have repeatedly failed to deliver a viable Web facility within its product despite this being one of the more important aspects of the system that the Authority wished, and needed, to exploit given its history of providing this facility to members already under the old system.
- 7.3 Progress to date has been a painfully slow process and it has taken the withholding of funds to generate a positive response from Civica.
- 7.4 Despite this flaws and time taken to date we are almost there and is looking good thanks to the personalisation we have been able to apply to the product. We are hoping for a limited mid-October release provided the system passes an independent security test.

8. Technical & UPM Development

- 8.1 Bulk Data Importer Processes – many of the annual exercises that the Authority is required to perform across its member base are bulk exercise routines that, under the UPM regime, require a process to be followed through the use of what is termed a “Bulk Data Importer Process”. The following work requires a UPM BDIP in order to be able to perform the updates, calculations and reports required. Some are interdependent and prevent the next step in the process being taken if the predecessor step fails. The Technical Team have been and continue to be dedicated to familiarising themselves with these processes, testing them as thoroughly as time allows, training staff in their use and the investigation and examination of results and finding solutions in conjunction with Civica to those that do not work:

Exercise and schedule for completion	Process Release date	Testing Regime	Problems caused
Pensions Increase to Pensioner and Deferred Member Benefits In between March Payroll closedown and April Payroll closedown	23/02/2015	Poor. Time constrained Early testing resulted in errors, limited support from Civica, the testing process	2000 Pensioner cases not processed (Approx’), no increases, wrong pay element(s) increased, too small an increase, too large an increase, GMP

		became a cycle of clear one error, test, clear the next error and so on. Process became time critical and high level pressure had to be applied and testing was complete for Pensioner Members with two days to spare and the live run only one day before April Payroll closedown	issues and so on. The range of errors and non-logical reasons for them meant that twelve separate reports had to be run to identify them. Each had to be individually investigated and manually resolved and checked. Incorrect pension recharge.
Annual Return Posting 1 April onwards and prior to 30 June to enable the ABS process	N/A	Poor. Time constrained There was an existing process available but, upon testing, it became apparent that this was not fit for purpose as the standard Product Process Map did not work properly.	Validation not working properly, a half day Civica on-site support effort resolved this but further issues appeared including the actual posting of data which had to be referred back to Civica. Live posting began on 20 July . Further problems experienced required Civica resolutions as well as in-house developed script fixes. Limited training provided to the Management teams only
CARE Benefit Posting 1 April onwards and prior to 30 June to enable the ABS process	N/A	Adequate but problematical Forms part of the annual return process. Standard map did not work. A mixture of fixes had to be applied including Civica assistance, in-house script development and help from other Funds on UPM	No training yet provided to staff The process appears to work now
Treasury Revaluation Order ASAP following the posting of contributions and pay		Poor. Again, this forms part of an overall process commenced by the Annual Return Posting	
			The process does not work

<p>Annual benefit Statement calculation</p> <p>By 31 July each year</p>		<p>Testing commenced week beginning 1 September 2015</p> <p>Ongoing</p>	<p>correctly and is causing a number of errors, chief of which is the creation and storage of statements for members for whom the Authority does not wish to issue a statement because of queries with the records</p>
<p>Annual Allowance calculation</p> <p>By 31 August each year</p>		<p>Testing commenced week beginning 1 September 2015</p> <p>Ongoing</p>	<p>It is not yet known what reports will be possible from this process and in what format compared to previous years and how this will impact on the Authority's ability to identify potentially affected members and to then perform more detailed work for them</p>
<p>Bulk Redundancy Calculation</p> <p>As required by employers</p>	<p>See text in right hand column</p>	<p>Adequate Time constrained</p> <p>This was required as a matter of urgency for 3 employers</p>	<p>Released for use on individual members on 4 August following development and acceptance by Civica of the Mercer cost specification</p> <p>However, the urgency was for the bulk release which had not included employer costs, probably the most important aspect.</p> <p>Two exercises performed for employers using a mixture of the bulk process and a manual input process to a separate reckoner to obtain costs. This was extremely time consuming, liable to input and transposition errors and required careful checking</p> <p>Released for bulk jobs in late August and work is about to commence on a bulk exercise for Sheffield CC.</p>
<p>Valuation calculation extract</p> <p>By 3 September</p>	<p>04/08/2015</p>	<p>Poor – trial and error Time constrained</p> <p>Many errors have been</p>	<p>In addition to the process errors the routine takes for ever to run</p> <p>A brand new process is</p>

		found as the process has been run, these have required Civica intervention and resolution Testing has just commenced on the Active Member extract for RMBC	being developed by Civica
Bulk Joiner Process		Rigorous but problematical	This is a process that is simple in concept and extremely complex in reality. It is still not fully functional despite it being a vital requirement of the Authority's work strategy and, when working properly, will facilitate the interfacing of new starters from Employers and reduce dramatically the manual effort required by staff

8.2 Although process testing is all about identifying and resolving errors and issues with the process, so that when used in a live environment work can be performed with confidence, the fact that many of these bulk processes depend on the first part of a larger overall process being completed and, because the individual processes themselves have consistently failed and been full of errors, there has been an impact on the time available for testing the next stage. Testing itself has been very much a trial and error regime run in a race against statutory deadlines, some of which had already passed before testing could start. A further effect has been that training provided to staff has either been rushed, non-existent or not comprehensive enough with staff learning as they go in a live environment which is less than ideal.

9. Customer Service/Complaints

9.1 The Authority has received 23 Formal Complaints since the live launch of UPM in November 2014; a ten month period at the time of writing this report. This equates to 27 or 28 for a full year which is between three and four times the number the Authority would expect to receive in normal circumstances. If it were not for the staff having the patience and making the effort to diffuse many other irate members the numbers could have been a lot higher. It would be fair to say that large volumes of unhappy members have called the office, adding to the pressure that staff are under, but have stopped short of then making a formal complaint after speaking to an officer.

9.2 However, it would not be fair to say that all the received complaints are UPM related. The following is a simple breakdown of those received to date and gives a flavour of the main issues:

- 9 Formal Complaints were received in relation to delays in providing information or dealing with a case. Of these 7 were directly attributable to failures and problems with the UPM System. The remaining two were occasioned by Employer delays.

- 3 Formal Complaints were received about the lack of a Member-Web facility
- 4 Formal Complaints were made about erroneous retirement estimate figures. Whilst this is not an overly unusual number when measured against the history of this types of complaint it is a little high and it is felt that had the Authority not been under such severe pressure from backlogs and a new unfamiliar system, (as well as the introduction of a new scheme and new Regulations), where staff were unsure as to what calculations were correct and which were not, then these cases may well have been picked up before they were sent out. One of the 4 was directly attributable to a system error with the calculation and was not spotted by the staff issuing the estimate.
- 7 of the complaints received covered a general mix of issues that members felt they had cause to write in about

9.3 To place these numbers in context, 14 complaints, either directly or indirectly resulting from the new system, is probably twice as many as Officers would have hoped to receive within that period across all categories of the service.

10 Conclusion and current position

- 10.1 Officers hope that the report demonstrates to Members that the introduction of the UPM Computerised Administration System, whilst unavoidable and vital, has affected the Authority across the whole range of its Pensions Administration Business and that as a result there are real and genuine reasons for the poor performance and the casework backlog. It is hoped that Members understand that there has been no lack of effort and dedication by the staff whom Management commend for their determination to do their best in extremely trying circumstances.
- 10.2 The position is improving slowly as the figures for August and September show and with the continued overtime effort and the supporting strategy in place during normal office hours officers remain optimistic about clearing the backlog by the end of December this year as was always the original intended target.
- 10.3 It is worth noting that the South Yorkshire Fund is not alone in having a backlog situation. One Metropolitan Fund of a similar size has a casework backlog of 13,000 at the time of writing. Another Metropolitan Fund, the largest, has nearly as many cases in just two categories of work as this Fund has in total. One of these Funds is a UPM user whilst the other uses the latest system offered by this Authority's old provider. Users of that system have told us that they have had issues as a result of introduction of LGPS 2014 leading to backlogs of work and we now understand that they have been given notice that they will have to move to another new product in a couple of years time. Had SYPA chosen that product over UPM, not only would potentially still have backlogs of work but we would also now be facing the prospect of a further system change if the reports we have heard are accurate..
- 10.4 The regrettable aspect of this report is that on far too many occasions, efforts by SYPA have been hampered by a broken product and delays by Civica in fixing the system or by processes not having been developed at all at the point of requirement or not ready when needed. Management definitely feel that better progress towards normality can only be achieved by improving the speed and efficiency with which Civica respond and support the Authority through any problems, release new or revised components of the

system in time to allow for rigorous testing and release a much cleaner product at all times when new versions are made available. It is also felt that this can only be achieved by Civica resourcing themselves properly and retaining their experienced staff, an issue beyond the control of SYPA. The feeling is that they are very much overstretched with a high turnover of senior staff which affects continuity and the service they are able to provide to SYPA.

- 10.5 Throughout the pre and post installation period we have not been restrained in our criticism of the supplier and have continually pressed for resolution of our outstanding issues from senior managers at Civica. We are aware that all the other LGPS UPM clients both new and old share our frustrations and a user group has been set for 8th October at which we will come together as a united force to demand improvements in all areas.
- 10.6 It should be noted that Employers have been very patient and understanding throughout this difficult 10 month period and we will need this to continue for at least the near future . Officers are extremely grateful for this and a provisional date of 24 November has been pencilled in for this year's Employers' Forum where it is hoped to provide them with, amongst other things, a full review of the year.
- 10.7 It should also be noted that despite staff determination to do their best there is no doubt that they are feeling the stresses and strains of having to cope in extremely difficult circumstances. Morale is low in some quarters and frustration is office wide as staff who are used to providing excellent customer service are struggling to come to terms with the poorer service now being provided as a matter of routine, with little or no visible light at the end of the tunnel yet.
- 10.8 Officers welcome Members comments or questions.

11. Implications

- **Financial** - There are financial implications to this report in that:
 - The Authority is not yet receiving value for money from the product it has purchased
 - Over £30K has been spent on overtime to date to combat the backlog of casework. Further overtime expenditure is still required. However total cost of UPM still less than cost of staying with the old supplier.
 - Additional funds are having to be expended on the system where the Standard Product requires specific development, outside of that planned by Civica, to cater for the Authority's working practices and policies in some areas
- **Legal** The Authority is at risk of censure by the Pensions Regulator for failing to comply with certain statutory deadlines for notifying members of their entitlements and for issuing annual benefit statements

- **Diversity** - None

Gary Chapman
Head of Pensions Administration
Phone 01226 772954
E-mail: gchapman@sypa.org.uk

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1st October 2015

Annual Benefit Statements

1. Purpose of the Report

To advise members about the failure to meet the Statutory deadline for the issue of Annual Benefit Statements to active and deferred members.

2. Recommendations

Members are invited to comment on the contents of the report

3. Statutory Requirements

- 3.1 Regulation 89 of the Local Government Pension Scheme Regulations 2013 requires an annual benefit statement to be issued to active and deferred benefit members within five months of the end of the scheme year to which it relates. The end of the scheme year is 31st March which therefore means that statements must be issued by 31st August.
- 3.2 In April 2015 the Pensions Regulator issued Code of Practice no. 14 on Governance and Administration of Public Service Pension Schemes. The primary objective of the code of practice is to protect the benefits of pension scheme members and requires scheme managers and those charged with governance to comply with a number of principles set out in the code.

4. Annual Benefit Statement Production

- 4.1 The annual benefit statement process for active members starts at the year-end and compliance with the Statutory deadline is heavily dependent on the scheme employers supplying a balanced year-end file containing details of the contributions paid and pensionable earnings of all their members for the year in question within a reasonable timescale after the end of the year. We have an SLA with all employers requiring them to issue a balanced file by the end of May but Members will be aware that with over three hundred employers not all employers manage to meet the deadline.
- 4.2 Once a balanced year-end file has been received from an employer the contributions paid by the member have to be posted to their pension record along with their pensionable earnings. This part of the procedure identifies new starters and leavers that the employer has not told us about along with changes in the amount of pay that might indicate that

a member has changed their contractual hours which again we haven't been informed of. These type of issues need to be queried with the employer before a statement can be produced.

- 4.3 Following the introduction of the CARE in LGPS 2014 the annual benefit statement becomes a much more significant document in that it is no longer just a forecast of the potential benefits from the scheme. It is a statement of the actual benefits earned in the year in question. Once contributions and pay have been reconciled the next stage of the procedure is to calculate the CARE pension earned in the year and then apply the Statutory revaluation in accordance with HM Treasury revaluation orders.
- 4.4 The vast majority of members have protected final salary by virtue of having membership prior to 1st April 2014. The annual benefit statement for these members therefore has a forecast element based on the estimated final salary pay to the 31st March (this can be a different figure to CARE pay as they have different definitions).
- 4.5 Having calculated the CARE Pension and Final Salary forecast the next stage is to produce the annual benefit statement data which also includes an assessment for tax purposes of each members position in relation to the annual allowance and lifetime allowance.
- 4.6 Once produced the statement is subject to testing and application of conditional logic before being sent off to the printer for final production and despatch.
- 4.7 The annual benefit statement for deferred members is much more straightforward and simply requires the application of the percentage increase in consumer prices (CPI).

5. The 2015 Annual Benefit Statement Production Experience

- 5.1 The Statutory deadline for the issue of statements is very challenging. In an ordinary year even if all employers met the SLA deadline of 31st May, which they don't, that gives us just three months to complete the procedure described above. However 2015 is an extraordinary year in that it is the first year of CARE and the first time we have had to produce annual benefit statements using our new system – UPM.
- 5.2 Nevertheless we started out with the intention of meeting the statutory deadline and estimated we could do this for at least 85% of members. The statement was scheduled to be issued with the Autumn newsletter during the last week of August. The preparation started at the beginning of 2015 with the issue of the revised contribution return template to employers followed by guidance with regard to its completion.

- 5.3 Having issued the template to the employers the next task was to test the contribution posting and reconciliation process within UPM. Unfortunately the process was issued late and contained errors and as a result of LGPS 2014 was brand new and largely untested. A significant amount of time and effort was then spent testing the process of updating members contribution records, developing internal processes for dealing with queries and training staff. Towards the end of July we were in a position to roll out the new process and although time was tight and we had no chance of sending 100% of active member statements we felt that we might be able to issue over 75% of them.
- 5.4 As soon as we were in a position to produce the statements we contacted the company we had selected to print them only to be informed that it was impossible for them to meet the 31st August deadline due to commitments they had made to other LGPS clients also wishing to have their statements issued by 31st August. Although the annual benefit statements to deferred were ready to go this meant that they too would have to be delayed (the deferred statement is much easier to produce and had been held back in order to be sent with the autumn newsletter to maximise savings on postage).
- 5.5 Around this time LGPS pension funds in a similar position to ourselves were starting to ask questions about the implications of missing the Statutory deadline for the issue of the annual benefit statement. This was picked up nationally by the LGA who ran a survey that indicated most funds were not able to meet the deadline and they undertook to approach the Pensions Regulator on behalf of the LGPS.
- 5.6 The Pensions Regulator was very grateful for the survey which provided the basis for assessing the range and pattern of compliance and would like to see it repeated in future. However it was made clear that any cases of a material breach can be reported only by the scheme manager to whom that breach relates meaning that each administering authority should therefore consider, based on the guidance set out in the 'Reporting breaches of the law' section of the Regulator's code of practice, if their situation constitutes a breach likely to be 'of material significance'. Helpfully though the Regulator pointed out that administering authorities may wish to take into account the reference to 'teething problems' in paragraph 257 of the code of practice related to the introduction of the new scheme and the new statutory deadline for issuing statements when assessing the materiality of any breach.
- 5.7 Paragraph 257 states '*a breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances*'.

- 5.8 As a result of the guidance from the Pensions Regulator and the fact the our circumstances clearly meet the requirements of Paragraph 257 we are confident that although we have clearly not met the Statutory deadline we do not have to report the breach to the Pensions Regulator on this occasion. However it is clear that this relaxation of the code will not apply next year and therefore we must take steps to ensure that we take appropriate measures to ensure we meet the deadline in future.

6. Current Position

- 6.1 Receiving the Pensions Regulators opinion has relieved the immediate pressure to issue the statements and we have therefore decided to take more time to ensure that the information they contain is accurate. Unlike final salary forecasts the CARE benefit is the actual pension a member has earned in the year and therefore it is worth taking extra time checking the results from UPM.
- 6.2 The new target is to have sent all annual benefit statements by 31st December although we have agreed with the printer that we can send sizeable batches earlier once they are ready to go. We have informed scheme members of the delay on our website.
- 6.3 Unfortunately we have been unable to delay the sending of our autumn newsletter due to the fact that includes time dependant information about our annual fund meeting in October. This has resulted in a loss of the savings we make on postage by not having a joint mailing but this has been unavoidable given the circumstances. However, the annual benefit to deferred members has now been sent along with the autumn newsletter as originally planned.
- 6.4 Although we will be working hard to ensure our processes are fully up to speed for next year we also have to be aware that in order for us to meet the Statutory deadline we need to receive the year-end return from employers in a timely manner. The long term aim is to switch to monthly returns and deal with issues as they occur throughout the year rather all in one go but in the short-term we plan to raise the issue at this year's Employers Forum in November. Of course not all employers attend the forum and therefore we will be also making sure all employers are briefed via EPIC.

7. Implications and risks

Implications

- Financial

Cost of additional postage at 23p per statement issued.

- Legal

There are no legal implications

- Diversity

There are no diversity implications

Gary Chapman

Head of Pensions Administration

Phone 01226 772954

E-mail gchapman@sypa.org.uk

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

Other sources and references:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 October 2015

APPOINTMENT OF FUND DIRECTOR

Report of the Clerk

1) Purpose of the Report

To notify the Authority of the Fund Director's intention to retire with effect from the end of March 2016 and to outline the process for the appointment of a successor.

2) Recommendations

Members are recommended to:

- a) That the Authority agree to the establishment of an Appointments Panel and its proposed Membership.
 - b) Notes the proposed timeframe for appointment.
-

3) Background Information

3.1 The Fund Director of the South Yorkshire Pensions Authority has notified the Chair and Clerk to the Authority of his intention to retire with effect from 31 March 2016.

3.2 The Authority in seeking a successor is being requested to agree the establishment an Appointments Panel comprising Authority Members as set out below.

4) Appointments Panel

4.1 It is proposed that an Appointments Panel be established comprising the Authority's Chair, Vice Chair and Section 41 representatives from Doncaster and Sheffield (thereby providing representation from the four local councils in South Yorkshire) and on its behalf appoint a successor to the Fund Director.

4.2 In supporting the appointment the Panel will seek the input of the Authority's appointed advisors as appropriate, an external HR advisor

and where required the input of the Human Resources Directorate of Barnsley MBC as advisor to the Clerk to the Authority.

5) Appointment Timetable

5.1 In seeking to ensure the process and transition does not impact on business continuity, the following is suggested by way of a working timetable, subject to confirmation of participant's availability. Dates will be formalised once this suggested approach is agreed:

Initial Meeting of the Appointments Panel and advisors to consider proposed interview process	Early Oct
Out to Advert	Mid/Late Oct
Interviews	Late Nov/Early Dec
Appointment	Early December

6) Implications and risks

6.1 Financial – Financial provision is made in the Authority's revenue budget to meet the costs of the appointment process.

6.2 The Authority aims to be an equal opportunity employer giving opportunities for all applicants regardless of background or status with the aim of building a workforce that reflects the diversity of the local population.

6.3 Risk – In order to maintain business continuity it is essential that the Authority seek an appointment to this post.

**Officer Responsible: Martin McCarthy,
Post: Deputy Clerk, South Yorkshire Pensions Authority**

01226 772808

MMcCarthy@syjs.gov.uk

Background papers used in the preparation of this report are available for inspection at the offices of the South Yorkshire Pensions Authority, 18 Regent Street, Barnsley.