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SOUTH YORKSHIRE PENSIONS AUTHORITY

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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 3 December 2015 at 10.00 am for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink that reads "Diana Terris". The signature is written in a cursive style.

Diana Terris
Clerk

This matter is being dealt with by: Gill Richards
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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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

3 DECEMBER 2015 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELEY, S70 2HG

Agenda: Reports attached unless stated otherwise

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2	Announcements	
3	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
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SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

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

Trade Unions: G Warwick (GMB) and N Doolan (Unison)

Officers: J Hattersley (Fund Director SYPA), G Chapman
(Head of Pensions Administration SYPA), J Bell (Director of
Human Resources, Performance and Communications,
BMBC), F Foster (Treasurer), M McCarthy (Deputy Clerk) and
M McCoolle (Senior Democratic Services Officer)

Apologies for absence were received from Councillor J Scott,
F Tyas, R Askwith, A Frosdick, B Clarkson and R Bywater

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Ellis referred to agenda item 30 entitled 'Senior Manager Pay Review'. Members noted that the report had been withdrawn from the agenda as the Section 151 Officer had not had sight of the report; it was envisaged that the report would be presented to the Authority meeting in December.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 11 JUNE 2015

RESOLVED – That the minutes of the Annual Authority meeting held on 11 June 2015 be signed by the Chair as a correct record.

7 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 11 JUNE 2015

RESOLVED – That the minutes of the Ordinary Authority meeting held on 11 June 2015 be signed by the Chair as a correct record.

8 MINUTES OF THE MEETING OF THE MANAGEMENT COMMITTEE HELD ON 16 APRIL 2015

RESOLVED – That the minutes of the Management Committee held on 16 April 2015 be noted.

9 MINUTES OF THE MEETING OF CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 18 JUNE 2015

M McCarthy commented that the Department for Communities and Local Government (DCLG) had now confirmed the establishment of a Joint Local Pension Board for the two South Yorkshire LGPS administering authorities; the first meeting would be held today.

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 18 June 2015 be noted.

10 MINUTES OF THE MEETING OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 23 JULY 2015

Members noted that the Value Added Tax report had been included onto the Work Programme, and this would be presented to the next Board meeting.

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 23 July 2015 be noted.

11 MINUTES OF THE MEETING OF THE INVESTMENT BOARD HELD ON 25 JUNE 2015

RESOLVED – That the minutes of the Investment Board held on 25 June 2015 be noted.

12 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 14 January 2016.

RESOLVED – That Members noted the contents of the report.

13 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

14 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

None.

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

A report of the Deputy Clerk was submitted to consider amendments to the Constitution and Terms of Reference of the South Yorkshire Local Pension Board.

The South Yorkshire Local Pension Board had first met on 23 July 2015, where its Constitution and Terms of Reference had been considered, as approved by the Authority on 19 March 2015. It had been suggested that the Constitution be amended to indicate:-

- i) A Member may serve a maximum of two terms of office.
- ii) The Board shall hold meetings quarterly. Additional meetings may be called at any time by the Chair.

RESOLVED – That Members agreed to the suggested amendments.

16 LOCAL PENSION BOARD BUDGET 2015/16

A report of the Clerk was presented to consider and agree a budget for the recently established Local Pension Board for the period 2015/16.

It was noted that in relation to the establishment of local pension boards, the Guidance had made provision for the boards to have access to a budget for specified purposes, which may include:-

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

RESOLVED – That Members:-

- i) Agreed a budget of £15,000 for the period 2015/16.
- ii) Noted that these costs would be met on a pro-rata basis by the South Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund.
- iii) Noted that the expenditure would be reported as part of the Authority's budget monitoring arrangements.

17 GOVERNMENT CONSULTATION ON LGPS

A report of the Fund Director was submitted to advise Members that the Government intended to consult over the pooling of investments to reduce costs.

Members noted that the report had been presented to the Investment Board meeting in September, where it was understood that there would be major implications for both the Authority and the Fund if the proposals were pursued.

Members were referred to the message from the Department for Communities and Local Government, which stated that 'Hymans established that savings and efficiencies of up to £660m could be achieved by pooling investment into collective investment vehicles to access economies of scale, by making greater use of passive management for listed assets'. The proposal suggested that 5/6 collective investment vehicles be established, which all administering authorities would be required to invest into but they would retain local asset allocation decision making; the internally managed funds would not be large enough to meet the size criteria. A great deal of officer work was underway to work through the CLG proposals so far released but there was a lot of ambiguity and lack of cohesion surrounding them. HM Treasury had realised that there was a timescale, and they were keen to make an announcement at the next budget that cost savings would have been achieved. The Government was focusing on the cost, scale and governance, and it was seeking to improve governance of administrative authorities (seemingly without adversely affecting investment performance).

At the September Investment Board meeting, the State Street presentation had indicated that the Fund had outperformed its benchmark by 0.1% per annum over the last decade whereas the average fund had underperformed by 0.1% and the differential was a further 0.2% net of fees.

G Warwick commented that the Scheme Advisory Board had expressed concern, and he considered that a holding letter to the Government would be invaluable to point out the increase in cost as opposed to savings. It had been agreed at the last Advisory Board meeting, to undertake further work on the criteria assessment.

Members noted that a workshop would be held on 19 November to discuss the issues surrounding what was so far known about the proposals. It was noted that the Investment Board had given approval for the Fund Director to explore the research being undertaken by Hymans Robertson, and had given approval for the Board to enter into this providing the costing was circa £10,000.

RESOLVED – That Members:-

- i) Noted the report and the response so far proposed by the Investment Board.
- ii) Agreed that a holding letter be submitted to the Government to explain the Fund's position and the areas it wanted to explore further.
- iii) Noted that a workshop would be held on 19 November to discuss the response to the LGPS consultation on investment pooling.

18 COMPLIANCE AND ENFORCEMENT BY THE PENSIONS REGULATOR IN THE LGPS

A report of the Clerk was presented to draw to Members' attention the publication by the Pensions Regulator of an enforcement policy document affecting the LGPS.

Members noted that the framework for the governance and administration of public service pension schemes had been introduced in the Public Service Pensions Act 2013. The Pensions Regulator (TPR) was now the LGPS regulatory body.

RESOLVED – That Members noted the report.

19 QUARTER 1 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2015/16 Quarter 1.

Councillor Ellis referred to stock selection that had added value at a time which had been very difficult for the Fund.

RESOLVED – That the contents of the report be noted.

20 ACTUARIAL VALUATION TIMETABLE 2016

A report of the Fund Director was submitted to advise Members about the provisional timetable for considering aspects of the actuarial valuation due at the end of March 2016.

Members noted that traditionally the Authority reserved the actuarial valuation to itself rather than delegating to a Board. The Fund's next triennial actuarial valuation was due as at 31 March 2016. Members noted the provisional timetable which incorporated the work from the employers, the actuary and the Authority. Officers and the actuary were involved in preliminary discussions in relation to the adoption of underlying principles for setting the valuation assumptions/methodology; a meeting would be held in October and the outcome would be discussed with the district councils.

Councillor Ellis queried whether any local authorities had provided outsourcing information, following the Authority's plea made a few months earlier. J Hattersley commented that the matter would be raised at the forthcoming meeting with Treasurers.

Councillor Wraith requested that the Authority be provided with feedback throughout the process.

Councillor Ellis expressed concern with UPM, the new administration system, and whether it was able to give equality and reliability of membership data.

G Chapman commented that from next year, it would be critical for employers to provide data in a timely fashion; the matter would be raised at the Employers Forum in November 2015. It was noted that a new valuation extract program was required to accommodate the changes to the scheme; a specification had been agreed with actuaries, and discussions were underway with the software supplier. The Fund had agreed to be the test site for the new software, which was expected before the end of the year; Members would be kept informed of the test results.

RESOLVED – That Members noted the report.

21 BOARD CHAIRS' REPORTS

Councillor Ellis had met with a number of staff over the last few months, where she had acknowledged that the Authority was aware of the amount of strain the additional

workload had caused staff due to problems with the UPM administration system; she gave thanks to J Hattersley, G Chapman and M McCarthy for the time involved in providing in-depth explanations on matters to her.

Councillor Ellis referred to J Hattersley's intention to retire. J Hattersley was held in the highest regard and he would be difficult to replace; it would be imperative to find a suitable replacement over the coming months. Members noted the forthcoming Annual Fund Meeting which would be robust in relation to responsible investments etc.

Councillor Ellis had met with D Terris, Clerk to the Authority, and J Bell, Director of Human Resources, Performance and Communications (BMBC).

Councillor Wraith gave thanks to the staff and officers for the work undertaken on the UPM administration system.

J Hattersley gave thanks, on behalf of colleagues, to the Chair for all of her support.

22 CORPORATE PLANNING & GOVERNANCE BOARD AUDIT COMMITTEE
FUNCTION ANNUAL REPORT

The Authority was presented with the Corporate Planning and Governance Board Audit Committee Function Annual Report 2014/15, which provided evidence of the arrangements the Authority had 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.

Members noted that the draft Annual Report had been agreed at the Corporate Planning and Governance Board meeting held on 18 June.

RESOLVED – That the Authority approved the Corporate Planning and Governance Board Audit Committee Function Annual Report 2014/15.

23 SOUTH YORKSHIRE PENSION FUND ANNUAL FUND MEETING 2015

A report of the Head of Pensions Administration was submitted to advise Members about the 2015 Annual Fund Meeting, which would be held at Doncaster Racecourse on Thursday 22 October 2015 commencing at 5.30pm.

Members noted that the format and style of the meeting would include presentations from the Fund Director and the Head of Pensions Administration plus pre-notified questions from attendees, as at previous events. Subject to testing the quality of the mobile network at the racecourse, the event would be live streamed, which would be new for this year.

RESOLVED – That Members noted that the 2015 Annual Fund Meeting would be held on Thursday 22 October 2015 at Doncaster Racecourse commencing at 5.30pm.

24 MYNERS' PRINCIPLES: COMPLIANCE STATEMENT

A report of the Clerk was submitted to ask Members to approve an updated version of the Myners' Principles Compliance Statement.

The Statement of Compliance with the Myners' Principles had last been approved by Members in September 2013. An updated document had been prepared which reflected the introduction of a Local Pension Board, in anticipation of the establishment of the new website; no other material changes had been made.

RESOLVED – That Members approved the amended version of the Myners' Principles Compliance Statement.

25 REVIEW OF CORPORATE STRATEGY

A report of the Clerk was presented to seek Members retrospective approval of a decision by the Chair and Vice Chair to approve the publication of a revised Corporate Strategy Statement.

Members noted that given the lack of clarity surrounding the future of the Local Government Pension Scheme, it had been agreed in March not to review the Authority's Corporate Strategy, and that Local Pension Boards were to be introduced from 1 April 2015. The existing document had not been revised to reflect the introduction of the 2014 LGPS or in light of changes resulting from the dissolution of the South Yorkshire Joint Secretariat. An updated document had been prepared in anticipation of the establishment of the new website; no material changes to the Strategy or Objectives had been made.

RESOLVED – That Members approved the decision of the Chair and Vice Chair to agree to the publication of a revised Corporate Strategy Statement.

26 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

A report of the Clerk was submitted to ask Members to retrospectively approve a revised version of the Fund's Governance Compliance Statement.

The Fund had a statutory requirement to publish a Governance Compliance Statement; the current Statement was dated from June 2013. Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) applied.

Members noted that the existing document had been reviewed due to the changes resulting from the dissolution of the South Yorkshire Joint Secretariat and the introduction of the 2014 LGPS, and it also incorporated references to the introduction of the Local Pension Board; no material changes had otherwise been made.

RESOLVED – That Members approved the revision of the Governance Compliance Statement.

27 REVIEW OF PENSIONS ADMINISTRATION SINCE THE IMPLEMENTATION OF THE UPM SYSTEM

A report of the Head of Pensions Administration was presented 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.

Members noted that from the 'go live' date to the end of January 2015, there had been a backlog of 11,000 cases, which at its highest had peaked at 13,000 cases. It had been recognised that the backlog could not be reduced without implementing overtime measures which had commenced from January 2015; a total of 10,000 cases had been completed as a result of overtime working. G Chapman commented that overtime working would cease at the end of December 2015. Provided that overtime working continued on the same basis until December 2015, the total estimated cost would be between £45,000 and £50,000. Discussions with other funds had indicated that they had encountered similar backlog problems. G Chapman would provide an update at the December Authority meeting.

Many of the issues that have been encountered have been as a result of doing things for the first time. As we approach nearly one year live we start to repeat things we have experienced before. For instance the pension increase procedure would be able to commence earlier than previously, which will help to avoid the errors that had been incurred last time. It was envisaged that normal business would be resumed at the beginning of 2016.

Members expressed their thanks to the staff for working through such extremely difficult circumstances, together with their dissatisfaction with Civica, the UPM system provider.

Members agreed that a representative from Civica would be invited to a future Authority meeting, to explain their performance and to enable Members to express their dissatisfaction at the service provided.

RESOLVED – That Members:-

- i) Commented specifically on any areas of the report giving rise to major concerns.
- ii) Commented generally on the Authority's position as detailed in the report.
- iv) Agreed that Civica be invited to a future Authority meeting.

28 ANNUAL BENEFIT STATEMENTS

A report of the Head of Pensions Administration was submitted to advise Members about the failure to meet the statutory deadline for the issue of Annual Benefit Statements to active and deferred Members.

Members noted that statements must be issued by 31 August each year; 2015 was an extraordinary year due to it being the first year of CARE and the first time the annual benefit statements had to be produced on UPM, the new administration system. It had been the intention to meet the statutory deadline, with an estimation for completion of 85% of members. It was noted that the selected printing company, who had been requested to print the statements, had indicated that it would be impossible to meet the 31 August 2015 deadline, due to commitments with other LGPS clients who also wished to have their statements issued by 31 August 2015.

The LGA had ran a national survey, due to a number of LGPS pension funds being in a similar position. The results had indicated that most funds were unable to meet the

deadline and the LGA had undertaken to approach the Pensions Regulator on behalf of the LGPS, who had indicated that administering authorities could take into account the reference to teething problems in paragraph 257 of the Code of Practice, in relation to the introduction of the new scheme and the new statutory deadline for issuing statements when assessing the materiality of any breach.

Members noted the new target of 31 December 2015, for all annual benefit statements to be despatched; it had been agreed with the printing company to send sizeable batches once prepared; scheme members had been made aware of the delay on the website.

As a result of time dependent information, in relation to the annual fund meeting in October, which was contained within the autumn newsletter, this had been despatched, and had resulted in a loss of savings made on postage by not having a joint mailing; but the annual benefit to deferred members had been included in the mailing as originally planned.

Members noted the long term aim for employers to provide monthly returns, and for issues to be dealt with as and when they occurred throughout the year; the issue would be raised at the Employers Forum in November.

Members queried the deadline for online submissions of the self-assessment.

RESOLVED – That:-

- i) Members noted the contents of the report.
- ii) The Head of Pensions Administration would inform Members of the deadline for online submissions of the self-assessment.

29 APPOINTMENT OF FUND DIRECTOR

A report of the Deputy Clerk was presented 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.

Members noted the proposal to establish an Appointments Panel to comprise of the Authority's Chair, Vice Chair and Section 41 representatives from Doncaster and Sheffield, together with the Clerk to the Pensions Authority.

Councillor Ellis gave thanks to J Hattersley, who had indicated a degree of flexibility in the commencement of his retirement, to allow the appointment of his replacement.

Councillor Ellis commented that the Appointments Panel would establish the level of HR support required at its' first meeting. An options paper would be produced to highlight the process required to enable the most appropriate assistance to be sought from BMBC or another. It was noted that a special Authority meeting could be held at the conclusion of the process, if required, to provide reassurance to Members.

RESOLVED – That Members:-

Pensions Authority: Thursday 1 October 2015

- i) Agreed to the establishment of an Appointments Panel and its proposed membership.
- ii) Noted the proposed timeframe for appointment.
- iii) Agreed that the Appointments Panel would have delegated authority to make appointment to the position of Fund Director on behalf of the Authority.
- iv) Noted that if required, a special Authority meeting could be held at the conclusion of the process, to provide reassurance to Members.

CHAIR

Agenda Item 7

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

17 SEPTEMBER 2015

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

Officers: J Hattersley (Fund Director SYPA), M McCarthy
(Deputy Clerk), S Smith (Head of Investments SYPA),
F Bourne (Administration Officer SYPA), R Bywater (Principal
Policy and External Relations Officer) and M McCoolle (Senior
Democratic Services Officer)

Trade Union Members: R Askwith (Unison) and F Tyas
(UCATT)

Investment Advisors: T Gardener, N MacKinnon and L Robb
K Thrumble (State Street Investment Analytics)

Apologies for absence were received from: Councillor J Scott,
G Warwick and F Foster

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

RESOLVED – That agenda item 20 entitled ‘Corporate Class Action Law Suits:
Shareholder Rights, Class Actions and Portfolio Monitoring’ be considered in the
absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 25 JUNE 2015

T Gardener commented that the minutes had indicated that the following reports should have been presented at today's meeting:-

- i) Overseas Equities.
- ii) Emerging Market Equity Exposure.

Councillor Ellis commented that the Fund Director had given her assurance that the reports would be presented to the Board Meeting in December, with the proviso that updates would be provided if the reports were incomplete.

RESOLVED – That the minutes of the meeting of the Investment Board held on 25 June 2015 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its' Work Programme to 23 June 2016.

Councillor Sangar referred to Item 11 on today's agenda entitled 'Government Consultation on LGPS'. He felt that the report did not give a sense of urgency in relation to the recent statements made by the Chancellor of the Exchequer, and the possibility of an additional meeting to be arranged between now and the next Board Meeting in December.

The Fund Director commented that the report detailed all of the officially known information, and that a verbal update would be provided at today's meeting.

T Gardener suggested that the new work stream should be identified within the Work Programme.

RESOLVED – That the Board:-

- i) Agreed that Government Consultation on LGPS be included onto the Work Programme.
- ii) Noted the contents of the Work Programme.

8 VERBAL UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

M McCarthy informed Members that permission had been granted by the Secretary of State for a joint local pension board to be established in South Yorkshire. This would serve both this Fund and the South Yorkshire Passenger Transport Pension Fund.

RESOLVED – That the update be received.

9 WORKING TOWARDS THE 2016 ACTUARIAL VALUATION

The Fund Director referred to the Actuarial Valuation 2016 report which was submitted to the last Board Meeting. Since then there had been correspondence

exchanged with the Fund Director, Advisors and Actuary and a meeting would shortly be held with Mercers to obtain an update.

The Fund considered that the outcome of the 2016 valuation was unlikely to be favourable largely due to the effect historically low bond yields would have on the Fund's liabilities. Looking further forward it was likely that investment returns would be poorer rather than stronger in comparison to those earned recently. As in previous years it was intended to present a report to the December Board Meeting seeking Members' and Advisors' input into the assumptions used by the Actuary. It was planned to submit a report to the October Pensions Authority Meeting providing a draft valuation timetable. The Fund was not the only LGPS fund to be under pressure in relation to the 2016 valuation, and the actuarial community was looking at ways to address the issues.

As Members were aware the Fund was currently encountering data issues arising from UPM, the new administration system. Other LGPS funds faced similar administration difficulties due to technicalities in uploading the new 2014 Scheme. The valuation would be an item on the agenda of the forthcoming meeting with district treasurers (who, incidentally, were keen for the actuarial contract to go out to tender). The issue would also be discussed at an Employers' Forum later in the year.

The Fund Director reminded the Board that it had traditionally awarded an asset and liability contract following an actuarial valuation and wondered whether it would be prudent to prepare a tender earlier than in the past. Members were informed of the pros and cons of commissioning such a study.

Councillor Ellis commented that the last valuation had taken too long and she asked that this one should be undertaken in a timelier manner.

The Fund Director commented that the actuarial valuation was due as at the end of March 2016. Data processing should be complete by July/August 2016; preliminary results from the actuary would be available in August/September 2016 at which point discussions would be held with individual employers to give them a feel for the likely contribution rates. A formal report would be presented in March 2017 and the certificates would be produced in March 2017.

T Gardener suggested that more should be done prior to the end of March 2016 to ease the process. His personal view was that a decision on an asset and liability study should be deferred until the valuation result was available and queried whether one would be required at all given the work done surrounding the 2013 valuation.

L Robb suggested that an additional meeting or conference call with the Advisors should be arranged, if required, in between the meeting with Mercers and the December Board Meeting, to help progress matters further and explore a number of ideas.

The Fund Director commented that one of the lessons learnt over the years was that the change should not be too dramatic and the Fund should expect evolutionary change. If the outcome of the actuarial valuation indicated a dramatic deterioration, then independent input could be required to reassure the 300 plus

employers that there was independent surveillance of the Scheme: otherwise it could be appropriate just to undertake a health check. The key issues included how much should be put into protection and growth assets, whether the Fund considered that the amount of risk prepared to be taken would achieve its aim and whether this was prudent. The Fund Director suggested that enquiries could be made to test the market now.

T Gardener agreed that a health check would be a sound governance procedure.

Councillor Ellis asked if the districts would look towards commissioning their own work into the valuation; last time KPMG had been engaged.

The Fund Director commented that the districts or employers were entitled to commission work from wherever they felt appropriate, as long as they knew this would not be financed by the Fund. The districts had concerns that Mercers were over prudent, which the Fund Director considered to be incorrect. It was likely that the Fund would be in a worse position now if it had followed the recommendations from KPMG.

RESOLVED – That Members:-

- i) Agreed to make preparations now prior to proceeding with either a health check or an asset and liability study.
- ii) Noted that the Fund Director and Advisors would meet prior to the Board Meeting in December.
- iii) Noted that a report outlining the timetable would be taken to the Pensions Authority Meeting in October.

10 GOVERNMENT CONSULTATION ON LGPS

A report of the Fund Director was presented to advise Members that the Government intended to consult over the pooling of LGPS investments to reduce costs. Members were provided with background information on the brief paragraph in the Summer Budget documents which related to the LGPS reform and a later message sent by the Department for Communities and Local Government.

The Fund had been invited to be 1 of 17 funds to attend a meeting at the Local Government Association to talk to Treasury representatives and CLG, to gain some background knowledge as to what the Government wanted to achieve. The consultation last time had theoretically focused on both cost savings and deficit management though, in fact, the latter had not been considered.

The Chair and S Smith had attempted to attend a follow-up meeting in London on 21 August but suffered rail disruption. S Smith had attended a subsequent meeting at the beginning of September, which had been attended by the same Members who attended the initial meeting. S Smith commented that the meeting had not conveyed a clear message but had indicated that Government was seeking pools of monies in excess of £20bn. Whilst detail was extremely limited at this stage it was almost certain that the proposals would significantly increase this Fund's costs.

Notes of the meeting held on 21 August suggested that responses were sought from all 89 funds to set out costings and how it was considered these could be reduced or how to pool with other funds. A representative from the London CIV, which was hoped to be established in December, had indicated that internal management was something that they would like to offer. A number of people had accepted that internal management was cheap, but that consideration should be given to pooling arrangements.

The Fund Director referred to the northern funds i.e. South Yorkshire, West Yorkshire, East Riding, Greater Manchester, Merseyside, Tyne and Wear and Lincolnshire, which had met separately to discuss future areas of collaboration. It was noted that South Yorkshire, West Yorkshire, East Riding and Teesside were internally managed funds. Conference calls had been hosted by Hymans Robertson who had agreed to act as a co-ordinator for responses.

S Smith referred to the conference call following the meeting on 21 August, which had given a different perspective of the view of the CLG. Hymans Robertson had indicated that they did not want 89 responses but 3 or 4 solutions going forwards, and they had approached various funds in relation to a piece of research to be put forward by December. A total of 10 funds had indicated that they would fund the research which totalled £100,000; Hymans Robertson had indicated that other interested funds could also be included.

The Board gave approval for the Fund Director to explore the research being undertaken by Hymans, and gave approval to enter into this providing the costing was circa £10,000; the Fund Director would report back to the Board.

The Fund Director referred to the various arguments being voiced over the level of cost savings being sought and the integrity of those numbers. It was widely accepted within the industry that the figures quoted in the original Hymans Robertson report were open to challenge. However, notwithstanding these criticisms the media continually referred back to them. Although the Budget statement had indicated that any savings should not be achieved at the expense of investment returns it was difficult to see how the sums being sought could be found without severe curtailing of active overseas equity management across the LGPS.

The Fund Director referred to the LGA meeting where an individual from London had made a point that their best performing managers were not interested in cutting the fees and would rather forego the business. At that meeting one of the items put forward was that CLG should impose a cost cap to which individual funds could manage.

The Fund was already cheap due to it being internally managed and it performed well; it would be very difficult to dramatically cut costs. If the Fund was forced to move to a pooled collective vehicle then the costs would increase. If the internally managed funds were amalgamated together, they would not be big enough to hit one of the original pools of £25bn to £40bn. S Smith reminded Members that the Fund was one of a small number of funds that had outperformed its benchmark and if it was forced into a passive vehicle then there would automatically be an under performance due to the fees.

T Gardener commented that the LGPS Scheme Advisory Board had indicated that this would be imposed, but it was a question of what was an appropriate vehicle.

L Robb commented that the big question was whether the Authority wanted to act as a vehicle or manager to attract funds from elsewhere.

The Fund Director commented that the Authority had an advantage as it was FCA registered, it managed two separate funds, used two sets of trustees, had two benchmarks and two actuaries; though there would be resource implications if the assets under management were expanded. It was noted from the Hymans Robertson's conference calls that there was an inherent hostility from other funds at the suggestion to migrate to other local authority funds. In the previous consultation, the Fund had put forward in its submission the suggestion that it could mentor other funds. There was a danger that the exercise could bring down the common denominator rather than bring the poorer funds up. The Fund Director had raised at the LGA that the Fund could become an investment manager for other funds but the response was to suggest an amalgamation of all internally managed funds instead.

Councillor Sangar commented that the Chancellor's Statement had indicated that the Hymans Robertson's savings would happen within 12 to 18 months. He suggested that the Fund had to set the agenda and go out in terms of pooled vehicles; the Fund needed to be upfront in terms of advertising its low costs.

Councillor Rodgers commented that this reminded him of how the Government was looking at devolution; he envisaged that other funds would encounter difficulties, and that the Fund should be upfront and ready.

Councillor Ellis noted the consensus for the offer of proactive work to grow the Fund, but she was aware that the Government's cost cap had not been picked up.

T Gardener referred to a recurring theme from Government and politicians which was the failure of the LGPS to invest in UK infrastructure projects when compared to the initiatives made by overseas funds.

Councillor Stowe suggested holding a special meeting to consider the framework of good practice, which could present an opportunity to consider all options, create a business plan to sell the ideas to mentor other funds and to potentially become a hub for other investment pots to build upon the expertise and low costs.

Councillor Webster expressed concern at the ambiguity of what the Government had asked for at this stage and he was reassured to learn of the conversations commencing between officers and other funds. He questioned how officers could reach the stage to have certainty that was needed to make a submission to the consultation, and how to ensure that Members were involved in the process.

The Fund Director commented that the starting position would be to indicate that the Fund was cost effective and efficient and anything that the Government may do to the Fund would damage the Fund. If the same was done to other internally managed funds they would be damaged too, and he questioned whether this was politically acceptable. The Fund would then have to argue the case for extending the remit for internal management within the LGPS against all political hurdles, and

to offer the facility to run customised or passive portfolios along the lines of what is undertaken for the Passenger Transport Pension Fund. The Fund Director considered that CLG could be more proactive with the poorer funds to suggest that they needed a mentor. The Fund expressed concern on the matter, and it was exploring options with colleagues elsewhere. It was suggested that initially a response would be sent to Government to highlight the political consequences if this was undertaken with internally managed funds.

T Gardener disagreed with the Fund Director's suggestion, and he considered it to be inappropriate to indicate to the Government that the Fund was perfect; the Government required an indication that the savings would be achieved.

L Robb suggested that thought should be given to the style of approach. It was naturally the case that everyone wanted to be collaborative, but the Government could require conclusions in February 2016 and there could be a number of authorities who had not been prepared to establish a connection with other funds. He suggested that the Fund should be in the market place as an investment management firm to sweep up all such funds, rather than just doing it collaboratively, and for the Fund to become more aggressive and less collaborative about the situation if necessary.

T Gardener suggested a meeting to discuss the various methods and ascertain which method the Board felt most comfortable with; he considered that if the Board waited until all the information was known, it would be too late to have such a discussion.

Members agreed that a workshop be held to determine the way forward. T Gardner suggested that a representative from the Transport Fund be in attendance, and Councillor Ellis suggested that all 12 Members be present.

The Fund Director confirmed that it remained the Government's intention that the administering authorities would continue and the asset allocation decisions would remain at the administering authority level. Instead of the internal team carrying out the instructions, it would be a choice of which pooled vehicle to use. The amalgamation of funds issue was part of a separate discussion. Furthermore, the Shadow Advisory Board work on how far the funds should be removed from their administrative authorities was not affected by the cost saving exercise.

The Fund Director commented that a holding letter would be submitted to Government this month to explain the position and the areas the Fund wanted to explore further.

T Gardener commented that the criteria would be established in the autumn, following which a consultation process would be undertaken on the new investment regulations in terms of back stop legislation but not on criteria. He suggested that the workshop should be held in early November to allow the Fund Director time to prepare the agenda and further information would be known from the Government due to a number of consultation meetings being held on the process. T Gardener envisaged the Government to issue the criteria by the end of October.

RESOLVED – That the Board:-

- i) Agreed that a workshop be arranged in early November, to be attended by all 12 Pensions Authority Members, Officers, Advisors and a representative from the Transport Fund.
- ii) Gave approval for the Fund Director to explore the research being undertaken by Hymans Robertson, and gave approval for the Board to enter into this providing the costing was circa £10,000; the Fund Director would report back to the Board.
- iii) Agreed that a holding letter be submitted to the Government this month, to explain the Fund's position and the areas it wanted to explore further.

11 STATE STREET PRESENTATION

The Board received a presentation from State Street Investment Analytics (formerly WM Company). K Thrumble provided information on the Fund's Performance Review for the period ending March 2015.

The Board noted the following key points:-

- The Fund's recent performance, relative to other funds, had been very good.
- The Fund had produced a better than average return at a lower than average level of risk.
- The Fund had slightly underperformed its benchmark in the latest year.
- Strong results from private equity were offset by more mixed returns elsewhere.
- In the longer term, the Fund remained broadly ahead of its benchmark.
- The Fund's bond performance was well ahead of average.
- A good investment selection was being offset by asset allocation decisions.
- Relative to other funds, the Fund outperformed in the latest year, which was largely as a result of the different allocation of the bond benchmark; the Fund was well ahead over the longer term.
- The average local authority had returned 13.2% during 2014/15 compared to this Fund's 14.2%.
- The longer term investment returns for LGPS had been very strong.
- Over the last 5/6 years active management had had a strong run. This had ceased in the UK last year, but funds had continued to outperform in overseas markets.
- Over the last 10 years, internally managed funds had tended to be the best performing funds.
- KT highlighted that the Fund had outperformed its benchmark by 0.1% per annum over the last decade whereas the average fund had underperformed by 0.1% and the differential was a further 0.2% net of fees.

T Gardener referred to the slide showing asset returns over the year and highlighted the fact that index-linked bonds had returned 20.2% which was the third highest return from any class (Japan and North American equities returned 27.3% and 24.8% respectively). Because liabilities were measured against bond yields this meant that it was almost de facto that deficits will have increased last year.

Councillor Ellis gave thanks to K Thrumble for an informative and interesting presentation.

RESOLVED – That Members noted the presentation.

12 RESPONSIBLE INVESTMENT POLICY: FOSSIL FUELS AND THE EFFECT OF CLIMATE CHANGE UPON INVESTMENT PORTFOLIOS

A report of the Fund Director was submitted to bring to Members' attention the latest thinking on the implications of climate change for institutional investors.

The Authority had a Responsible Investment Policy which was periodically reviewed in light of industry developments, and was last reviewed at the December 2013 Board meeting. Then there was an in-depth consideration of the risks and opportunities associated with investing in carbon industries and how environmental issues could be reconciled with the fiduciary duties of pension funds. The Fund was aware of the increased interest in the effect of fossil fuel and stranded assets; oil continued to be the commodity most frequently referred to although coal was the most polluting fuel.

A Conference of Parties Conference would be held in Paris in December, which aimed to agree a new deal on limiting global warming.

Members noted the background information on climate change and the implications of carbon risk for institutional investors. It had been stated in the IPCC Fifth Assessment Report (2014) that if substantial efforts were not made to curb greenhouse gas emissions, then global temperatures could rise by 4oc compared to pre-industrial revolution temperatures by the end of the 21st century.

The Fund accepted that there should be a long term tilt towards a low carbon economy within its portfolios.

The Fund Director referred to an email received yesterday from Sheffield Climate News, which was a small pressure group. SCN strongly endorsed the Board's first three recommendations within this report, but was critical of the others.

RESOLVED – That the Board:-

- i) Affirmed its policy of active engagement with investee companies and reiterated that it would not divest from investments solely on environmental, social and governance grounds.
- ii) Agreed to monitor carbon risk within its investment portfolios and would engage a specialist contractor to conduct a carbon footprint of the portfolio at an estimated cost of £4,000 (plus VAT).
- iii) Formally confirmed that the Fund would continue not to directly invest in pure coal and tar sand companies.
- iv) Agreed to revisit the subject following the Conference of Parties Conference to be held in Paris in December, and after completion of the carbon audit of the Fund.
- v) Agreed that the Fund should become a signatory of the Carbon Disclosure Project (CDP).

- vi) Noted that the Fund would seek to engage with pressure groups and fund members on the subject.

13 LOCAL AUTHORITY PENSION FUND FORUM: JUNE 2015 BUSINESS MEETING

A report of the Fund Director was presented to inform Members that the minutes of the March 2015 business meeting had been issued.

The last business meeting of the Forum had been held on 16 June 2015 in London, where regular reports from the officers of the Forum together with the notes of the last Executive Meeting had been discussed. Membership of the Forum remained at 64, although two new funds had expressed an interest in joining.

The Forum had recently agreed to establish an All-Party Parliamentary Group.

RESOLVED – That the report be noted.

14 STATEMENT OF INVESTMENT PRINCIPLES: RENEWAL

A report of the Fund Director was submitted to seek Members' approval to adopt a revised Statement of Investment Principles for twelve months with effect from 1 September 2015.

The Authority had a statutory obligation to produce and publish a Statement of Investment Principles.

RESOLVED – That the revised Statement of Investment Principles was adopted with effect from 1 September 2015 for a period of not less than twelve months.

15 SHAREHOLDERS' CONCESSIONARY DISCOUNTS

A report of the Fund Director was presented to seek renewal of the Authority's policy on not utilising shareholders' concessionary discounts.

RESOLVED – That the Board determined not to utilise shareholders' concessionary discounts at all.

16 HEALTH AND SAFETY AT WORK ACT 1974: COMMERCIAL PROPERTY PORTFOLIO ANNUAL AUDIT

A report of the Fund Director was submitted to inform Members of the outcome of the annual health and safety audit of the Fund's commercial property investment portfolio.

Standard Life Investments had been appointed by the Authority as its commercial property advisor, to monitor and report upon the managing agent's (Cushman and Wakefield) health and safety performance. Following an audit of the whole portfolio over the year, a total of 1543 risks had been identified with almost 98% being controlled, and only 36 uncontrolled risks had been identified.

RESOLVED – That the Board noted the annual health and safety report prepared by Standard Life Investments.

17 ILLIQUID PREMIUM ALLOCATION UPDATE: AFFORDABLE HOUSING

A report of the Fund Director was presented to provide Members with an update regarding the proposal to invest in a vehicle involved in the provision of affordable housing.

At the last Board Meeting Members had endorsed the principle of investing in residential property, and had requested further exploration to private rented, affordable and sheltered housing. Members had agreed, whilst not rejecting healthcare property investment, that affordable housing was an appropriate activity for the Fund, although they had expressed caution.

It was noted that a London based real estate asset manager had been contacted, with a view to developing a specialist vehicle to meet the perceived need for physical housing stock and produce an attractive rate of return; another regional LGPS Fund had indicated interest in the concept.

Members noted the shift in the investment climate since the May Budget and the changes to Government policy which included the proposed introduction of ‘right to buy’ legislation for HA tenants, which had unsettled the investment sector, together with changes to the housing benefit provision and a cut to social rent which would reduce forecast cash flows. This had resulted in some HAs shelving development plans and had caused increased uncertainty.

RESOLVED – That the Board:-

- i) Noted the report.
- ii) Agreed that it would be interested in pursuing matters further, if the position improved.

18 ILLIQUID PREMIUM ALLOCATION: UPDATE ON CREDIT FUND IMPLEMENTATION AND IDENTIFICATION OF POTENTIAL NEW THEME

A report of the Fund Director was submitted to bring Members up to date with aspects of the portfolio’s theme implementation.

The Board considered whether there could be any potential reputational risk involved in exploring ‘water’ as a theme. It was noted that when the portfolio restructuring was first considered, sustainable investing had been a theme which arose, and water had been a readily identifiable sub-text in the space.

RESOLVED – That the Board:-

- i) Noted the report.
- ii) Agreed that further exploration be given to the theme “water”.

- iii) Requested in future, that rather than seeking Board sanction to invest in a “theme” prior to conducting research, officers undertake research first and then report to the Board if it was considered it was an area worth pursuing further.

19 QUARTERLY REPORT

The Board reviewed the performance of the Fund during the quarter ended 30 June 2015.

The Fund ended the last quarter with an underweight position to bonds and UK equities, and an overweight position to alternative income funds, private equity funds, property and cash.

For the quarter, the Fund returned -2.5% against the expected return of -2.7%, with the Fund valuation falling from £6245.2m to £6096.2m.

Fixed interest returns were Henderson in-line at -1.5% against the benchmark; index-linked gilts returned -3.5% against a benchmark of -3.8%; higher yield bonds returned -2.7% against an expected return of -3.9%; emerging market bonds returned 0.3% against an expected return of -1.0%.

UK equities had returned -1.2% against the expected benchmark return of -1.6%. International equities had returned -4.8% against the benchmark return of -5.0%. Property had returned 2.3% against the benchmark return of 3.6% whilst private equity had returned 3.6% against the benchmark return of 1.4%; and alternatives income had returned -1.4% against the benchmark return of 1.4%.

Reference was made to the recent volatility in markets triggered by investors' belated concerns over the overheating in the Chinese stock market and the slowing down of growth in China's underlying economy. There had been knock-on consequences for emerging markets and currencies.

N MacKinnon referred to the regular policy meeting of the US Federal Reserve scheduled for today, which would include an announcement on interest rates, and this had raised a great deal of interest in the market. In the event of an increase in interest rates, it was anticipated that this would have a minimal impact on markets. N MacKinnon's view was that interest rates would rise, although it was unclear as to what decision the US Federal Reserve was likely to make.

RESOLVED – That Members noted the contents of the report.

20 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.

21 CORPORATE CLASS ACTION LAW SUITS: SHAREHOLDER RIGHTS, CLASS ACTIONS AND PORTFOLIO MONITORING

A report of the Fund Director was submitted to keep Members informed of progress regarding the portfolio monitoring system on securities fraud.

RESOLVED – That Members noted the report.

CHAIR

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SHEFFIELD CITY REGION COMBINED AUTHORITY/SOUTH YORKSHIRE PENSIONS AUTHORITY

JOINT LOCAL PENSION BOARD

1 OCTOBER 2015

PRESENT: G Boyington (Scheme Member) (Chair)

G Berrett (Employer, SYP), K Morgan (UCATT), M Priestley (Employer, St Mary's Academy Trust), J Thompson (Employer, Action Housing), G Warwick (GMB) and S Ross (Scheme Member)

Officers: J Hattersley (Fund Director SYPA), G Chapman (Head of Pensions Administration SYPA), M McCarthy (Deputy Clerk) and G Richards (Democratic Services Officer)

Councillor H Mirfin-Boukouris and Councillor K Wyatt (Observers)

Apologies for absence were received from S Carnell, Councillor B Curran, N Doolan, F Foster and A Frosdick

1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 LGPS/SOUTH YORKSHIRE SCHEME - INDUCTION

Gary Chapman, Head of Pensions Administration, gave a presentation which provided an overview of the Administration Department and its workings and included:

- The staffing of the Department;
- Pensions administration statistics;
- The history of South Yorkshire Pension Fund and South Yorkshire Passenger Transport Pension Fund;
- The statutory basis of the schemes and the national machinery;
- Membership of the Scheme;
- Contributions and benefits;
- Tax considerations and inflation proofing;
- Determinations and appeals;
- Funding; and
- Current issues.

John Hattersley, Fund Director, gave a presentation on the Investment Division, which included:

- Asset and Liability Study;
- Asset class allocation and breakdown of asset classes;

- Recent changes to asset allocation and bond portfolios;
- Fund valuation and outlook;
- Relative performance - risk and return;
- CLG consultation on Collaboration, Cost Savings and Efficiencies;
- Fiduciary duty; and
- 2014/2015 market returns.

The Chair thanked G Chapman and J Hattersley for very informative presentations.

3 DECLARATIONS OF INTEREST

None.

4 MINUTES OF THE MEETING OF THE BOARD HELD ON 23 JULY 2015

The following points were raised from the minutes of the first meeting of the board:

- There had still been no appointment to the Board from Doncaster MBC - M McCarthy would ask the Monitoring Officer to take this up. If no appointment was forthcoming it was noted that either Barnsley MBC or Rotherham MBC could be asked to make an appointment to the Board.
- The budget for the Local Pension Board had been agreed by the Pensions Authority that morning. It was acknowledged that the majority of the budget would be spent on training at this stage.

The minutes of the meeting of the Board held on 23 July 2015 were agreed as a correct record.

5 JOINT LOCAL PENSION BOARD

M McCarthy informed the Board that CLG had eventually given approval for the establishment of a Joint Local Pension Board for the South Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund.

It was noted that the Joint Board still required an employer representative; M McCarthy would liaise with S Carnell, who had recently retired from First South Yorkshire, to try and secure an appointment.

6 LPB CONSTITUTION AND TERMS OF REFERENCE

M McCarthy informed the Board that at its meeting earlier in the day the Authority had agreed to the changes requested by the Board to its Constitution and Terms of Reference, namely:

- That the Board would meet four times per year; and
- That a member of the Board may serve a maximum of two terms of office.

The Constitution and Terms of Reference would be amended accordingly.

7 CORRESPONDENCE RECEIVED REGARDING CONSTITUTION AND TERMS OF REFERENCE

The Board considered a letter that had been received from Unison regarding concerns about the Constitution, in particular Section 4, "Scheme Manager Consents" and a reply to the letter from the Monitoring Officer. Additionally, Unison also felt that substitute members to the Board should also be allowed.

Section 4.1.1 reads:

"The Local Pension Board shall not: question what investment decisions have or have not been made by the Authority or its Boards, for the avoidance of doubt these shall include but not be limited to financial investment decisions and property related investment decisions".

The Chair noted that this matter needed to be considered by the Authority as they had to agree to any changes to the Constitution and commented that the matter had already been discussed several times at Authority meetings.

Whilst it was recognised that there was no intention to prevent open dialogue, the Board felt that the Constitution, with its present wording, imposed prohibitions on the Board and they would like the Constitution to be less restrictive.

After further discussion on the role and remit of the Board, and acknowledging that the response from the Monitoring Officer did offer a degree of reassurance, the Board requested that officers consider re-wording the relevant paragraph.

With regard to substitute members, the Chair reminded the Board that they had agreed at the last meeting of the Board that, as per the Constitution, substitute members were not necessary.

8 ISSUES FOR CONSIDERATION AS A RESULT OF AUTHORITY MEETINGS CONVENED SINCE THE LAST MEETING OF THE LOCAL PENSION BOARD

It was noted that there had only been one Pensions Authority meeting since the last meeting of the Local Pension Board - the Investment Board meeting on 17 September 2015; the Board had no issues arising from this meeting.

Members of the Board would receive agendas and minutes from all Authority/SYPTPF meetings and could raise any issues from the meetings for consideration at the next meeting of the Board. The Chair and Vice-Chair would be involved with the Development of a Work Programme.

9 MEMBER LEARNING AND DEVELOPMENT UPDATE

Members of the Board who had attended the recent training on The Effective Audit Committee remarked how useful it had been and had given an understanding on what the role of the Board should be.

Board members would be invited to training events provided for Authority members and officers were still trying to source external events for Local Pension Board members.

M McCarthy requested that members share any courses, articles etc. that they may come across.

The Chair commented that a presentation on the valuation process and associated issues would be useful.

10 ANY OTHER POINTS OF BUSINESS

The Chair informed members of the Board that the SYPF Annual Fund Meeting would be held at Doncaster Racecourse on 22 October; he encouraged Board members to attend if possible, noting that it was a very worthwhile event.

11 DATE OF NEXT MEETING

The next meeting of the Local Pension Board will be in January 2016 on a date to be arranged.

CHAIR

South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	1 October 2015	3 December 2015 PETITION	14 January 2016	17 March 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		Local Pension Board	Local Pension Board
	Constitution & Terms of Reference Local Pension Board	Actuarial Valuation 2016 Update	Actuarial Valuation 2016 Update	
	Government “consultation” investment pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling
	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
	Pensions Regulator Policy Enforcement	LGPS Issues		
	Actuarial valuation 2016	Budgets and Revised Estimates	Budgets and Revised Estimates	
Business	Board Chairs’ Reports	Board Chairs’ Reports	Board Chairs’ Reports	Board Chairs’ Reports

	1 October 2015	3 December 2015	14 January 2016	17 March 2016
Business	CP&GB Audit Committee Functions Annual Report	Annual Review of Risk Management Policy	Review of Risk Management Policy Update	Meeting Dates of Authority and Boards
	Governance Compliance Statement	FoIA Annual Report Publication Scheme	Members Self-Assessment Report	Treasury Management Strategy Annual Report
	Corporate Strategy Policy	Constitutional Documents	LGPS Advisory Board Annual Report	Debt Write Offs
	SYPF Annual Fund Meeting	JNC Officers' Job Evaluations	Trade Union Bill: Update	
	Myners Principles Compliance Statement	Release of Discretionary Benefits	COP21	
	UPM Annual Review		Civica Presentation	
	Annual Benefit Statements		SYPF Annual Fund Meeting	
	Senior Manager Pay Review			
Training & Development			PIRC Presentation	

SOUTH YORKSHIRE PENSIONS AUTHORITY

3 DECEMBER 2015

Report of the Fund Director

ACTUARIAL VALUATION 2016: BACKGROUND INFORMATION

1) Purpose of the Report

To advise Members about the findings of recent research conducted by the Institute and Faculty of Actuaries regarding deaths.

2) Recommendation

Members are asked to note the report.

3. Information

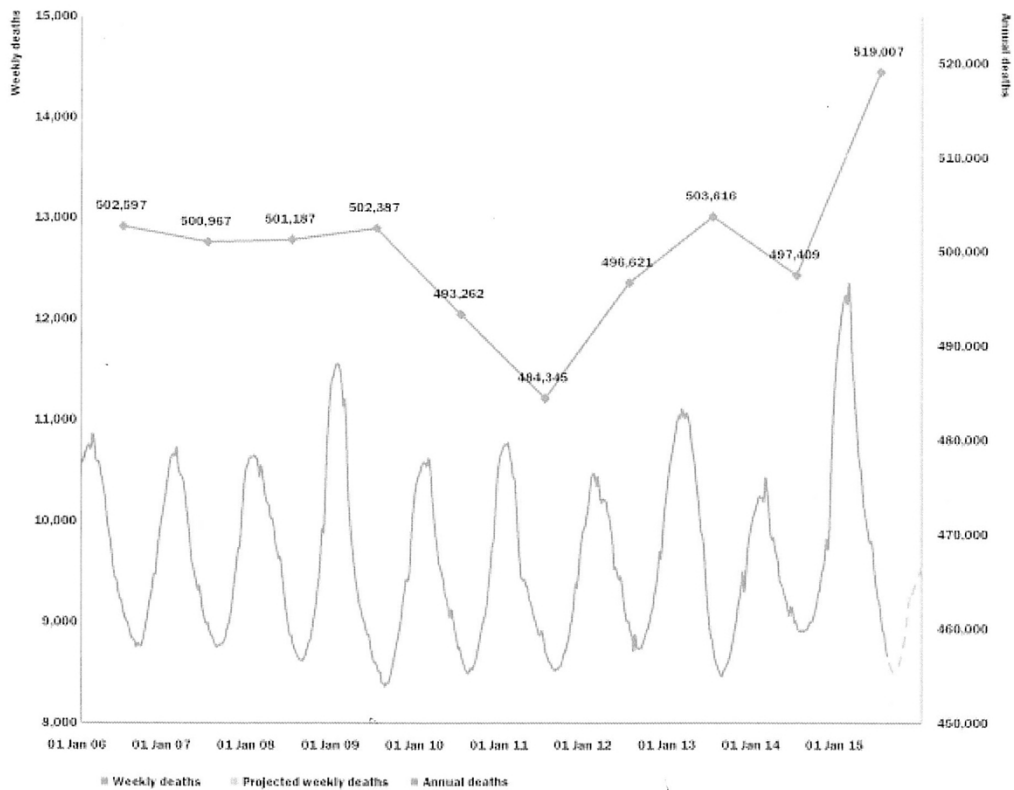
3.1 As part of the information process ahead of next year's actuarial valuation it is interesting to note that recent analysis by the Institute and Faculty of Actuaries (IFoA) suggests that life expectancy in England and Wales is not improving as expected.

3.2 Despite the widely held expectation that people will continue to live longer than those who went before them the IFoA has for the third time in the last four years found no material improvement in life expectancy. In fact, more people are expected to die in 2015 than in any other year in the last decade.

3.3 The assumption, therefore, is that pension fund members are expected to have slightly shorter lives than previously thought. It should be noted that this is not SYPF specific data. The decline in longevity is only 3 to 4 months but that is significant when funds need to manage the largest unhedged risk they face.

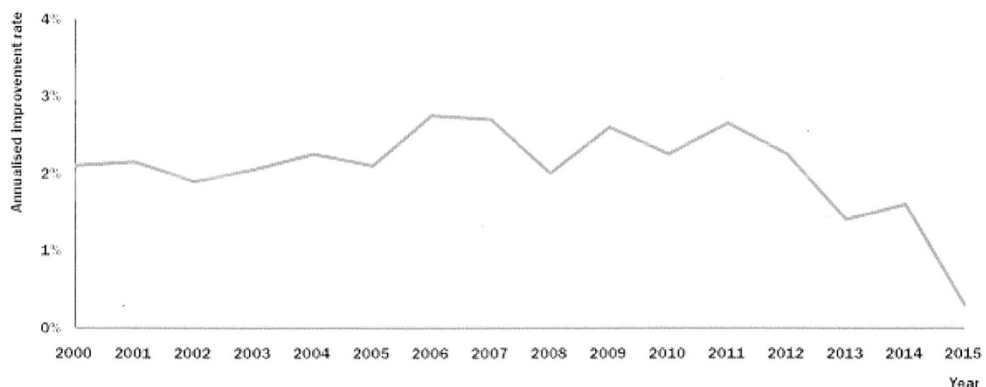
3.4 The following graph shows the number of deaths each week and year since 2006. These average roughly 10,000 deaths per week and are clearly subject to seasonal variations. The large peak in deaths in the winter of 2014/15 is the highest level in the last fifteen years and is probably due to the reported ineffectiveness of the flu vaccine last year during an otherwise mild winter.

Figure 01. Weekly and annual deaths over the period from 2006 to 2015 (Weekly deaths are a 13 month moving average)



3.5 The annual change in death rates is also revealing. The rapid improvement of the twentieth century continued through the first decade of this century but has fallen considerably since. The annual improvement was 2.5% per annum. Death rates in 2015 were actually 2.3% worse than those in 2014 which compares starkly with the broad assumption used in most pension funds that there would be an ongoing average improvement of 1.5% per year. See the graph below.

Figure 02. Annualised mortality improvements from 2000 to 2015 (Four year moving average)



3.6 The IFoA has also released its latest longevity model which is predicting life expectancies at age 65 that are 1%-1.5% lower than in the 2014 model.

3.7 However, in addition to the obvious caveats surrounding the interpretation of data it has to be noted that projecting longevity extrapolates recent experience into the medium term future with particular sensitivity. Therefore, the relatively large number of deaths during 2015 to date might be having a disproportionate effect on long term estimates.

3.8 It is becoming increasingly important to be aware that improvements in health expenditure and lifestyle, for which the past is no clear indicator of the future, need to be viewed alongside extrapolated data as well as medical advice regarding the outlook across all major disease groups. Nevertheless, some commentators view the recent experience as signs that the quick wins in longevity improvement are coming to an end.

4) Implications

4.1 Financial

There are no immediate financial implications.

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

Telephone contact 01226 772873

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: IFoA; Mercers; Towers Watson

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LOCAL GOVERNMENT PENSION SCHEME

ARE YOU UP TO DATE WITH THE CURRENT ISSUES?

Some of the big issues facing the LGPS are set out below alongside a comment from us. It is important that you and your colleagues are aware of these.

EXIT PAYMENTS CAP AND POTENTIAL CLAW BACK

The Government recently consulted and responded on its intention to introduce an “exit cap” of £95,000 on the total amount a public sector worker could receive on redundancy. This is to include costs related to early access to pension benefits.

This is in addition to the separate provisions that were consulted on by the previous Coalition Government last year where rejoiners within 12 months earning more than £100k p.a. must repay a portion of their exit payment.

The Government recognises that there will be some practical difficulties in applying this both for Funds and employers. Details of how the two proposals will work and interact with each other have yet to emerge although changes to the LGPS benefit structure is possible.

ASSET POOLING

The Government has invited LGPS Administering Authorities to work together and pool assets in order to reduce costs. Common criteria for delivering costs savings will be set out in a forthcoming consultation along with backstop legislation to ensure those Funds not meeting

them will be required to pool.

Separately, the Chancellor has announced that work is underway to create 6 British Wealth Funds spread across the country. He has said that this arrangement will save hundreds of millions and they’ll invest billions in infrastructure.

The Chancellor’s statement provides the clearest sign yet of the scale of ambition that the LGPS has been tasked to come up with on pooling and facilitating investment in the nation’s infrastructure, albeit he has backtracked a little since.

However, we should not lose sight of the LGPS’s ultimate objective of providing pensions in a cost effective manner. This requires a holistic approach; credible and transparent funding plans, effective cost management, best-in-class governance, return generation and risk management. There is no silver bullet.

NEGATIVE CPI

UK inflation as measured by the Consumer Prices Index (CPI) has fallen to -0.1% in September. The September figure is important as it is used for the LGPS and other UK public service pension

schemes for calculating increases in benefits in the following April. For those who have retired/left service, they will receive no increases to benefits.

For those members in service, post 2014 CARE benefits could be reduced if HM Treasury chose to use their powers under the legislation. This is at odds with the “triple lock” on state benefits where at least a 2.5% increase will apply. The very low CPI figure will also have an effect on the 2016/17 Annual Allowance calculations.

PENSIONS TAX CHANGES

The Lifetime Allowance will be reduced to £1 million from April 2016 and the £40k Annual Allowance will get progressively lower for people who have an “adjusted income” over £150k p.a. to a low of £10k if “adjusted income” is £210k p.a. or more. There will be two Pension Input Periods (PIPs) this year, and they will align to tax years from 6 April 2016.

A Green Paper introduced a consultation on whether the pension tax relief system should be reformed or kept as it is. This consultation has now closed.

Many more employees will pay more tax following the cuts to the Annual Allowance unless action is taken. The tax limits on pension savings only used to apply to the very highest earners but these changes mean many more long serving middle earners will be affected. It is important that anyone who thinks

they may be affected gets specialist advice quickly.

As regards the consultation, we await the Government’s response....

CESSATION OF CONTRACTING-OUT

The State Pension changes and the ending of Contracting-Out will have an impact on pension scheme administrators, members and employers. HMRC will stop tracking Contracted-Out benefits, and members and employers will lose their National Insurance rebates and so increase the cost of pension provision.

Lots of work is needed for administrators to ensure that the record keeping is up-to-date before HMRC stops tracking these benefits in 2016.

Currently, there is no option for members and employers to claw back the lost rebates through the LGPS and for employers this is likely to mean an increase of the order of 2-3% of the payroll of pension fund members. Employers should be notifying members and allowing for this impact when setting next year’s budgets.

OMBUDSMAN RULING OVER ACCESS TO EARLY RETIREMENT

The Pensions Ombudsman (PO) has ruled regarding early access to benefits. In 2011, after having met their Rule of 85 at age 55, they requested unreduced early retirement. As before age 60, employer consent was needed and the employer refused. In 2012 the employer put a policy in place such that no one would be

granted consent to take benefits before age 60. The member argued that this policy was adopted after their request and that others had been granted consent.

The PO agreed that it was unfair that their request was considered in line with a policy set after the request. The PO in his ruling awarded compensation to the member and referred the original decision back to the employer.

This case serves a useful reminder to all funds and employers to ensure that appropriate up-to-date discretionary policies are in place, particularly those where costs and access to benefits from active and deferred status are involved.

IAS19 TIMESCALES

We are aware of even tighter timescales needed for the reporting of accounting figures for Councils from 2017.

We are looking at options for earlier delivery which will involve detailed discussions with auditors.

The new timescales focussing on earlier delivery, will present its challenges and inevitably there will be more estimation required. We are working with many Funds and employers to do a “dummy run” in 2016, so if not done so already, we encourage you to make the Fund aware of your requirements as soon as you can.

CONTACT

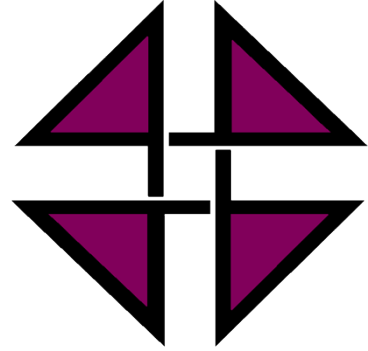
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**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

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

**Performance Snapshot Report
2015/16: Q2**

ISSUED: December 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	19313 cases of which 61.92% were on target	97%	Backlog following UPM implementation still affecting overall performance but 4000 additional cases completed in the period and an improvement in performance of 8%.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£5875.8m	N/A	£6096.2m at end June.
Performance Against Benchmarks	Qtr -3.2% YTD -5.6%	Qtr -3.6% YTD -6.2%	Global equity markets were volatile over the quarter with emerging markets being the worst performers. Expectation is for slower global growth with deflationary pressures increasing after China's decision to marginally devalue the yuan in August. Bond markets returned to favour given the increasingly uncertain backdrop.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Reviewed our policies relating to climate change. Agreed to engage a specialist contractor to conduct a carbon footprint of the Fund's portfolios. Renewed the Statement of Investment Principles		
Shareholder Engagement			

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	0 Leaver 1 New Starters (temporary)	Annual 4.25%	On target
Staff Training	LGA Training Courses – Divorce and LGPS 2014 residential.	Plan 100% up to date	On target
Sickness Monitoring	3.8% total	None	2.8% of sickness absence relates to two members of staff on long-term sick leave.

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	13 new employers registered for EPIC this period	N/A	321 employers (94%) now registered for Epic. Non-Epic employers only represent 83 active members.

	Online registration suspended pending new system		Fee retained until viable system produced by supplier
Face to Face Communication	552 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	10 New Employers (8 Academies 2 Contractors 0 Terminations	N/A	There are currently 419 participating employers of which 344 have active members and there are a further 30 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	No update reported.	100%	On target
Annual and Quarterly Reports			
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
Constitution Policy /Procedure Revision Dates	July - Financial Regulations Interim Review completed	100% Up to date	
Financial Reporting	July - Budget Monitoring report - Quarter 1 considered by CP&GB	100% achievement of reporting schedule	On target.

Area under Review	Activity During Quarter	Target	Status/Comment
Annual Governance Statement Conclusion		No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Annual Self-Assessment			No significant issues
Member Training	4 Members attended Effective Audit Committee training	100% Induction & Fundamentals Training & Fundamentals Refresher	<p>66.5% had induction.</p> <p>66.5% had Fundamentals Day 1.</p> <p>66.5% had Fundamentals Day 2.</p> <p>66.5% had Fundamentals Day 3.</p> <p>42% had Fundamentals Refresher Training</p> <p>2 new Members booked on Fundamentals 2015</p>

SOUTH YORKSHIRE PENSIONS AUTHORITY

3 December 2015

Report of the Clerk

AMENDMENT TO CONTRACT STANDING ORDERS

1. Purpose of the Report

To seek approval to proposed amendments to the Authority's Contract Standing Orders.

2. Recommendation

Members are recommended to consider and approve the revised contract standing orders.

3. Background Information

- 3.1 In June 2012 the Authority discussed minor changes to Contract Standing Orders which improved the tender handling process and took account of legislative changes.
- 3.2 That was the last occasion that Members carried out a comprehensive review of the Authority's Contract Standing Orders. It was intended to conduct a further review in due course at the same time as a review of the Scheme of Delegation to Officers. It is hoped that a revised version of the latter will be presented to the next meeting of the Authority.
- 3.3 Since 2012 there have been changes in industry practice, especially with regard to real estate contracts whereby developments are increasingly presented to potential investors as pre-ordained packages consisting of teams of professional advisors already committed to projects, and, of course, the abolition of the South Yorkshire Joint Secretariat (SYJS) and transfer and integration of certain posts and functions to officers of Barnsley Metropolitan Borough Council as a consequence. It is appropriate, therefore, that Standing Orders be revised.
- 3.4 As part of the review reference has been made to the Contract Standing Orders of other authorities in particular with those adopted by South Yorkshire Fire and Rescue Authority which were reviewed in September 2014. This review followed management changes affecting SYFRA arising out of the demise of SYJS which are similar to those affecting this Authority.

3.5 As a consequence some of the reporting limits have been increased and the style and layout of the document has been amended. For the first time reference is included to framework agreements, joint procurement, electronic tendering and purchase cards, for example. In addition, the section relating to OJEU procurement has been re-worded and simplified. In future it is suggested that amendments to thresholds, titles etc and other minor issues will be undertaken by the Monitoring Officer but subject to retrospective approval then being sought from the Authority. Because of re-formatting direct comparison with the current policy is not possible but the key proposed revisions are set out below.

4. Proposed revisions

Document	Revisions
Contract Standing Orders	<ul style="list-style-type: none"> • Intermediate value procurement (CSO 7.1): Upper limit increased to £75,000 from £50,000. • High value procurement (CSO 8.1). Limit increased to £75,000 from £50,000. • Contracts over £250,000. New clause requiring senior officer approval (CSO 20.2) and retrospective reporting (CSO 20.3) • Execution of contracts. Increase in limit for contracts under seal from £50,000 to £75,000 (CSO 23.1) • Minor amendment to Standing Orders following review (CSO 53.1)

5. Implications and risks

5.1 Financial

There are no costs linked to this report although improved procedures should result in better time efficiencies.

5.2 Legal

Other than the changes identified there are no other immediate legal implications.

5.3 Diversity

There are no diversity implications.

5.4 Risk

It is important that contract standing orders should be reviewed and updated on a regular basis as determined by the Authority and changes to titles, statutory thresholds and minor amendments need to be addressed. It is proposed that amendments to thresholds, titles etc and other minor issues will be undertaken by the Monitoring Officer in future with retrospective approval then being sought from the Authority.

D Terris Clerk

Officers responsible: A Frosdick, Monitoring Officer
J N Hattersley, Fund Director

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: None.

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PART 4d
CONTRACT STANDING ORDERS

DRAFT

Date Approved:	July 2000
Date Revised:	October 2006; December 2006; June 2008; June 2009; June 2010; April 2012; June 2012; November 2015
Date of Next Review:	To be determined by Authority

CONTRACT STANDING ORDERS

1. Compliance

- 1.1 Every contract entered into by the Authority shall be entered into pursuant to or in connection with the Authority's functions and shall comply with:
- (a) all relevant statutory provisions;
 - (b) the relevant European procurement rules (i.e. the EC Treaty, the general principles of EC law and the EC public procurement directives implemented by the UK Regulations);
 - (c) the Authority's constitution including these contract standing orders (CSOs), the Authority's financial regulations and scheme of delegation; and
 - (d) the Authority's strategic objectives, procurement strategy and policies.
- 1.2 The highest standards of probity are required of all officers and members involved in the procurement, award and management of Authority contracts.
- 1.3 Any failure to comply with any of the provisions of these Contract Standing Orders, Financial Regulations, Scheme of Delegation or UK and European Union legal requirements by the Authorised Officers may result in disciplinary action by the Authority.
- 1.4 As a general rule members and officers must not accept from contractors or potential contractors or from any firm or organisation with whom the Authority has had, is having or may have any dealings of any kind any gift except in accordance with the Authority's Code of Conduct.
- Members and officers should comply with the Authority's Code of Conduct in this respect. Users are directed for further guidance to the Authority's policy on gifts and hospitality.
- 1.5 These Standing Orders may only be varied with the approval of the Authority.
- 1.6 The Authority has power to waive requirements in these Standing Orders. The Clerk and the Treasurer are authorised to exercise this power on behalf of the Authority. No exemption can be used if EU Procurement Procedures apply. All exemptions, and the reasons for them, must be recorded in an appropriate log.

2. Delegated Authority

- 2.1 Any procurement carried out on behalf of the Authority may only be undertaken by officers with the appropriate delegated authority to carry out such tasks as set out in the Authority's scheme of delegation. Officers with delegated authority may only delegate to other officers who have the appropriate skills and knowledge appropriate to the task.
- 2.2 Within approved budgets and in accordance with the Annual Procurement Plan where applicable, Authorised Officers may enable members of their staff to place orders against Framework Agreements. Any contracts awards which fall above the EU threshold or which involve any potential TUPE transfer of the Authority's employees to a Supplier shall be referred for a decision from the Authority.
- 2.3 The Clerk, the Treasurer, the Fund Director and the Head of Pensions Administration shall be empowered to seek offers for and award contracts for works, supplies or services on

behalf of the Authority in accordance with these Standing Orders.

- 2.4 Whenever the office of Clerk, the Treasurer, Fund Director or the Head of Pensions Administration is vacant, or he/she is for any reason unable to act, the person(s) specified below shall be authorised to act on his/her behalf for the purposes of these Standing Orders.

<u>Clerk or Treasurer</u>	<u>Fund Director</u>	<u>Head of Pensions Administration</u>
Monitoring Officer Deputy Clerk Deputy Monitoring Officer	Head of Investments	Pensions Manager

3. Exempt Contracts

- 3.1 The following contracts are exempt from the requirements of these contract standing orders:

- (a) individual agency contracts for the provision of temporary staff; (for the avoidance of doubt, the appointment of agencies is subject to these CSOs, however agency staff will be employed on the agency's terms and conditions)
- (b) employment contracts; and
- (c) where additional works supplies or services are required which, through unforeseen circumstances, were not included in the original contract and which are either strictly necessary for the completion of the contract or, for technical or economic reasons cannot be carried out separately without great inconvenience. The use of this exemption must be supported by a business case setting out the reason(s);
- (d) for brokerage services associated with the purchase and sale of securities and financial instruments, including the procurement of research, traded upon a public stock exchange;
- (e) for the engagement of legal (including instructions from counsel) and audit services;
- (f) professional services associated with the development or refurbishment of investment properties (such as architectural, building design and feasibility consultancy, quantity surveying);
- (g) for agency services associated with the management, purchase and sale of investment properties;
- (h) for works, supplies or services obtained from or under contracts which have been negotiated by a central or local government purchasing organisation or by or on behalf of any consortium, association or similar body of which the Authority is a member;
- (i) for works, supplies or services obtained under a framework arrangement approved by the Authority.

4. Estimating the Contract Value

- 4.1 Contract values should be calculated in accordance with the Regulations even when the Regulations are not applicable for consistency. The Authority should make the best use of its purchasing power by aggregating purchases wherever possible. A contract shall not be artificially divided into two or more separate contracts with the intention of avoiding the

requirements to invite quotations or tenders. Contracts shall be packaged to best ensure service delivery, competition and value for money.

- 4.2 When aggregating contract values a 3 year estimate or an estimate based upon the actual length of the contract must be used to establish the total contract value.

5. Framework Agreement

5.1 Framework Agreements are used where an Authority wishes to contract for the supply of supplies, services or works without conducting a new procurement exercise. However, the Framework Agreement may include within its terms a requirement for a mini competitive exercise between those Suppliers who are parties to the Framework Agreements. Any Framework Agreement shall be tendered in accordance with these contract standing orders. Where the Authority has entered into a Framework Agreement through procurement or is able to call off from existing Framework Agreements procured by public sector bodies, then the Authority may benefit from using those contracts without entering into a separate procurement.

5.2 The Authorised Officer must ascertain whether there is an approved and relevant Framework Agreement in place that should be used whenever a contract is being procured.

5.3 The Framework Agreement may include within its terms a requirement for a mini competitive exercise between those Contractors who are parties to the Framework Agreement. These shall be tendered in accordance with this Contract Standing Order and/or the Framework Agreement itself.

5.4 Where the Authority is able to call off from existing Framework Agreements procured by Central Government agencies, purchasing consortia or other local authorities or public bodies, then the Authority may benefit from using those contracts without entering into a separate procurement exercise. Where such relevant Framework Agreements contain a number of different Contractors able to provide a particular category of goods or services a mini competitive exercise between those Contractors who are parties to the Framework Agreement may have to be carried out.

5.5 The relevant authorised officer must establish and confirm that the Authority is qualified to use the proposed Framework Agreement.

6. Low Value Procurement

6.1 Written competitive quotations are not required for contracts or orders with an estimated value of below £20,000 but the authorised officer must ensure that the best value in terms of economy, efficiency and effectiveness is obtained. The purchase order form shall specify the services, supplies or works to be provided and set out the price and terms of payments.

7. Intermediate Value Procurement

7.1 For procurements with an estimated value over £20,000 up to £75,000 at least 3 written quotations/RFQs shall be invited before a formal purchase order is issued specifying the supplies, services or works to be provided and in each case the information provided to each party shall be similar to ensure equality of opportunity.

8. High Value Procurements

- 8.1 For procurements valued at above £75,000, a contract award procedure shall be conducted in accordance with these contract standing orders. The outcome of the contract award procedure shall be recorded in the Contracts Register.
- 8.2 One of three contract award procedures shall be used as appropriate for the particular procurement i.e. open, restricted or negotiated.
- 8.3 Any procurement that may involve a transfer of staff shall be treated as a High Value Procurement.

9. Contracts Subject to the Regulations

- 9.1 Where an estimated value of a contract exceeds the current EU threshold then the contract shall be tendered in accordance with the Regulations. Under the Regulations, the contract may be tendered under the open, restricted or, in exceptional circumstances exhaustively set out in the Regulations, the negotiated procedure. A contract notice in the prescribed form shall be published in the OJEU in order to invite tenders for or expressions of interest for Part A Services contracts and supplies and works contracts subject to the rules. Contracts for Part B Services do not need to be advertised in OJEU. However, the rules relating to technical specifications and the publication of contract award notices shall be observed for all contracts as shall the EC Treaty and the general principles of EC law including non-discrimination, equal treatment, proportionality and transparency.
- 9.2 The Regulations set out the minimum timescales for receipt of expressions of interest and tenders (bids for the negotiated procedure). Where the Authority has published a Prior Information Notice announcing its forthcoming contracts for the year ahead, then the Authority may rely on reduced timescales if appropriate.

10. Open Procedure

- 10.1 The Authority publishes a notice. All suppliers expressing an interest are invited to tender. If publication of a notice in OJEU is not required then the notice shall be published on the Authority/Fund website and if required any appropriate national press and/or trade journals in order to target the appropriate market for the particular contract. The advertisement shall contain details of the proposed contract and specify a time limit within which interested parties may express an interest in tendering for the contract. After the expiry of the deadline date for expressions of interest, the Authority shall send any party expressing an interest an ITT. The ITT shall specify the return date for tenders.

11. Restricted Procedure

- 11.1 The Authority publishes a notice. Only those suppliers selected by the Authority are invited to tender. Suppliers shall be selected on the basis of published pre-qualification criteria.
- 11.2 If publication of a notice in OJEU is not required the advertising requirements are the same as in the open procedure except that the notice shall state that a restricted procedure is being used. If the Regulations apply a minimum of five suppliers shall be invited to tender and in all other cases a minimum of three shall be invited to tender.

12. Negotiated Procedure

- 12.1 The Authority publishes a notice. Only those suppliers selected by the Authority are invited to negotiate. Suppliers are selected on the basis of published pre-qualification criteria.

- 12.2 If a publication of a notice in the OJEU is not required, the advertising requirements are the same as in the restricted procedure, except where the procurement falls within one of the exemption provisions of the Regulations. Any notice shall state that a negotiated procedure is being used.
- 12.3 A minimum of three suppliers should be invited to negotiate following publication of a notice.
- 12.4 At least two officers, at least one of whom shall be an officer identified in 2.3 above or their delegate, shall be present at all times during the negotiations.
- 12.5 The Authority shall keep proper records of all negotiations and these shall be signed as such by all participants.
- 12.6 At all times during the negotiations, the Authority shall consider and implement the principles of non-discrimination, equal treatment and transparency.

13. Pre-qualification

- 13.1 The Authority shall only enter into a contract with a Supplier for a High or Intermediate Value procurement, if it is satisfied as to the Suppliers –
- (a) eligibility;
 - (b) financial standing;
 - (c) technical capacity;
 - (d) complies with the Authority's relevant policies;
 - (e) prequalification assessment by an approved partner organisation where appropriate.
- 13.2 Technical capacity includes the Supplier's quality management systems including human resources, health and safety and environmental management systems where relevant to the performance of the contract.
- 13.3 Any procurements subject to the Regulations shall comply with the appropriate Regulations.

14. The Invitation to Tender

- 14.1 The Invitation to Tender (ITT) or Invitation to Negotiate (ITN) shall include details of the Authority's requirements for the particular contract including:
- (a) a description of the services, supplies or works being procured;
 - (b) the procurement timetable including the tender return date and time, which shall allow a reasonable period for the applicants to prepare their tenders;
 - (c) a specification and instructions on whether any variants are permissible;
 - (d) the Authority's terms and conditions of contract, form of contract and bond;

- (e) the evaluation criteria including any weightings as considered appropriate;
- (f) pricing mechanism and instructions for completion;
- (g) whether the Authority is of the view that TUPE may apply;
- (h) form and content of method statements to be provided;
- (i) rules for submitting of tenders and whether tenders may be submitted electronically;
- (j) any further information which will inform or assist tenderers in preparing tenders.

15. Submission and Opening of Tenders

- 15.1 Tenders shall be submitted in accordance with requirements set out in the ITT. Any tenders received shall be addressed to the Clerk for the attention of the Treasurer in an electronic vault or sealed envelope endorsed with the word "Tender" followed by the unique tender reference to which it relates. Tenders shall be kept in a safe place by the Authorised Officer and remain unopened until the time and date specified for its opening. No tenders received after the specified date and time for receipt of tenders shall be accepted or considered by the Authority unless the Authorised Officer is satisfied that there is sufficient evidence for the tender having been dispatched in sufficient time for it to have arrived before the closing date and time. No tender will be considered if the envelope bears the name, logo, mark or any other symbol or phrase indicating the identity of the sender.
- 15.2 Postal Tenders shall be opened by the Authorised Officer and at least one other officer. An immediate record should be made of the tenders received including names, addresses and the date and time of opening.
- 15.3 If any tender received does not comply with the provisions of SO 15.1 it must immediately on receipt be placed in a plain envelope recording the tender it concerns and placed in the custody of the Clerk unopened.

16. Electronic Tendering

- 16.1 RFQs and ITTs may be transmitted by electronic means. Quotations and tenders may be submitted by electronic means provided that:
- (a) evidence that the transmission was successfully completed is obtained and recorded;
 - (b) electronic tenders are kept in a separate secure folder under the control of the Authorised Officer or other nominated body or persons which is not opened under the deadline has passed for receipt of tenders.

17. Tender Evaluation

- 17.1 Tenders subject to the Regulations shall be evaluated in accordance with the relevant regulations and the evaluation criteria set out in the ITT. All other tenders shall be evaluated in accordance with the evaluation criteria as notified to tenderers in the ITT. All contracts, except works contracts where lowest price was predetermined to be the appropriate criteria, shall be awarded on the basis of the offer which represents Best Value

to the Authority. The evaluation criteria shall be predetermined and listed in the ITT documentation, in order of importance if applicable. In addition, the criteria shall be strictly observed at all times throughout the contract award procedure by any officer involved in the tender evaluation.

18. Post Tender Negotiation

- 18.1 Post Tender Negotiation occurs after receipt of formal bids or tenders and before the letting of contract(s) with those companies submitting tender(s) offering the best value for money with a view to obtaining an improvement in content in circumstances which do not put the other tenderers at a disadvantage, distort competition or affect adversely trust in the competitive tendering process.
- 18.2 An amended Tender following negotiations under this rule may not be accepted unless it provides Best Value for Money to the Authority.
- 18.3 At all times during the procurement process the Authority shall ensure that all tenderers are treated equally and in a non-discriminatory and transparent manner.

19. Bonds, Guarantees and Insurance

- 19.1 For procurements over £75,000 the Authorised officer shall consider as part of its pre-qualification assessment and evaluation process whether a performance bond and/or a parent company guarantee (if applicable) shall be required from the preferred Supplier dependent upon the supplier's status and the product characteristics and a thorough risk analysis.

20. Awarding Contracts

- 20.1 The Authority shall only award a contract where this represents Value for Money.
- 20.2 A contract may only be awarded by an officer with the requisite delegated authority to award contracts. For all procurements valued at above £250,000 the decision to award a contract shall be made by a 2.3 officer.
- 20.3 The Clerk shall submit a report regarding the award of any procurement valued at above £250,000 to the earliest available meeting of the appropriate Board. The Clerk shall submit an annual report to the Corporate Governance and Planning Board listing all contracts, including those awarded under framework agreements or through joint procurement, awarded in the given year that exceed £50,000 in value.

21. Letters of Intent

- 21.1 Letters of intent shall only be used in exceptional circumstances as follows:
- (a) Where a Supplier is required to provide services, supplies or works prior to formal written acceptance by the Authority; or
 - (b) Where the Authority's form of tender does not include a statement that until such time as a formal contract is executed, the Authority's written acceptance of a tender shall bind the parties into a contractual relationship.
- 21.2 Letters of Intent shall only be used where a delay would cause a significant interference with the provision of service deliverability.

22. Contract Terms and Conditions

- 22.1 Contracts shall be entered into on the Authority's terms and conditions, reference to which shall be included with each invitation to tender or negotiate. Exceptions to this rule must be approved beforehand at tender preparation stage with the Monitoring Officer on behalf of the Clerk.
- 22.2 Where contracts are subject to the Regulations, the rules relating to technical specifications shall be followed and any reference to a technical standard, make or type shall be prefaced with the words "or equivalent". This requirement applies to both Part A and Part B Services.
- 22.3 The exception to using our Terms and Conditions arises when using a Framework and where the Framework Terms and Conditions would conflict.

23. Execution of Contracts

- 23.1 All contracts valued at £75,000 or above shall be executed under seal unless the Clerk approves other arrangements. No contract shall be executed as a deed except under seal. All other contracts may be signed by an officer with appropriate delegated authority.
- 23.2 Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 provided the sufficiency of security arrangements has been approved by the Clerk.

24. Records of Tenders and Contracts

- 24.1 The Authorised Officer with delegated authority in respect of a particular procurement shall maintain a list of all tenders received.
- 24.2 A Contracts Register of all contracts awarded above £20,000 shall be maintained by the Fund Director on behalf of the Authority. The Contracts Register may be maintained electronically.
- 24.3 For every individual contract above £75,000 a file shall be maintained for a period of 6 years.

25. Approved Lists

- 25.1 The Authority may maintain approved lists of Suppliers that meet its pre-qualification requirements. Quotations and tenders for contracts that are not subject to the Regulations may be invited from Suppliers included on an approved list. Where the Authority intends to use an approved list for services, supplies or works contracts, the selection of which contractors should be included on such list should itself be advertised.

26. Nominated and Named Sub-contractors

- 26.1 If a sub-contractor, supplier or sub-consultant is to be nominated or named to a main contractor, quotations or tenders must be invited in accordance with these Standing Orders and the terms of the invitation must be compatible with the main contract.

27. Novation

Novation occurs where there is an agreement to change a contract by substituting a third party for the original contractor. Where the Authority is approached regarding novation the

Authorised Officer may seek the advice of either the Treasurer or Monitoring Officer before agreeing novation for procurements valued below £250,000 but for procurements valued over £250,000 advice must be sought.

28. Joint Procurement

- 28.1 Any joint procurement arrangements with other local authorities or public bodies including membership or use of purchasing consortia for procurements above £250,000 shall be approved by the Monitoring Officer on behalf of the Clerk prior to the commencement of any procurement on behalf of the Authority. This clause does not apply to framework agreements.
- 28.2 Approval shall only be given where the joint procurement arrangement assures compliance with the Regulations.
- 28.3 The Authorising Officer needs to be satisfied that any joint procurement has been undertaken in accordance with the principles of these CSOs.

29. Procurement by Consultants

- 29.1 Any consultants used by the Authority shall be appointed in accordance with these contract standing orders. Where the Authority uses consultants to act on its behalf in relation to any procurement, then the Authorised Officer shall ensure that the consultants carry out any procurement in accordance with these contract standing orders. No consultant shall make any decision on whether to award a contract or who a contract should be awarded to. The Authorised Officer shall ensure that the consultant's performance is monitored.

30. Procurement by Corporate or Purchase Cards

- 30.1 The use of Authority Purchase Cards must comply with these standing orders. These standing orders are supplemented by the Financial Regulations governing the use of such cards.

31. Statistical Returns

- 31.1 If required, in any year the Authority shall make a statistical return to Department of Communities and Local Government (DCLG) for onward transmission to the European Commission concerning the contracts awarded during the year under the European rules.
- 31.2 The Clerk is responsible for this statistical return and will make the necessary arrangements for information to be collected annually. Authorised officers shall comply with these arrangements.

32. Contract Extension

- 32.1 Any contract may be extended in accordance with its terms. Where the terms do not expressly provide for extension, contracts subject to the Regulations may be extended by negotiation in accordance with the rules set out in the Regulations.
- 32.2 Other contracts may be extended by negotiation in the same circumstances where there is a compelling business case approved by the Treasurer. The Authorised Officer shall always be satisfied that extension will achieve value for money and is reasonable in all the relevant circumstances and take legal advice.

33. Termination of Contract

33.1 For any contract exceeding £250,000 in value, termination shall be approved by the Authority. Contracts of a lesser value may be terminated early by agreement prior to the expiry date or in accordance with the termination provisions set out in the contract.

34. Waivers of Contract Standing Orders

34.1 The Authority have power to waive any requirements within these contract standing orders for specific projects.

34.2 Where a proposed contract is likely to exceed the EU Threshold, no officer has delegated powers and the matter has to be determined by the Authority. No exemption can be used if the EU Procedure applies.

34.3 Where an exemption is necessary because of an unforeseeable emergency involving immediate risk to persons, property or serious disruption to the Authority or is considered necessary for significant reasons that require expediency, the Authorised Officer may, after consulting with a 2.3 officer as considered appropriate, jointly approve the exemption up to a maximum of £75,000 but they must prepare a report for the next appropriate Board meeting reporting the action taken.

34.4 All exemptions, and the reasons for them, must be recorded in an appropriate log. Exemptions shall be signed by the Officer and countersigned by the Treasurer.

34.5 The Treasurer must monitor the use of all exemptions.

35. Review and Amendment of Contract Standing Orders

35.1 These contract standing orders shall be reviewed and updated on a regular basis as determined by the Authority and changes to titles, statutory thresholds and minor amendments will be undertaken in consultation with the Monitoring Officer from time to time. Amended contract standing orders shall be agreed periodically as determined by the Monitoring Officer and adopted by the Authority.

Definitions

“Appropriate Manager”

The Clerk, the Treasurer, the Fund Director, Head of Investments or the Head of Pensions Administration (or an authorised officer to act in their absence) and shall be interpreted according to their respective management responsibilities.

“Authorised Officer”

A person with appropriate delegated authority to act on the Authority's behalf.

“Authority”

South Yorkshire Pensions Authority; or any designated Board of the Authority that has delegated powers to act on behalf of the Authority.

“Value for Money”

The optimum combination of whole life costs and benefits to meet the customer’s requirement. Such term equates to the EU procurement requirement “most economically advantageous offer”.

“A Contract”

Any contract in writing or otherwise for works, supplies or services but shall exclude contracts of employment or for the acquisition of land, including buildings and other structures, land covered with water, and any estate, interest, easement, servitude or right in or over land or for financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments (this exclusion includes securities broking services).

“Contracts Register”

A register held and maintained by an Authority containing details of contracts entered into by the Authority above a threshold value of £20,000.

“Framework Agreement”

An agreement which allows an Authority to call off from a supplier to provide supplies, services or works in accordance with the terms of the agreement. The Framework Agreement itself usually constitutes a nonbinding offer with no obligations on the Authority to call off from the Supplier. If the Authority calls off from the Supplier a binding contract comes into being.

“ITN” Invitation to negotiate.

“ITT” Invitation to tender.

“Monitoring Officer”

The Monitoring Officer performing the functions of the “Monitoring Officer” as described under section 5 of the Local Government and Housing Act 1989.

“OJEU” Official Journal of the European Union.

“PIN” Prior Information Notice for publication in OJEU.

“Regulations”

The Public Contracts Regulations 2006 implementing into UK law the European Commission’s Consolidated Directive on public procurement (2004/18/EC) or any subsequent amendment.

“RFQ” Request for quotations.

“Quotation” means a written estimate to execute works, or supplies or services.

“Services” is to be construed in accordance with the Public Contracts Regulations 2006.

“Supplies” is to be construed in accordance with the Public Contracts Regulations 2006.

- “A tender”** means a written offer to execute works or provide supplies or services.
- “Works”** is to be construed in accordance with the Public Contracts Regulations 2006.
- “Supplier”**
Any person or body of persons providing, or seeking to provide, supplies, services or works to an Authority.
- “TUPE”** The Transfer of Undertakings (Protection of Employment) Regulations 2006.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

3 December 2015

Report of the Treasurer

REVENUE ESTIMATES 2016/17 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2016/17 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) Approve the revised estimates for 2015/16 in the sum of £6,120,000**
 - (ii) Approve a levy of £504,000 for 2016/17 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2016/17, and refer the estimates to the District councils for comment.**
-

STRATEGIC PLANNING

3 Background

- 3.1 The Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the Regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates. (at the 2013 valuation, this has been estimated at 0.4% of Pensionable Pay). This is reassessed at each valuation. Investment expenses are allowed for implicitly in determining the discount rates.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset

and liability review. Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

- 3.5 Since 2010 local councils have been implementing substantial cuts of more than 25% and this pressure on local councils is still continuing.

The Authority has always strived to manage the Fund within the budgetary constraints imposed and, as shown in the table below, has consistently achieved underspends over the last few years.

Although the Authority has built up a reserve of around 3% of budget the resulting savings have meant a smaller charge to the Fund each year.

For 2015/16 an increase in base budget was approved as the only other option would have been to cut resources.

The revised figures for 2015/16 actually forecast a reduction of the 2015/16 budget and eliminate the need to use the reserves.

It is important to look at the net controllable budget as this takes out expenses which are linked to fund market value.

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2010/11	5,808,750	5,796,350	5,369,973	-426,377
2011/12	5,685,700	5,176,000	4,957,594	-218,406
2012/13	5,340,700	5,242,800	5,102,237 (net of 138,285 actuarial fees charged to the fund)	-140,563
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,237,554 (net of 92,537 actuarial fees charged to the fund) No reserves used	-199,246
2015/16	5,760,900 (using 50,000 of reserves to give a net controllable budget level of 4,630,900)	6,120,000 (not using any reserves to give a net controllable budget level of 4,560,000)		

- 3.6 The current climate around pensions continues to be a turbulent one:

The introduction of CARE to the LGPS has added a new layer of complexity to the scheme which although fully operational continues to challenge members, employers

and pension funds alike. In particular member communications are much more complex and time consuming as we strive to make an already difficult subject easy to understand.

Workload continues to be high and we are still being required to perform bulk redundancy quotations for employers taking cost saving measures. The number of cases processed overall is down slightly from last year but we have also been hampered by the implementation of our new pensions administration system which has caused backlogs, delays and a reduction in our overall performance rating. We are steadily coming out of this difficult period but there is still work to be done before we are back to normal.

SYPA continues to participate in the CIPFA LGPS benchmarking club and 14/15 our total cost was £17.86 per member which compares favourably against the average of £19.17 per member.

The South Yorkshire Local Pension Board is now operational and has held its first two meetings.

At the same time all LGPS funds are under pressure to cut Investment Management costs and to look at joint working to achieve this. Of course, as one of the funds with the lowest Investment management costs already, reducing costs is not going to be easy and in all honesty is unlikely to be achieved.

4 **Preliminary financial forecasts**

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2016/17 for administration and investment management expenses together with a probable outturn for 2015/16.

The Authority is also asked to approve the levy for 2016/17 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2015/16 estimates and 2016/17 estimates

Appendix B - variation statement showing main changes for 2015/16 probable outturn

Appendix C - variation statement showing main changes for 2016/17 estimate

Appendix D - statement of recharges to District Councils and levy for 2016/17

4.1 **Original Budget 2015/16**

The original budget for 2015/16 was approved in January 2015 at £5,710,900 net, using £50,000 from reserves.

Last year a revision of the market supplement paid to Principal Investment Managers was agreed. The need to review was triggered by peer group funds advertising equivalent posts at markedly higher salary levels and in order to retain staff it was necessary to bring SYPA grades into line with competitors. The improved grades are at the lower end of the peer group.

The review also highlighted the fact that the senior management team had not been subject to a salary review for a number of years. Other staff were reviewed in 2008 and it

was originally intended that management would be reviewed after that process was completed. However, the review never took place. In light of the management changes that have occurred since, with the retirement of the Clerk and Treasurer and subsequent transfer of some, but not all, of the responsibilities to other officers, it was agreed that honoraria payments were made until a full review had been completed. That review has now been completed and a separate report is presented to today's meeting.

The budget figures presented in this report include the new senior management grades and assume those having been implemented at the start of 2015/16.

The need to formalise these salaries is more pertinent with the impending retirement of the Fund Director and the need to recruit his replacement.

The management of the Fund and the provision of high quality service to members is key to the Authority. As already stated the Authority is amongst the lowest in terms of cost per member for administration and amongst the highest in terms of levels of service. The fund has also outperformed its benchmark consistently. The fund is currently valued at over £6billion. The following table shows the outperformance in cash terms.

Period	Actual return	Benchmark return	Extra value added	Extra value in cash terms	Cash value added over 10 years
10 years to March 2015	8.6%	8.5%	0.1%	£5.67m per annum	£56.75m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.1% per annum over the last 10 years. In cash terms this is £56.75million on top of the benchmark return during that period.

The relative return against the benchmark over the 10 year period means that the Authority remains in the 13th percentile of fund returns ie the total fund return was better than 77 out of the 89 local authority funds over the 10 year period.

4.2 Probable Outturn

The revised estimates for 2015/16 show a bottom line (net controllable budget) reduction of £70,900 after allowing for no use of reserves.

The main variations are shown in Appendix B and it can be seen that savings have been made across a number of budget heads.

The savings coming mainly from turnover, the PIM vacancy, the reduced costs of central services previously provided by SYJS and now provided either directly by the Authority or by BMBC. There is also an increase in income for providing IT facilities to some BMBC staff and to the Police Commissioner, we had previously reduced these figures as we had anticipated loss of these clients.

As mentioned in 4.1 the management structure review has also been included in these figures.

There is a significant increase in Investment management expenses due to the appointment of the external manager for some of the Bond portfolios and the increase in the value of the property portfolio, these expenses are linked to market values and so are not included in the net controllable budget.

5 Developments during 2015/16

- 5.1 The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration continues to drive forward the greater use of electronic communication with Fund members and employers where appropriate. This has been a long, steady process and has already helped to cut costs in printing and postage over the last few years.
- 5.2 As mentioned in 3.6 the new LGPS scheme came into effect on 1st April 2014 and this has added complexities to the Authority workload in a number of areas in trying to manage the effects of 3 schemes and adjust to the new CARE calculations.
- 5.3 The number of employers within the Fund continues to increase and now stands at 419 compared to just under 150 in 2010. The task of informing employers of the contributions due from them and collecting those contributions is becoming a much more complex and time consuming task.
- 5.4 The new pensions administration system has now been in place for a year. Bedding down this system has been a complex process and has required major resource across many parts of the Authority. The new system is expected to produce a substantial saving on system costs from 2015/16 onwards. Costs associated with this were reported to the October Authority meeting.
- 5.5 As mentioned in 4.1 there has been a review of the management structure This is the subject of a separate report at today's meeting.
The full effect of the review has been included in the figures for the full year 2015/16 and 2016/17.

5.6 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2015/16 and 2016/17 separately. We have estimated this at £95,000 but it is totally dependent on the number of new academies joining the fund..

Actuarial fees are really difficult to predict and control as the bulk are dependent on requests from employers and changes within the scheme – all fees are recharged wherever this is possible.

5.7 SYJS

As members are aware the South Yorkshire Joint Secretariat (SYJS) has now been dissolved and on the whole the functions are being transferred to Barnsley MBC. However the service has appointed it's own HR advisor and some functions have been absorbed. This has resulted in a reduction of central service costs as a whole.

5.8 IT

The Authority currently provides a network to some BMBC staff situated in Regent Street and to the Office of the Police and Crime Commissioner. When we put budgets forward last year we thought we would lose these clients in their entirety, however they have

remained and therefore we have achieved higher income from these fees than originally anticipated.

As the Authority's IT systems are innovative and well received in the local authority pensions administration arena we are hopeful that more income can be generated from gaining more external clients for these systems.

6 Budget Assumptions

- 6.1 The initial planning guideline for 2016/17 was a 'continuation of service' budget based on maintaining current levels of service. We have allowed for a 1% increase in pay and have actually not included any inflation other than this. Some suppliers have indicated higher than inflation rises in costs but we intend to absorb these as much as possible.

No allowance has been made within the budget for developments or improvements in service.

- 6.2 The budget for 2016/17 to maintain the current level of service is shown in Appendix A at £6,336,800 against the base 2015/16 budget of £5,760,900. When this is adjusted for the investment costs linked to market value the net controllable budget is £4,726,800 against a base of £4,680,900; this represents a net increase of 0.9%.

This is an increase of £575,900 on the overall budget. It should be noted though that £530,000 is an increase in costs linked to market value and as such is an uncontrollable increase.

Appendix C shows the main variations.

The biggest increase is in employee costs, including the pay award, the revised management structure and an increase in pension contributions.

As mentioned in 5.7 further reductions have been made to the cost of central services. Extra income is being generated by IT servicing clients on the IT network.

Most other budget heads have been held at cash for a number of years now which in real terms equates to a reduction in budget.

As other costs are held and savings are made where possible it leaves over 66% of the Authority controllable budget as employee costs.

- 6.3 As can be seen at paragraph 3.5 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. The budget for 2015/16 was approved including utilisation of this Reserve in order to maintain a cash standstill position. The revised position shows that we shouldn't need to use reserves at all in 2015/16. This would leave the Contingency Reserve at a level of around £185,000. Reducing the impact of the changes in 2016/17 would require using around £50,000 of the reserve. This would leave the Authority with a reserve of £135,000 and in a position to absorb any costs associated with future workload uncertainties and/or other unforeseen cost pressures. Although this would leave the reserve at around 2.1% rather than the 3% previously maintained it would be prudent to utilise it now.

7 Developments over the next few years

- 7.1 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.2 The new LGPS scheme still needs to bed down over the next couple of years, along with the new Pensions Administration system so that we return to our excellent levels of service.
- 7.3 The government is still in the process of consulting on the future of the LGPS with talk of joint working and fund mergers. At the moment these are fairly uncertain times and it is impossible to forecast what may happen over the next couple of years.
- 7.4 The new Local Pensions Board made up of employer and scheme member representatives has been established..
This new Pensions Board will incur additional costs for the Authority and this is the first year of seeing how this develops.

8 Implications of making further reductions in the budget

- 8.1 The budget has been produced on a standstill basis. However, it would be useful to assess the implications of any further cuts in 2016/17, as a means of setting a base reference point.
- 8.2 It is important to relate the calculation to the controllable base budget figure. This should exclude all costs that are related to market values, to avoid misleading results (a big increase in investment values, which is obviously good for the Fund, will generate extra external management fees, and will make the administration costs budget appear overspent).
Excluding external management and custodian fees would reduce the controllable total in 2015/16, and 2016/17.

To illustrate the impact of adjusting the figure to identify controllable costs, the savings targets under the simple one off reduction option would be as follows:

	<u>Total budget</u> <u>£000</u>	<u>Controllable budget</u> <u>£000</u>
2016/17 Base	6,337	4,727
1% reduction	63	47
2%	127	94
3%	190	142

- 8.3 In the past Members have indicated that the following assumptions should be made when addressing reductions in costs.
- Avoid cutting back on internal investment manager resources
 - Focus initially on non staff costs
 - Be aware of the likely increase in demand from employers
 - Ensure continuity of resources to meet future LGPS restructuring

9 Implications of potential reductions

- 9.1 Even at the lower end of the scale, there are potential implications for service levels resulting from reductions in the budget guidelines. As Members are aware, most non-staff budgets have been cash limited in recent years as a way of reducing the annual increase. A high proportion of the Authority's budget is staff related (53% overall; 65% if investment management fees are excluded) and it is widely accepted that internal management is much cheaper than external management. A substantial proportion of the remainder is on professional fees, IT and communication costs, and accommodation. This means that budget reductions will inevitably impact on staffing levels at quite an early stage. The Authority is not carrying excess capacity; as a primarily in-house managed investment operation, staffing levels on the investment and investment accounting team are driven by the value of the Fund and South Yorkshire's costs are significantly lower than the average fund as a consequence. In addition, as noted earlier, the national benchmarking returns show Fund Administration costs in very favourable terms, which suggests that there are not major savings to be released without affecting the quality of service. The Authority continues to look for savings wherever they are possible.
- 9.2 Many areas of the budget are interlinking, and reductions in one area could have an adverse effect elsewhere. For example, cutting back on support costs within the Investment team could mean the Investment Managers having to pick up more "back office" functions. Similarly reductions in technical support, or communications and advisory services could mean not only reduced quality of service, but increased risk of errors occurring which would create extra demands in the longer term.
- 9.3 The budget forecasts have been put forward bearing all of these things in mind. Major savings have been identified in every area possible. Any further savings to be achieved would have to come from staffing. Members are asked to indicate whether they wish this specific area to be explored for further consideration as part of this budget round.

10 Other Implications

- 10.1 Legal
There are no legal implications.
- 10.2 Diversity
There are no specific diversity implications.
- 10.3 Risk
There are a number of possible risks for the Fund associated with the implementation of the new LGPS scheme: structural reform to contributions and benefits with implications for both the short and long term workloads of the Authority and contributing employers.

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.

F Foster
Treasurer

Officer responsible: Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority
Background papers used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.

Other sources and references: none

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION AND INVESTMENT EXPENSES

REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES

SUMMARY

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 ESTIMATE £
ADMINISTRATION EXPENSES	3,006,600	2,902,100	2,995,100
INVESTMENT EXPENSES	<u>2,754,300</u>	<u>3,217,900</u>	<u>3,341,700</u>
	5,760,900	6,120,000	6,336,800
CONTINGENCIES	-50,000	-0	-50,000
TOTAL EXPENDITURE REQUIREMENT	5,710,900	6,120,000	6,286,800
INVESTMENT COSTS LINKED TO MARKET VALUES	1,080,000	1,560,000	1,610,000
NET CONTROLLABLE BUDGET	4,630,900	4,560,000	4,676,800
RECHARGED TO:			
FUND	5,536,900	5,946,000	6,111,800
SYPT PENSION FUND	174,000	174,000	175,000
	5,710,900	6,120,000	6,286,800
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
MEMORANDUM ITEM			
DISTRICT OFFICES			
Barnsley	100,800	97,100	100,900
Doncaster	111,800	99,800	111,900
Rotherham	84,800	82,300	84,600
Sheffield	118,300	111,100	117,600
	415,700	390,300	415,000

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,994,300	1,903,300	2,014,000
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	25,000	65,500	23,800
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	146,000	146,000	146,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	5,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,900	13,900	13,900
Publications	200	200	200
Printing and Stationery	75,500	75,500	75,500
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	12,000	10,000	2,000
AXIS / UPM	65,000	66,000	67,000
Subsistence and Conferences	2,200	2,200	2,200
Subscriptions	9,000	9,000	9,000
Actuarial Fees	90,000	90,000	90,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	50,000	50,000
Miscellaneous Expenses	9,000	9,000	9,000
CENTRAL EXPENSES			
Central Services	270,500	230,000	250,000
IT Network	55,000	55,000	55,000
Insurances	27,000	27,000	30,000
Subscriptions	5,000	15,500	15,500
Audit Fee	45,000	45,000	45,000
Bank Charges	22,000	10,000	15,000
Democratic Representation	14,000	14,000	14,000
Member Training	5,000	5,000	5,000
Disaster Recovery	6,000	10,000	10,000
Local Pension Board	0	15,000	15,000
<hr/>			
GROSS EXPENDITURE	3,092,600	3,015,100	3,108,100
MISCELLANEOUS INCOME	86,000	113,000	113,000
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NET EXPENDITURE	3,006,600	2,902,100	2,995,100
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2016/17 AT OUTTURN PRICES

	2015-16 ORIGINAL ESTIMATE £	2015-16 PROBABLE OUTTURN £	2016-17 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,055,600	1,034,800	1,104,800
Training Expenses	4,100	4,000	4,000
Other Indirect Expenses	5,000	9,000	5,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	45,000	45,000	45,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	8,400	8,400
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	4,400	4,400
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	8,500	8,000	12,000
Subsistence and Conferences	1,500	1,500	1,500
Subscriptions	49,000	49,000	49,000
Actuarial Fees	20,000	20,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
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INVESTMENT GENERAL EXPENSES	1,253,300	1,235,900	1,305,900
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	322,700	322,700	325,500
Custodian & Other Investment Expenses	241,000	241,000	261,000
External Management Fees	937,300	1,418,300	1,449,300
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INVESTMENT MANAGEMENT EXPENSES	1,501,000	1,982,000	2,035,800
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NET EXPENDITURE	2,754,300	3,217,900	3,341,700
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APPENDIX B

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2015/16

	£	£
1	Original Estimate 2015/16	5,760,900
	<i>Main Variations</i>	
2	Employee Costs	
	New Principal Investment manager post not yet recruited	35,400 CR
	Overstated pay award for 15/16 in original calculations	16,200 CR
	Review of management structure	27,400
	Restructure for UPM specialist team	9,200 CR
	Cost of flexible retirement	43,700
	Additional overtime requirements	16,000
	Increased turnover including restricted cover for Maternity and working pattern changes	67,300 CR
	NI and super – less increase than anticipated	<u>24,500 CR</u>
		65,500 CR
3	Transport related expenses	
	Reduced expenses due to less visits out of office	<u>3,000 CR</u>
		3,000 CR
4	Central Expenses	
	Reduction of cost of central services due to negotiation of costs and some absorption of functions	40,500 CR
	Cost of Levy to new Scheme Advisory Board	10,500
	Increased cost of disaster recovery facility due to loss Of service requirement by SYJS	4,000
	Provisional budget for new Local Pensions Board	15,000
	Reduced bank charges	<u>12,000 CR</u>
		23,000 CR
5	Miscellaneous Income	
	Increase in income from IT network recharge due to maintained client base.	<u>25,000 CR</u>
		25,000 CR
6	Investment Management Expenses	
	Management fee for new external fund manager for Bond portfolio	340,000
	Increased property advisor fees due to increased property portfolio and market values	<u>140,000</u>
		480,000
7	Other Minor Variations	<u>4,400 CR</u>
8	Revised Estimate 2015/16	<u>6,120,000</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2016/17

		£	£
1	Original Estimate 2015/16		5,760,900
	<i>Main Variations</i>		
2	Employee Costs		
	Increase in NI contributions	8,000	
	Restructure for UPM specialist team	17,200 CR	
	Minor working pattern changes	8,600	
	Review of Management structure	27,400	
	Increments and career grade progression	6,600	
	Increase in pension contributions	<u>11,800</u>	45,200
3	Supplies and Services		
	Reduced cost of imaging system (only used by Investments division now)	<u>7,000 CR</u>	7,000 CR
4	Central Expenses		
	Reduction of cost of central services due to negotiation of costs and some absorption of functions	20,000 CR	
	Cost of Levy to new Scheme Advisory Board	10,500	
	Increased cost of disaster recovery facility due to loss Of service requirement by SYJS	4,000	
	Provisional budget for new Local Pensions Board	15,000	
	Reduced bank charges	<u>7,000 CR</u>	2,500
5	Miscellaneous Income		
	Increase in income from IT network recharge due to maintained client base.	<u>25,000 CR</u>	25,000 CR
6	Investment Management Expenses		
	Increase in custody fees – linked to market values	20,000	
	Management fee for new external fund manager for Bond portfolio	350,000	
	Increased property advisor fees due to increased property portfolio and market values	<u>160,000</u>	530,000
7	Other Minor Variations		<u>6,400</u>
8	Inflation		
	Price inflation - absorbed	0	
	Pay assumed 1%	<u>23,800</u>	<u>23,800</u>
9	Estimate 2016/17		<u>6,336,800</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2016/17

ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS

Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. However, the same statutory instrument that created the Pensions Authority made provision for the four District Councils to reimburse the cost of those payments on a proportional basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

1 Probable Outturn 2015/2016

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,582	1,961	1,380	6,673	12,596
Levy	<u>95</u>	<u>120</u>	<u>103</u>	<u>205</u>	<u>523</u>
	<u>2,677</u>	<u>2,081</u>	<u>1,483</u>	<u>6,878</u>	<u>13,119</u>

2 Estimates 2016/17

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	504
Gratuities	<u>-</u>

Levy 2016/17 **504**

(ii) Total payments by District

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,580	1,962	1,380	6,672	12,594
Levy	<u>92</u>	<u>115</u>	<u>99</u>	<u>198</u>	<u>504</u>
	<u>2,672</u>	<u>2,077</u>	<u>1,479</u>	<u>6,870</u>	<u>13,098</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.

(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

(b) Pensions administration and investment management costs are borne by the Pension Fund.

SOUTH YORKSHIRE PENSIONS AUTHORITY

3 December 2015

Report of the Clerk

ANNUAL REVIEW OF THE RISK MANAGEMENT POLICY AND THE CORPORATE RISK REGISTER

1. Purpose of the Report

To review the Authority's Risk Management Policy and the Corporate Risk Register.

2. Recommendations

Members are recommended to:

- (a) Note the Risk Management Policy attached at Appendix A;
 - (b) Consider the Corporate Risk Register attached at Appendix B to the report;
 - (c) Agree a review of the Authority's Risk Management Policy be undertaken in advance of the Annual Meeting.
-

3. Risk Management Policy

- 3.1 The current Risk Management Policy was agreed by the Authority in April 2010. The Policy does not address operational risk management processes, which by their nature may need more regular revision. Since April 2010 processes have been fully documented in the Risk Management Handbook which is aimed at officers and their operational needs.
- 3.2 In accordance with good practice the Authority has agreed to review the Risk Management Policy on an annual basis. The Policy continues to be relevant and whilst fit for purpose, it is acknowledged that given the length of time since it was last reviewed in detail, the time is perhaps right for such an exercise to be undertaken. No substantive amendments have been made to the Policy, however, some minor drafting amendments are proposed acknowledging changes in the support arrangements to the Authority. These are detailed in the copy of the Policy attached at Appendix A.

4. Corporate Risk Register

- 4.1 The Corporate Risk Register is updated by the Officer Planning Group and is presented to each meeting of the Corporate Planning and Governance Board. The Board is responsible for ensuring that officers develop and implement an effective framework for risk management and report significant risks on a regular basis. The attached report at Appendix B was considered by the Board at its meeting on 19 November 2015.
- 4.2 The Risk Register is presented to the Authority on an annual basis to inform policy development.
- 4.3 Members are asked to review the Risk Register and to take account of the risks identified when they review the Authority's Corporate Strategy.
- 4.4 The Authority is recommended to remove Risk 4 from its Register as it is felt the issue is monitored on a daily basis and a range of procedures in place to mitigate the risk wherever possible.

5. Implications and risks

- 5.1 There are no financial, legal or diversity implications arising from this report.

Diana Terris
Clerk

Officer responsible: Martin McCarthy, Deputy Clerk
01226 772808, mmccarthy@syjs.gov.uk

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: None

PART 6c - RISK MANAGEMENT POLICY

Date Approved:	2006
Date Revised:	November 2009; April 2010; confirmed April 2011; July 2012; June 2013; September 2014; October 2015
Date of Next Review:	October 2016
Owner:	Deputy Clerk

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Section 1 – Overview

Section 2 – Aims, Objectives, Approach and Benefits

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- 3.3 Clerk
- 3.4 Pensions Planning Group
- 3.5 Strategic Risk Owners
- 3.6 Functional Teams
- 3.7 Internal and External Audit

Section 1- Overview

- 1.1 Risk Management is central to any organisation's strategic management and is a fundamental element of good corporate governance. It is a means of maximising opportunities and minimising the costs and disruption caused by undesirable events. The internal control arrangements of an organisation should have the management of significant risks as a principal aim and should link all policies and procedures, which taken together support its effective and efficient operation and enable it to respond to significant business, operational, financial and other risks.
- 1.2 The South Yorkshire Pensions Authority ("the Authority") recognises that it has a responsibility to ensure that there is an effective framework in place for managing risk and maximising opportunity. Such a framework is an enabler for control of the Authority's assets and liabilities and protection of employees and the community against potential losses. It also helps to minimise uncertainty in achieving its goals and objectives.
- 1.3 The Authority must be satisfied that there are adequate and appropriate systems of internal control for the management of risk in place.

Section 2 – Aims, Objectives, Approach and Benefits

- 2.1 The key aims of the strategy are to ensure that the Authority:
 - Meets specified governance requirements
 - Realises the business benefits of formal risk management processes
- 2.2 Key objectives are to:
 - Integrate risk management into the culture of the Authority
 - Manage risk in accordance with best practice and adhere to national guidance
 - Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources
 - Protect the Authority's assets
 - Anticipate and respond to changing political, economic, sociological, technical, environmental, legal and organisational requirements
 - Exploit opportunities
 - Preserve and enhance the effectiveness of service delivery
 - Inform policy and operational decisions by identifying risks and their likely impact
 - Protect the corporate image and reputation of the Authority
 - Maintain effective stewardship of the Authority's funds and demonstrate good corporate governance
- 2.3 Approach – the Authority will achieve these objectives by:
 - Approving this Risk Management Policy and keeping it under review
 - Ensuring that appropriate resources are allocated to risk management activities
 - The Clerk establishing and maintaining the risk management framework identified in this Policy
 - Embedding the Risk Management Process as outlined in this document.

- Establishing clear roles and responsibilities for all stakeholders
- Providing risk management training and awareness sessions to Members and officers
- Fully integrating risk management into the organisation's management processes e.g. Planning process, Business Continuity, Partnership arrangements, Financial Planning
- Actively maintaining awareness of current best practice via other organisations, publications and networking

2.4 Benefits expected:

- A framework for consistent and controlled activity
- Improved decision making, planning and prioritisation through structured understanding of business activity and associated threats/opportunities
- An aid to appropriate allocation of funding and resources
- Protection of assets and the organisation's image/reputation
- Helps to optimise operational efficiency
- Helps to develop and support people and the organisation's knowledge base

Section 3 – Governance – Risk Management Roles & Responsibilities

3.1 Pensions Authority

Role:

- To ensure that a comprehensive approach to risk management is developed and implemented by the Authority
- To oversee the effective management of the Authority's risks; and
- To approve the Authority's risk strategy.

Responsibilities:

- Helps to develop and support people and the organisation's knowledge base
- To gain a broad understanding of risk management and its benefits;
- To challenge officers to ensure that risks are considered and documented in all reports.
- To consider the Authority's Risk Register on an annual basis and to annually review the Strategic Plan

3.2 Corporate Planning and Governance Board

Role:

- To oversee the development of the Authority's Risk Register;
- To oversee the effective management of risks by officers by receiving and considering quarterly monitoring reports on risk from officers; and
- To get involved in the identification of high level, strategic risks.

Responsibilities:

- To require officers to develop and implement an effective framework for risk management; and
- To require officers to report upon significant risks on a regular basis.

3.3 **Clerk**

Role:

- To support and develop the risk management culture of the Authority;
- To develop and maintain a risk management framework within the Authority; and
- To report to the Authority periodically on the operation of the risk management framework.

Responsibilities:

- To ensure there is a written strategy in place for managing risk;
- To ensure the Authority has clear structures and processes for risk management which are successfully implemented;
- To ensure the Authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff;
- To ensure the Authority has well defined procedures for recording and reporting risk;
- To allocate resources for the maintenance of the Authority's risk register
- To ensure that regular reports are presented to the Authority (or Boards as appropriate) of significant risks facing the Authority;
- To provide advice on the risk implications of any decisions Members of the Authority are required to make;
- To ensure there are well-established and clear arrangements for financing risk;
- To ensure the Authority has developed a programme of risk management training for relevant staff; and
- To ensure that Members receive sufficient and appropriate information and training on risk management.

In discharging these responsibilities the Clerk is supported by the Fund Director and Head of Pensions Administration and other senior officers. Risk management is a standing item on the agenda of the Pensions Planning Group, which is chaired by the Deputy Clerk

3.4 **Pensions Planning Group**

Role:

- To develop, maintain and oversee risk management and reporting within the Authority; and
- To maintain the Authority's Risk Register.

Responsibilities:

- The identification and evaluation of significant risks that should be reported and monitored at a corporate level;
- The registration of key risks on Authority's Risk Register; the register to be maintained and updated by the Risk Co-ordinator appointed by the Clerk.
- Action planning to mitigate the impact of risks on the achievement of the Authority's objectives.
- Ensure that risk controls and scores are reviewed on a regular basis by the functional teams.
- To identify "risk owners" for the significant risks who will be responsible for managing the risk and ensuring that the actions identified to mitigate the risk are carried out.

3.5 Strategic Risk Owners

- To complete all actions identified by the Pensions Planning Group.
- To report to the Pensions Planning Group on progress of work on the actions to mitigate the risk.

3.6 Service Response

The Fund Director and his senior colleagues within the Service will be responsible for:

- Identifying the operational risks to the achievement of the Authority's objectives;
- Evaluating those risks, prioritising them and recommending the appropriate action to the Pensions Planning Group;
- Monitoring all operational risks on the Service Risk Registers.
- Undertaking a regular review of risk controls and scores for all current risks.
- Providing guidance and training for staff on risk awareness.

3.7 Internal Audit

- The risk management process will be subject to audit.
- Internal Audit will provide advice on risk management processes.
- Internal Audit will regularly review the risk registers and incorporate risk areas into its work programme as appropriate.

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likelihood (1-4)	Risk Rating		Impact (1-4)	Likelihood (1-4)	Risk Rating
1	Jan 2010	<p><u>MEMBER LEARNING AND DEVELOPMENT</u></p> <p>Members do not acquire appropriate knowledge and expertise to discharge their statutory responsibilities.</p> <p>Local Pension Board membership require knowledge and skills training.</p>	Deputy Clerk	3	3	MEDIUM	<ul style="list-style-type: none"> • Induction training provided for new Members; • All Members attend the external LGPS 3 day fundamentals training course; • An in-house Fundamentals refresher was piloted and following positive appraisal will be repeated; • A Lead Member for (Member) learning and development has been appointed; • Presentations/briefing sessions are provided as part of work programme planning for the Authority and Boards; <p>The Pensions Regulator and new CLG / SAB guidance require more emphasis on Member knowledge and skills going forward.</p> <p>The self-assessment framework for Members and Chairs will be reviewed when the new governance arrangements are in place.</p> <p>Member training requirements will need to be assessed alongside those put forward for the Local Pension Board</p>	2	2	LOW

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likelihood (1-4)	Risk Rating		Impact (1-4)	Likelihood (1-4)	Risk Rating
2	2006/07	<u>LOSS OF KEY STAFF</u> Loss of key staff i.e. Clerk, Treasurer, Head of Pensions Admin, Fund Director impacting upon people, reputation, continuity of operations & targets.	Clerk	3	4	HIGH	<ul style="list-style-type: none"> • Training of staff. Knowledge management. Use of minutes & central resources, external/professional courses to support workforce development; • Encourage involvement in all aspects of the management team meetings; promote continuity; Encourage input to policy group meetings; <p>The Fund Director has notified the Authority of his intention to retire with effect from March 2016. The Authority has established an Appointments Panel to coordinate the appointment of a successor.</p>	4	2	MEDIUM
3	2006/07	<u>INACCURATE PAY & CONTRIBUTIONS DATA FROM DISTRICT COUNCILS or DATA NOT PROVIDED IN A TIMELY MANNER</u> Operations, Targets, Reputation & Assets. Will affect the accuracy and production of the valuations and the information given to employees and pensioners.	Clerk/Head of Pensions Admin	3	3	MEDIUM	<ul style="list-style-type: none"> • Section 41/District Officer & member monitoring meetings established; • Regular report on progress to Corporate Planning & Governance Board, and standing item on SY Treasurers Association with practitioner officer working group established; • External audit notified. 	2	3	MEDIUM
4		<u>SERVICE DELIVERY</u> Financial, People, Operational and Strategic Risks. If budget cuts required	Clerk/Fund Director/Head of	4	2		Trade union consultation/liaison arrangements well established; Authority indicated support for maintaining present levels of	3	2	

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likeli- hood (1-4)	Risk Rating		Impact (1-4)	Likeli- hood (1-4)	Risk Rating
		would necessitate compulsory redundancies ; ; impact upon staff morale & motivation; cost-effectiveness of staff has to be recognised in terms of performance delivered and standards	Pensions Admin			MEDIUM	service.			MEDIUM
5	Sept 2010	<u>FUTURE CHANGES TO LGPS</u> Financial, People, Operational, Strategic Regulatory Targets Fresh “consultations” on cost saving and investment structures following Chancellor’s statements during Autumn.. Could have significant consequences for Authority, Fund and employees. New governance arrangements (eg LPB) need to be bedded in. Outlook for actuarial valuation 2016 ominous given bond yields remain at historically low levels. Viability of LGPS remains in doubt. Current Corporate Strategy will need to be updated in due course.	Clerk / Treasurer/Fund Director/Head of Pensions Admin	4	3	HIGH	Ongoing monitoring. Fresh “consultation” on pooling of investments direct threat to present internal management arrangements. Could have significant consequences for Authority and staff. Will lead to increased co-operation with other LGPS funds. Governance and longer term viability issues to be resolved.	4	3	HIGH
6	Sept 2015	<u>INTRODUCTION OF NEW PENSIONS ADMINISTRATION SYSTEM</u> People Operational, Strategic, Regulatory Targets 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 the Company to: <ul style="list-style-type: none"> • 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 	Clerk/Treasurer/Fund Director/Head of Pensions Admin	4	3	HIGH	Control measures implemented to reduce back log of work associated with the system failure. Discussions ongoing with supplier to remedy operational problems (payment withheld until issues resolved). Overall performance improving month on month in terms of caseload completed – position being monitored closely. Authority being updated on current position in relation to management of the key risks and in particular impact on Scheme	4	3	HIGH

Risk No.	Date Raised	Risk (Threat to achievement of business objective)	Current Risk Owner	Original Risk (no controls in place)			Control Measures in Place	Residual Risk (Control measures implemented)		
				Impact (1-4)	Likeli- hood (1-4)	Risk Rating		Impact (1-4)	Likeli- hood (1-4)	Risk Rating
		launch <ul style="list-style-type: none"> • 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 significant operational issues for Service personnel.					Members.			

SOUTH YORKSHIRE PENSIONS AUTHORITY

3 December 2015

Report of the Clerk

FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

1. Purpose of the Report

This report provides Members with an update of Freedom of Information requests.

2. Recommendations

Members are recommended to note the report.

3. Background Information

This is the tenth annual report of requests received under the Freedom of Information Act 2000.

4. Requests received

4.1 Summary of requests

	<i>Investments</i>	<i>Administration</i>	<i>Total</i>
Oct 14-Oct 15	26	1	27
Oct 13-Sep 14	12	1	14
Nov 12-Sep13	18	2	20
Sep11- Oct 12	13	2	15
Oct10-Sep 11	6	6	12
Oct 09-Sep 10	11	6	17
Oct 08 – Sep09	14	2	16
Oct 07 – Sep 08	10	5	15
Aug 06 – Oct 07	12	2	14
Jan 05 – July 06	13	4	17

4.2 All the Investment requests in the past year related to either limited partnership holdings (private equity or absolute return) or to issues surrounding them. The single request relating to the Administration Division asked for information about scheme members whose pension exceeds £26,000 per year and the total value of those pensions.

- 4.3 The Authority has responded to all requests within the 20 day limit required by the Act.
- 4.4 All the information applicants have asked for has been provided where it is held.
- 4.5 The Authority has made no charges, either for retrieving information, or for photocopying and postage.
- 4.6 The Authority has received no complaints or requests for internal reviews in relation to any disclosure.
- 4.7 The Authority has spent at least 56 hours of officer time in completing these requests.
- 4.8 All the applicants have been from data collecting commercial organisations; except for one which was from another type of commercial organisation; two which were from the media and four from private individuals. Three of the requests were from UK based individuals and eight from the USA and Canada.

5. Publication Scheme

The Authority has adopted the model publication scheme prescribed by the Information Commissioner, which sets out the routine publication of information, which is not exempt under the Act.

6. Re-use of public sector information

New regulations came into force in July entitled "The Re-use of Public Sector Information Regulations 2015". These require public sector bodies to:

Allow re use of public sector information by anyone;
Remove copyright restrictions preventing re use of such information;
Allows anyone the right to aggregate, add value or repackage the information, and make money out of it.

The impact on the authority is not considered to be any greater than the current use of private equity data by commercial organisations.

7. Implications

- 7.1 There are no significant costs arising out of this report.
- 7.2 There are no legal implications other than those referred to in the report.
- 7.3 There are no diversity implications of this report.

7.4 There are risks of a failure to meet the 20 day deadline required by the Act, due to the pressure of work. However, this risk is judged to be minor.

D Terris
Clerk

Officer responsible:
J N Hattersley, Fund Director
Tel 01226 772873

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

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