

# Public Document Pack



## SOUTH YORKSHIRE PENSIONS AUTHORITY

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Financial Conduct Authority

Diana Terris  
*Clerk*

18 Regent Street  
Barnsley  
South Yorkshire  
S70 2HG

[www.southyorks.gov.uk](http://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 17 March 2016 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".

**Diana Terris**  
Clerk

This matter is being dealt with by: Gill Richards  
Email: [grichards@syjs.gov.uk](mailto:grichards@syjs.gov.uk)

Tel: 01226 772806

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Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

## **Distribution**

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

## **Contact Details**

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## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**17 MARCH 2016 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELEY, S70 2HG**

### **Agenda: Reports attached unless stated otherwise**

	<b>Item</b>	<b>Page</b>
1	Apologies	
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).	
5	Declarations of Interest.	
6	Minutes of the Authority meeting held on 14 January 2016	1 - 8
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14	Quarter 3 Performance Snapshot Report	57 - 62
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## SOUTH YORKSHIRE PENSIONS AUTHORITY

14 JANUARY 2016

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

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

Officers: J Hattersley (Fund Director),  
G Chapman (Head of Pensions Administration), and  
I Baker (Pensions Manager) SYPA

A Frosdick (Monitoring Officer), F Foster (Treasurer),  
M McCarthy (Deputy Clerk), J Bell (Director of Human  
Resources, Performance and Communications) and  
M McCoolle (Senior Democratic Services Officer) BMBC

Apologies for absence were received from  
Councillor H Mirfin-Boukouris, Councillor J Scott,  
Councillor B Webster, R Askwith and B Clarkson

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 11 entitled ‘Government Consultation on LGPS Pooling’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 3 DECEMBER 2015

Councillor Ellis informed Members that the Authority had provided a response to the petition received from the Sheffield Climate Alliance.

RESOLVED – That the minutes of the Authority meeting held on 3 December 2015 be signed by the Chair as a correct record.

7 MINUTES OF THE EXTRAORDINARY MEETING OF THE AUTHORITY HELD ON 10 DECEMBER 2015

RESOLVED – That the minutes of the Extraordinary Meeting of the Authority held on 10 December 2015 be signed by the Chair as a correct record.

8 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 9 June 2016.

RESOLVED – That Members noted the contents of the report.

9 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Lodge referred to a number of concerns he had raised with a Sheffield CC Cabinet Member in relation to the performance on returns etc.; it was hoped that there would be an improvement in the reporting and processing of figures.

Councillor Rodgers commented that Doncaster MBC had now received the settlement from the Government. Councillor Rodgers added that the Authority and its organisation had been favourably mentioned in the Draft Budget.

Councillor Ellis reported that Rotherham MBC appreciated the ongoing meetings in relation to the investment pooling consultation and actuarial valuation.

10 CIVICA PRESENTATION

The Authority was provided with a presentation by I Taylor and A Smith from CIVICA, on the implementation review of the UPM system.

Councillor Ellis commented that the Authority had recently entered into its second year of a five year contract with CIVICA. Members noted how badly the implementation of the UPM system had affected the Authority's reputation, which took pride in providing a high level of service to its members. UPM had failed to deliver the agreements made within the contract, which had resulted in the Authority's standards having to be dropped and a total cost of £50,000 in overtime payments; staff morale had been affected and sickness levels had risen.

Members expressed disappointment in the system which had affected the Authority's overall performance and Risk Register, and Members requested that a more senior representative from CIVICA attend the next Authority meeting, to provide an overarching view on the overall cost incurred to the Authority.

G Chapman referred to the tight timescale agreed by the User Group to provide CIVICA with an opportunity for improvements to be met; it was important that the Authority did not find itself in a similar position to last year. The Authority had previously requested CIVICA to dramatically improve timescales, although no evidence had been seen. As part of the User Group, the Authority was testing the valuation software together with keeping a close check on matters.

I Taylor, on behalf of CIVICA, sincerely apologised for the problems encountered with the system. A number of internal changes had been made at CIVICA to provide a more transparent development process and to include regular communication with users to provide updates and to address issues. A road map had been created to improve performance to increase automation and to improve both the reporting and website aspects of the product. The Authority and other users had signed up to an action plan which included delivered by dates to rectify problems. In February, work would be released for testing on the changes to the annual returns to improve the year end process which was due for sign off in March. CIVICA was addressing the problems raised with the system, and officers would be available to resolve any further issues with the system. CIVICA's priority was to improve the experience, confidence and working relationship with every local authority customer.

RESOLVED – That Members:-

- i) Noted the presentation.
- ii) Agreed to keep a close check on matters.
- iii) Requested that the Managing Director of the CIVICA Pensions Unit be invited to the next meeting.

11 ACTUARIAL VALUATION 2016: UPDATE

Members were provided with an update on the Actuarial Valuation 2016.

G Chapman referred to the software testing underway which due to performance issues could only be run on a small number of employers. The year-end template had been revised and would be despatched to employers today along with an amended guidance note. Letters had been sent to those employers identified for not returning their annual returns in time previously to establish whether assistance was required in order for them to provide data by 31 May 2016. This is essential in order to enable the Authority to produce the valuation and annual statements by 31 August 2016 and satisfy the Pensions Regulators deadlines. The employers would be chased and financial penalties would be imposed.

Members noted that the overtime for the backlog had ceased on 31 December 2015, and that overtime had now commenced to address data issues resulting from the migration to UPM until 31 March 2016.

RESOLVED – That Members noted the update.

12 BOARD CHAIRS' REPORTS

Councillor Ellis commented that she had now received J Hattersley's formal notification of retirement; it was hoped that recruitment would recommence in February, at which point the pooling arrangements should have become clearer. Members noted that the outstanding job evaluations had now been completed.

Councillor Wraith thanked J Hattersley, on behalf of Members, for his understanding and flexibility over the recruitment of his successor.

13 REVENUE ESTIMATES 2016/17

A report of the Treasurer was submitted to request Members to formally confirm the draft budget proposals considered by the Authority on 3 December 2015. The key elements of the proposals had subsequently been the subject of consultations with various interested parties, and no changes had been suggested.

Councillor Ellis referred to a previous request from Members for the accommodation costs to be reviewed, and she requested that this be provided to the Authority in due course.

F Foster commented that the accommodation costs would be provided within the Service Level Agreement, to be presented to the Authority in due course.

RESOLVED – That the Authority formally confirmed the budget proposals and approved the budget of £6,286,800 for 2016/17.

14 PENSIONS ADMINISTRATION STRATEGY

A report of the Head of Pensions Administration was presented to introduce the first draft of the Pensions Administration Strategy document.

Members noted that the LGPS regulations provided the framework to allow Administering Authorities that so wished to prepare and maintain a Pensions Administration Strategy which was considered best practice to do so. In 2008, the option to create an administration strategy was first introduced and the Authority already had in place Service Level Agreements with all of its employers so there was no immediate requirement to develop a strategy at that time. For a number of reasons this position has now changed and the time is now right to introduce the Administration Strategy which will replace the Service Level Agreements.

G Chapman commented that the first draft of the Pensions Administration Strategy document was currently out for consultation with employers, staff and now with Members with the aim for implementation on 1 April 2016.

Councillor Rodgers suggested that the wording of the Town and Parish Councils section should be revised, as the majority of which did not have such a level of administration.

Councillor Ellis gave thanks for the comprehensive piece of work.



RESOLVED – That Members:-

- i) Considered the content and style of the document.
- ii) Made suggestions for additions/amendments.
- iii) Commented on the proposal for financial penalties for non-compliance both in relation to the type and the amount.
- iv) Agreed that the wording be revised for the Town and Parish Councils.

15 UNITED NATIONS CLIMATE CHANGE CONFERENCE 2015

A report of the Fund Director was presented to draw Members' attention to the negotiation of an agreement on climate change at the United Nations Climate Change Conference held in Paris from 30 November to 12 December 2015. The conference was the 21st yearly session of the Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change and the 11th session of the Meeting of the Parties to the 1997 Kyoto Protocol.

J Hattersley referred to the published Agreement which was a consensus of the 195 parties who had attended the conference, and would become legally binding if at least 55 countries joined, which would represent at least 55% of global greenhouse emissions. Members noted that a further report would be presented to the Authority once the situation became clearer.

Councillor Sangar requested that the further report should be accompanied by the carbon audit report: The latter will be presented to the next Investment Board meeting.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Agreed that a further report be presented to the Authority together with the carbon audit report.

16 TRADE UNION BILL 2015-16

A report of the Fund Director was submitted to make Members aware that the Government had introduced the Trade Union Bill 2015-16 in the House of Commons on 15 July 2015. It had had its second reading in the House of Lords on 11 January 2016. Trades unions had indicated that they would organise campaigns to oppose the Bill during February 2016.

RESOLVED – That Members noted the report.

17 ANNUAL FUND MEETING

A report of the Communications Manager was presented to report on the Annual Fund Meeting held on 22 October 2015 at Doncaster Racecourse.

It was noted that 5 Councillors had been in attendance, together with:-

- 50 Pensioners
- 8 Contributors
- 7 Deferred members

Members noted that pre-submitted questions and responses had been built into the presentations given by the Fund Director and the Head of Pensions Administration, and an open forum had been held at the conclusion of the meeting.

RESOLVED – That Members noted the contents of the report.

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

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

In October 2011 Members had adopted a system of self-assessment and had agreed to use a template to gauge compliance. Upon Members' confirmation to the self-assessment process, assessment forms would be despatched to Members, to be completed and returned before the end of March 2016.

RESOLVED – That:-

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

19 PIRC PRESENTATION

The Authority received a presentation from J Hayward and A MacDougall of PIRC.

PIRC were the Authority's voting service contractor and provided research on governance, environmental and social issues as well as proxy execution services.

A MacDougall referred to the Government's proposal for a living wage, and the work currently being undertaken by PIRC. A MacDougall also touched upon the research work PIRC were conducting on behalf of the Local Authority Pension Fund Forum.

Councillor Ellis gave thanks for an interesting and informative presentation.

RESOLVED – That Members noted the contents of the presentation.

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 item 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 GOVERNMENT CONSULTATION ON LGPS POOLING

J Hattersley provided Members with a verbal update on the Government Consultation on LGPS Pooling.

Members 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.

Members considered the various pooling options open to the Authority in the light of the information currently available. It was noted that a number of details remained outstanding from Government; in particular, it was not clear how Government hoped that the LGPS would access investment in infrastructure. After a full discussion a preferred “pooling” partner was agreed.

RESOLVED – That Members:-

- i) Noted the verbal report.
- ii) Agreed that the Authority would announce its’ agreed pooling preference, subject to the agreement of the South Yorkshire Passenger Transport Pension Fund Committee, in due course.
- iii) Agreed that a special Authority meeting be held to address the response to be provided to the CLG by 18 February 2016.

CHAIR

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

11 FEBRUARY 2016

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

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

Officers: J Hattersley (Fund Director),  
S Smith (Head of Investments) and F Bourne (Administration  
Officer) (SYPA)

A Frosdick (Monitoring Officer), D Hanson (HR Business  
Partner), and M McCoolle (Senior Democratic Services Officer)  
(BMBC)

Apologies for absence were received from  
Councillor H Mirfin-Boukouris, R Askwith, G Chapman,  
B Clarkson, F Foster, M McCarthy and J Bell, T Gardener,  
N MacKinnon and L Robb

### 1 APOLOGIES

Apologies for absence were noted as above.

### 2 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS

RESOLVED – That agenda item 4 entitled ‘Government Consultation on LGPS’ be considered in the absence of the public and press.

### 3 DECLARATIONS OF INTEREST

None.

### 4 GOVERNMENT CONSULTATION ON LGPS

A report of the Fund Director was presented to seek Members’ views on the proposed responses to the Government consultation and guidance papers relating to the pooling of LGPS investments. Both South Yorkshire LGPS Funds had held meetings since November 2015 to discuss aspects of the consultation.

RESOLVED – That Members:-

- i) Agreed that the draft responses presented be approved subject to minor amendments such as accepting that good practice be exercised in the event of potential conflicts.

- ii) Agreed that the responses should reserve judgement in so far as the detailed guidance was still awaited.
- iii) Agreed that a budget be established for the expenditure of ongoing work, at an initial limit of £50,000, and that a further contribution of £7,000 be made to Hymans Robertson for their work associated with the project.
- iv) Noted that a future report be presented if any further funding was required.
- v) Agreed to continue to pursue negotiations with the preferred pool whilst acknowledging the need to remain open to the potential to explore alternative options if appropriate.
- vi) Agreed to continue communicating with other pools.

CHAIR

## South Yorkshire Pensions Authority – cycle of future meetings

### Authority Meetings

<b>Agendas</b>	<b>11 February 2016 Special Meeting</b>	<b>17 March 2016</b>	<b>9 June 2016 AGM</b>	<b>9 June 2016 Ordinary Meeting</b>
<b>Strategic Overview of Business</b>		Verbal update on matters arising since last meeting		Verbal update on matters arising since last meeting
		S41 Feedback		S41 Feedback
<b>Board Scrutiny</b>		Call-Ins		Call-Ins
<b>Review of Strategies</b>	Government Consultation on LGPS Pooling			Local Pension Board
		Government Consultation on LGPS Pooling		Actuarial Valuation 2016 Update
		Qtr 3 Performance Snapshot Report		Government Consultation on LGPS Pooling
		GMP Reconciliation		Qtr 4 Performance Snapshot Report
		LGPS Trustees Conference		Members Self-Assessment Report
		Civica MD in Attendance		Member Development Annual Update
<b>Business</b>		LPB Constitution	Appointment of Chair and Vice Chair	Loyalty Awards

	<b>11 February 2016</b>	<b>17 March 2016</b>	<b>9 June 2016 AGM</b>	<b>9 June 2016 Ordinary Meeting</b>
<b>Business</b>		Board Chairs' Reports	Membership of the Authority	Board Chairs' Reports
		Meeting Dates of Authority and Boards	Appointment of Boards and Committees	Scheme of Delegation
		Treasury Management Strategy Annual Report	Questions in Meetings of District Councils	Contract Standing Orders
<b>Training &amp; Development</b>				



**CIVICA**

Transforming the way you work

South Yorkshire  
Members Meeting  
17 March

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### Version Control

Version	Author	Date	Change	Status
0.1	Andy Smith	09/01/2016	Created	Draft

### Approvers

Name	Role	Date of Issue	Version Approved
Ian Taylor	Operations Manager		
Tracey Fletcher	Managing Director		

### Distribution

Name	Title/Department	Role
N/A	Suitable for a general audience	N/A

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## Summary

A plan for Key deliverables to the Local Authority clients was agreed and implemented in November. Deliveries to address each of the requirements have been made, with a number of the pieces of functionality being signed off and in use. Valuations and Annual returns are in the final phase of testing and Civica is committed to meeting the customer deadlines for these. Significant performance improvements have been made but we are continuing to work with South Yorkshire to find further performance gains.

### Annual Allowance and LTA changes

All Changes have been delivered and tested. The Project is complete  
Further enhancements are being discussed as a separate project

### Annual Returns

A release for final testing before sign off was been issued on 9<sup>th</sup> March. This is due for completion on the 18<sup>th</sup> March. Resources are available to address any issues raised during this testing period

### Pension Increases

All changes have been delivered to the test sites and signed off. THE LGA are currently considering proportioning of the negative increases. Civica have analysed the impact of this and are awaiting confirmation from the LGA

### Universal Valuation

Iterative releases have been issued to the dates agreed and a release for final testing was released on the 9<sup>th</sup> March. Resource is available to address any issues that are found during this testing period and contingency plans are in place in the event further issues are raised

### Valuation performance changes

An initial release of bulk processing performance improvements was issued to the agreed dates but this did not provide SYPF with the improvements they were looking for. A further release is scheduled for the 14 March to provide further improvements in performance. We are committed to work with SYPF to obtain the improvements in performance that SYPF are looking for and this aligns with the product strategy for UPM

### Notts to South Yorkshire Data Transfer

The project is on track and the planned go live date is 23rd March. Civica provided a test migration to SYPF on the 8th March. Payroll and calculation images will be loaded post go live.

## SOUTH YORKSHIRE PENSIONS AUTHORITY

17<sup>th</sup> March 2016

### Members' Training and Education: External Conference

#### 1. Purpose of the Report

To bring to Members' attention to the 13<sup>th</sup> Annual LGPS 'Trustees' Conference

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#### 2. Recommendations

**That Members consider whether or not they wish to register for the conference**

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#### 3. Information

3.1 Notice has been received of the following conference:-

Thirteenth Annual LGPS 'Trustees' Conference – 'In at the deep end'

The thirteenth annual trustees conference will take place over the 23<sup>rd</sup> and 24<sup>th</sup> June at the Mcdonalds Hotel and Spa in Manchester. At this stage the programme has yet to be finalised but suggested topics are as follows,

Submissions to the pooling agenda  
Investment Manager selection going forward  
Cessation of Contracting-Out, liability for pensions increase  
Investment cost transparency  
2016 English/Welsh Valuations / Cost Management  
Pensions Tax – implications for the LGPS

The conference is expected to be all-inclusive as in previous years but it is not bookable until just before Easter 2016. The cost is expected to be in the region of £500 per delegate.

3.2 Places are allocated by LGA on a first-come first-served basis so if any Member wishes to enrol for the conference please contact Gill Richards on 01226 772806.

#### 4. Implications

1. **Financial** - Travel to and from the event has to be organised separately.
2. **Legal** - None
3. **Diversity** - None
4. **Risk** – It is an expectation of the Myners' Principles that Members are adequately trained to carry out their responsibilities on the Authority. Accordingly, the Authority has determined that Members' training be approached prudently but vigilantly. There is, of course, a risk that if Members are not properly or

adequately trained the performance and reputation of the Authority might be impaired.

**Officer responsible:**

Gary Chapman - Head of Pensions Administration

Phone 01226 772954

E-mail: [gchapman@sypa.org.uk](mailto:gchapman@sypa.org.uk)

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

## SOUTH YORKSHIRE PENSIONS AUTHORITY

17 March 2016

### Pensions Administration Strategy

#### 1. Purpose of the Report

To seek Member approval for the attached draft Pensions' Administration Strategy to become the final version for a live launch of 1<sup>st</sup> April 2016.

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#### 2. Recommendations

**Members are recommended to:**

- a. **Consider and approve the amendments made since the meeting of 14<sup>th</sup> January 2016**
  - b. **Make any final comments or suggestions on the content and format of the Draft**
  - c. **Approve the document, subject to any further commentary, as the final and formal Pensions Administration Strategy for the Authority**
- 

#### 3. Background Information

- 3.1 Members were presented with the first draft of the proposed Administration Strategy at the Authority meeting of 14<sup>th</sup> January.
- 3.2 The document was met with general approval although members did make some suggestions for amendments which have now been incorporated into the attached document.
- 3.3 The Strategy was also presented to employers at the Authority's annual forum in November and issued for formal consultation to employers the following day. A final reminder was issued on 22<sup>nd</sup> February and the consultation period closed on 29<sup>th</sup> February 2016.
- 3.4 At the close of the consultation period only a small number of responses had been received.
- 3.5 As part of the Consultation, and prior to the closure date, Officers on the Joint Pension Group met with the four District Councils to discuss and address any concerns they had with the proposed Strategy and the revised draft reflects the relatively minor concerns expressed at that meeting.
- 3.6 A summary of responses and feedback is detailed in the next section of this report.

#### **4. Summary of responses**

- 4.2 Only one organisation, Berneslai Homes, did not support in principle the introduction of financial penalties for poor employer performance and non-compliance with the requirements of the Strategy.
- 4.3 The four District Councils supported the principles of the Strategy Document but had some minor concerns around their ability meet the reporting standards for some contractual changes because of their own payroll input and reporting timetables. Officers had already been considering whether the reporting requirements of such changes under LGPS 2014 were as necessarily rigid as they had previously been and concluded that they were not. The Head of Pensions Administration was able to offer some comfort on this issue and agreed to remove the requirements for reporting some contractual changes both from the Strategy and from the quarterly SLA Reports where they had historically reflected, generally, poorly on employer performance in this area.
- 4.4 One large employer, Sheffield Hallam University, did not support the 31<sup>st</sup> May deadline for the submission of their Year End return and appear to be unaware of the statutory deadlines placed upon SYPA in relation to its own Year End exercises and the issue of the Annual Benefit Statements. Officers feel that this is an achievable deadline for employers and should not be extended. To move to a deadline of 30<sup>th</sup> June, as suggested by the University, would seriously undermine one of the primary aims and objectives of the Strategy and negatively impact upon the Authority's ability to comply with its own statutory duties. Members are therefore asked to strongly confirm that a deadline of 31<sup>st</sup> May should remain within the Strategy for this particular requirement.

#### **5. Response to Consultation**

- 5.1 Because Members approved the draft Strategy in principle at the January meeting Officers have responded individually to Berneslai Homes to confirm that the financial penalty aspect of the Strategy will remain.
- 5.2 Should Members reaffirm that the Year End Return deadline of 31<sup>st</sup> May should be retained then Officers will respond to Sheffield Hallam University individually as well to relay that confirmation to them.
- 5.3 If Members approve this final draft then Officers will respond generally to all employing organisations on the results of the consultation through an article on EPIC and confirm the effective date for implementation.
- 5.4 A communication exercise, including countdown displays, is being planned, commencing in April and leading up to 31<sup>st</sup> May to ensure all employers are aware of the importance of submitted annual return data and also to help them avoid incurring the penalties that will be applied for late submission.



## **6. Implications and risks**

- **Financial** - None not previously specified in the original report
- **Legal** - There are no specific legal considerations.
- **Diversity** - None

### **Officer responsible:**

Gary Chapman Head of Pensions Administration

Phone 01226 772954

E-mail: gchapman@sypa.org.uk

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

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# Administration Strategy

Appendix A



SOUTH YORKSHIRE  
PENSIONS AUTHORITY



# Administration Strategy

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**STRATEGY FOR THE ADMINISTRATION OF**  
**THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE**

*Incorporating:*

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

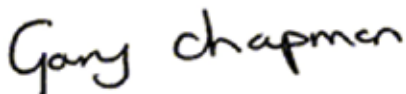
The following document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2016.

It has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within the strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy. Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of time and opportunity given for improvement to any organisation struggling to meet its obligations.

Gary Chapman



Head of Pensions Administration  
 South Yorkshire Pensions Authority

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## REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority

Where changes are planned or thought to be necessary outside of the routine review period then consultation will begin on those proposals for change at the beginning of year five or earlier if necessary.

## REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2014
- The Pensions Act 1993
- The Pensions Act 1995
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

## SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later, into, and make them an integral part of, this formal Administration Strategy document.



The publication of this Strategy following consultation with Employers means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It will be an implicit acceptance that the publication of this strategy means that ALL Employing Organisations in the South Yorkshire Pension Fund have agreed the strategy and have therefore signed up to the standard Fund SLA and the service standards contained within those former agreements.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

## SCOPE

**These are the tasks and issues falling within the scope of the Administration Strategy:**

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The annual provision of information by employers about their scheme members
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment of employee and employer contributions including any additional contributions paid by scheme members
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement
- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
  - Individual member retirement benefit estimates
  - Bulk member retirement benefit estimates
  - Bulk costings for employer led early retirement exercises

- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

## **STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS**

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

***“The Authority wishes and intends to provide a high quality pensions’ service to employing organisations and members of the Fund by:***

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority”**

## **EQUALITY STATEMENT**

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that it complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements.

## **FINANCIAL CONDUCT AUTHORITY/THE PENSIONS REGULATOR – REPORTING POLICY**

### **Financial Conduct Authority (FCA)**

The Authority is regulated in the conduct of its business by the Financial Conduct Authority and will meet its requirements at all times and in all ways when conducting the business of the Fund.

More information about the role and responsibilities of the FCA can be found at:

[www.fca.org.uk](http://www.fca.org.uk)

### **The Pensions Regulator**

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

SYPA has a policy of pro-active consultation with the Pensions Regulator where it has concerns over its own performance and possible breaches of codes of conduct and other guidance to ascertain the potential need for self-reporting.

It also has a policy of reporting employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at:

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## **South Yorkshire Pensions Authority Annual Report**

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

## **DATA HANDLING AND SHARING**

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

## **ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS**

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications' Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person's previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

## ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

## EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within two months of the end of the Scheme Year, with a statement of details of every employee that has been an active member during the scheme year. Whilst Regulation requires provision within three months SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

## **EMPLOYING ORGANISATION DISCRETIONS**

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

## **PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:**

### **Members and Member Representatives**

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided.

SYPA has published Customer Charters detailing its target service standards which are invariably much tighter and more stringent than those allowed for in law.

SYPA will administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other legislative requirements.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.
- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issues Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.

- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then the SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties accordingly.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period.

The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

### **Independent Financial Advisors or other advisors acting for or on behalf of the member**

The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as enabled by the Government at the 2015 Spring Budget

## Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
  - 1 January to 31 March
  - 1 April to 30 June
  - 1 July to 30 September
  - 1 October to 31 December

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' Forum at least once a year, usually in the Autumn, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Retirement Estimate requests for individual employees will be provided within 5 working days of the Authority being in possession of all information necessary to ensure the accuracy of the estimate
- Bulk Retirement Estimate requests involving 20 or more employees will be provided within 10 working days of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided within 10 working days of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations.



### **Other Administering Authorities:**

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

### **The Fund Actuary:**

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

### **Fund Valuation**

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	<b>July</b>
Interim Results	<b>September/October</b>
Individual Employer Results Consultation	<b>October/November</b>
Formal Report	<b>March</b>

There are no employer charges or fees related to the Valuation.

### Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year, one for organisations with a Year End of 31 March and one for Educational Establishments with a Year End of 31 July and one for Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

*The typical target schedule for organisations with a 31 March Year End would be:*

**End of January prior to Year End** - SYPA writes to employers inviting participation and collection of data begins

**Mid February prior to Year End** - Data issued to Actuary

**Mid-April following Year End** - Results issued to participating employers

*The typical target schedule for organisations with a 31 July Year End would be:*

**End of May prior to Year End** - SYPA writes to employers inviting participation and collection of data begins.

**By 3<sup>rd</sup> week in July** - Data issued to Actuary

**End of August following Year End** - Results issued to participating employers

*The typical target schedule for organisations with a 31 August Year End would be:*

**Mid-July prior to Year End** - SYPA writes to employers inviting participation and collection of data begins

**By Mid-August** - Data issued to Actuary

**End of September following Year End** - Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

### **Individual contribution rate assessments for new employers**

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

### **Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer**

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will be recharged to the outsourcing employer.

### **Employer covenant assessments**

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

## **Liability assessments for employers leaving the Fund**

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "least risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

## **Government and other Public Sector Agents**

The Authority has signed up to be included in the National Audit Office's (NAO) bi-annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act permits the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months
- Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6 months according to the recommended priority matches received from the NAO

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not\*

\*See later section on Debt recovery

As part of its management and administration of casework relating to the payment of Death Grants from the Fund the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

## General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

## POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

### Schools converting to Academy Status

Academies have no choice and are required to offer their non-teaching staff membership of the LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

### Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies

- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of, or, where the appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

### **Community Admission Bodies**

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

## Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

## NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's EPIC system or any replacement system introduced in the future. Paper documentation will not be accepted.
- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority



## **FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK**

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for non-standard work requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work that could compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs sooner than the the agreed service standard for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

## **INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)**

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the

Employing organisation in the original decision making review process as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

## **ACTUARIAL SERVICES**

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will never invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

## SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

### Administering Authority to Employing Organisations

- Respond to employer queries **5 working days**
- Individual retirement benefit estimates **5 working days**
- Individual early retirement employer costs **5 working days**
- Bulk retirement benefits estimates (20 or more) **10 working days**
- Bulk early retirement employer costs **10 working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the “event date” to the date of receipt by SYPA in its HQ Office at 18 Regent St, Barnsley, S70 2HG, whether electronically or in paper form.

### Employing Organisation to Administering Authority

- Notification of a new scheme joiner **8 weeks**
- Notification of a member’s contractual change **4 weeks**
- Notification of a member leaving the Scheme with a right to immediate payment of benefits **4 weeks**
- Notification of a member leaving the Scheme without a right to immediate payment of benefits **8 weeks**
- Notification of the death of an active member **2 weeks**
- Provide a written response to any query **1 week**

## SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

### All Members

- Complaints **3 working days**
- General Enquiries **5 working days**
- Provision of information for Divorce Proceedings **5 working days**
- Notification of death benefit entitlements to Dependants and/or representatives **4 working days**

**Active Members**

- Setting up a new joiner record **5 working days**
- Making changes to records **5 working days**
- Providing information about Additional Benefits **12 working days**
- Provision of Retirement Benefit Estimates\* **5 working days**
- Providing transfer value quotations **5 working days**

**Preserved Pensioner Members**

- Notification of Entitlement **20 working days**
- Provide an updated benefit statement **5 working days**

**Pensioner Members**

- Information on re-employment **7 working days**

\*Subject to the Authority's policy in force at the date of the request.

## **FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS**

The Authority has determined that there will be a range of financial penalties for non-compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

**Penalties imposed on the Administering Authority by other Agencies**

The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

### **Financial penalties for non-compliance by employing organisations**

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned.

The table in Appendix A provides details of the fixed penalty charges or hourly cost rates to be applied in various circumstances and scenarios.

## INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

**Employee and Employer Contributions have to be with the Fund by the 19<sup>th</sup> of the month following the month of deduction. (Pensions Act 1993).**

- Payment of any Lump Sum Deficit Contributions owed to the Fund

Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension
- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

## DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery will be made against the estate through the pensioners surviving family, dependants or representatives.

## **SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS**

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period
- Ensure officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment



## **ADMINISTRATION GUIDE FOR EMPLOYERS**

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

## APPENDIX A

### Tables of charges and financial penalties

#### Charges

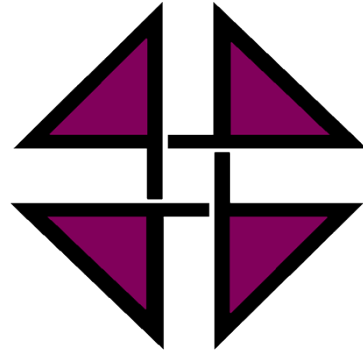
Implementation of a Pension Splitting order	<b>£350 + VAT</b>
Provision of information in relation to Accounting Standards Exercises	Currently <b>£100</b> but being reviewed
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	<b>£350 + VAT</b>
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

## Penalties

<p><b>Year End Returns</b></p> <p>Failure to submit a usable, balanced Year End Return by the deadline detailed in this document</p>	<p>A fixed penalty of <b>£250</b> plus a further fixed penalty of <b>£100</b> for every further week late following that deadline</p>
<p><b>Queries arising from the Year End</b></p> <p>The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query</p> <p>Responses to queries necessitating a re-query</p>	<p><b>£10</b> per case query*</p> <p><b>£5</b> per case re-query*</p>
<p><b>Service Level Agreements</b></p> <p>Failure to submit member event information in line with the requirements of the SLA</p>	<p><b>£2.50</b> per case*</p>
<p><b>Discretionary Policy Statements</b></p> <p>Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline</p>	<p>A fixed penalty of <b>£250</b> plus a Further fixed penalty of <b>£100</b> for every further week late following that deadline</p>

\*Subject to the Authority's "de Minimis" invoice levels of £50





**SOUTH YORKSHIRE  
PENSIONS AUTHORITY**

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

**Performance Snapshot Report  
2015/16: Q3**

**ISSUED: March 2016**

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
<b>Transactions with Members</b>	19042 cases of which 86.10% were on target	97%	Performance improvement of 24.18% on previous quarter. Early signs of a reversion to pre-UPM performance levels

## 2. Investment Returns

Area under Review		Target	Status/Comment
<b>Fund Value</b>	£6093.3m	N/A	£5875.8m at end September.
<b>Performance Against Benchmarks</b>	Qtr 3.8% YTD -2.0%	Qtr 3.6% YTD -2.8%	Global equity markets rebounded from the sell-off of the previous quarter. Developed markets again outperformed emerging markets. Oil prices continued to fall. The Fed finally raised rates with bond yields rising in anticipation of this decision,

### 3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Responsible Investment</b>	Renewed membership to IIGCC.		
Shareholder Engagement			

### 4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Staff Turnover</b>	1 Leaver 0 New Starters	Annual 4.25%	On target
<b>Staff Training</b>	Absence Management Refresher  MS SQL Server (IT Staff)	Plan 100% up to date	On target
<b>Sickness Monitoring</b>	4.6% total	None	Still includes the long term sickness absence of 2 staff but both these have now been resolved.

### 5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Interactive Facilities</b>	20 new employers registered for EPIC this period	N/A	341 employers (96%) now registered for Epic. Non-Epic employers only



			represent 30 active members.
	Online registration now open to scheme members		2498 members registered to date.
<b>Face to Face Communication</b>	629 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
<b>Employer Activity</b>	10 New Employers (4 Academies 6 Contractors  0 Terminations	N/A	There are currently 430 participating employers of which 357 have active members and there are a further 33 in the pipeline.

## **Pensions Authority Strategic Objectives**

### 6. Effective & Transparent Corporate Governance

<b>Area under Review</b>	<b>Activity During Quarter</b>	<b>Target</b>	<b>Status/Comment</b>
<b>Internal Audit</b>	November - Internal Audit Progress report considered by CP&GB.	100%	On target
<b>Annual and Quarterly Reports</b>			
<b>External Audit</b>	November - External Audit progress report considered by CP&GB	100%	On target
<b>Reports /Plans</b>	November - KPMG Annual Audit letter considered by CP&GB.		
<b>Risk Management Annual and Quarterly Reports</b>	November– CP&GB considered Risk Register	100%	On target
<b>Constitution Policy /Procedure Revision Dates</b>	No update reported	100% Up to date	
<b>Financial Reporting</b>	November- Budget Monitoring report - Quarter 2 considered	100% achievement of reporting	On target.

Area under Review	Activity During Quarter	Target	Status/Comment
	by CP&GB  November - Treasury Management update considered by CP&GB	schedule	
<b>Annual Governance Statement Conclusion</b>		No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
<b>Annual Self-Assessment</b>			No significant issues
<b>Member Training</b>	October - 2 Members attended Fundamentals Day 1  November - 2 Members attended Fundamentals Day 2  December - 3 Members attended Fundamentals Day 3	100% Induction & Fundamentals Training & Fundamentals Refresher	66.5% had induction.  91.5% had Fundamentals Day 1.  83% had Fundamentals Day 2.  91.5% had Fundamentals Day 3.  42% had Fundamentals Refresher Training  2 new Members booked on Fundamentals 2015

## SOUTH YORKSHIRE PENSIONS AUTHORITY

17 MARCH 2016

### Report of the Treasurer

#### TREASURY MANAGEMENT STRATEGY STATEMENT 2016/2017

1) Purpose of the report

To seek Members' approval of the treasury management procedures and strategy followed by the Authority.

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2) Recommendation

**It is recommended that the Authority:-**

- a) **adopts the Annual Investment Strategy and recommendations set out in Appendix I; and**
  - b) **in accordance with Section 3(1) of the Local Government Act 2003 approves an Affordable Borrowing Limit, on a rolling basis for the forthcoming year and two successive years as outlined in Appendix II, of £250,000 being the maximum amount the Authority can afford to borrow; and**
  - c) **in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 approves the Minimum Revenue Provision Policy Statement (MRP) outlined in Appendix III; and**
  - d) **keeps the above under review.**
- 

3) Background information

- 3.1 Local authority treasury management activities are governed by Section 12 of Part I, Chapter I of the Local Government Act 2003 ("the Act") which provides that a local authority may invest "for any purposes relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs". Pursuant to section 15 of the Act, in carrying out its functions, a local authority is required to have regard to relevant guidance and regulations issued by the Secretary of State and under the supporting Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to "have regard" to the Chartered Institute of Public Finance and Accounting (CIPFA) publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Code"). The Code was updated in November 2011 and covers the whole range of

treasury management issues, including the fundamental principles for making and managing investments and requires local authorities to prepare an annual Treasury Management Strategy Statement (“TMSS”). Under the Code treasury management is defined as:

“the management of the Authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks”.

- 3.2 Amongst the primary requirements of the Code are the need to establish and maintain a Treasury Management Strategy Statement (TMSS) which sets out the policies and objectives of the Authority’s treasury management activities and sets out how they will be achieved; approval of the Annual Investment Strategy (AIS); regular reporting on activities during the year and establishment of the delegation by the Authority of its responsibilities to other bodies and its officers. The AIS can be incorporated within the TMSS. For this Authority the delegated scrutinising body is the Corporate Planning and Governance Board.
- 3.3 The Authority manages its cash itself. The customised benchmark allocation for cash remains at 1.5% with a tactical range of 0%-10%. Some cash needs to be held in order to service creditors etc., pension payroll and potential currency hedging requirements. In absolute terms the amount of cash held at any one time might run to tens of millions of pounds but it is normally going to represent a relatively small percentage of total Fund assets. This is one reason why the CIPFA Code has not been universally adopted by Local Government Pension Scheme (“LGPS”) administering authorities for the purposes of investing local authority pension funds. The specialised nature of pension fund monies does not lend itself easily to the Code: this is especially so since the funds themselves have no borrowing powers.
- 3.4 Apart from the occasional use of overdraft facilities the Authority has never utilised its borrowing powers granted under s1 of the Act. Nevertheless, the borrowing powers (i.e. in its own right and not on behalf of the Fund) are always reviewed annually and resolved upon separately by the Authority. The current governing legislation is the Act and the requirements are more fully referred to in section 4 below. Please note that the Act does not apply to pension funds, being controlled by a separate regulatory regime which is administered by the Department for Communities and Local Government (CLG).
- 3.5 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009: SI 2009/3093 (“the 2009 Regulations”) an administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances (to pay benefits or meet investment commitments arising out of transition arrangements) subject to the sum borrowed and interest charged being repaid out of the fund within ninety days.
- 3.6 The management of the Fund itself is conducted in accordance with the Authority’s Statement of Investment Principles which has been drawn up in accordance with extant Regulations.

- 3.7 Members were invited to attend a training session on treasury management matters, provided by Capita Asset Services, in January 2016.
- 3.8 This report embodies the principles of the CIPFA Code and the Act. There is no separate TMSS. There are four appendices to this report: Appendix I, which is the Annual Investment Strategy (AIS); Appendix II is the Affordable Borrowing Limit (ABL); Appendix III is the Minimum Revenue Provision Policy Statement (MRP). The list of counterparties used is shown in Appendix IV.
- 4) The Local Government Act 2003
- 4.1 Section 1 of the Act grants the Authority its borrowing powers.
- 4.2 Although pension fund monies are specifically excluded from the investment regulations [The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003] made under the Local Government Act 2003 Members should note that the Authority is subject to the capital expenditure requirements (Part 8, section 32). CLG will issue guidance under the Act from time to time and local authorities must have regard to the guidance.
- 4.3 Present guidance stresses the need for strategies to be prudent and defines a prudent investment policy as one having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives. In other words, the aim is to achieve an optimum return on investments commensurate with proper levels of security and liquidity. The Authority interprets this as meaning, firstly, security of capital; secondly, liquidity; thirdly, yield.
- 4.4 Section 3 (1) of the Act requires the Authority to set and keep under review an 'Affordable Borrowing Limit' (ie how much money it can afford to borrow) and to do so by reference to the CIPFA Prudential Code. The Limit is to be set, on a rolling basis, for the forthcoming year and two successive financial years. The Treasurer can confirm that the ABL has been kept under review.
- 4.5 Subsection (8) provides that a local authority's function under subsection (1) shall be discharged only by the authority; i.e. only Members can determine the affordable borrowing limit.
- 4.6 Because the Authority is a single purpose entity and not a local authority in the broader sense much of the Act does not apply directly to it. One of the grey areas appertains to the applicability of Part 1 of the Act, namely the prudential capital finance system called the prudential code for capital finance in local authorities. The key objectives of the "Prudential Code" are to ensure within a clear framework that:-
- capital investment plans of local authorities are affordable, prudent and sustainable
  - treasury management decisions (notably borrowing for capital expenditure) are taken in a manner which supports affordability, prudence and sustainability

Affordability is implied in relation to the council tax. Prudence and sustainability is implied in relation to external borrowing.

- 4.7 Capital expenditure is generally interpreted as being expenditure incurred on assets which have a life expectancy of more than one year eg buildings, equipment, software. The Authority will, on occasion, purchase assets on behalf of the Fund to be used by the Fund eg software licences. Therefore, the Authority needs to demonstrate that it has fulfilled the objectives of the Prudential Code. The Code sets out the indicators that must be used and factors to be taken into account but does not include suggested limits or ratios as these are for the local authority to set. The prudential indicators for the forthcoming year and following years must be set before the beginning of the year. They may be revised at any time, following due process, and must be reviewed and revised, if appropriate, for the current year when the prudential indicators are set for the following year.
- 4.8 As already stated, in the case of this Authority it is almost certain that all capital expenditure will be incurred on behalf of the Fund, will be recharged to the Fund and, hence, financed by the Fund. The Authority has no power to borrow in order to finance this expenditure.
- 4.9 Under the Prudential Code Capital Prudential Indicators need to be set and local authorities need to monitor them. These are largely based upon the borrowing requirements and affordability. Because in this Authority's instance the capital will be funded from revenue, most of the indicators are not relevant.
- 4.10 The Prudential Indicator for Capital Expenditure is a summary of the Authority's capital expenditure plans. These are normally limited to the purchase of software licences or lease agreements.
- 4.11 The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt arising from borrowing made to finance capital expenditure. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 required that local authorities set MRP annually for approval before the start of the financial year to which the MRP relates and that it be "prudent". There is no formal definition of "prudent": therefore it's up to the individual authority to determine this as part of their policy and to reflect it in the MRP charge that it sets. As in the case of the Authority, if there is no capital expenditure funded from borrowing, then there will not be an MRP charge. Nevertheless, a policy statement must be published in accordance with the statutory regulations. (Appendix III).
- 4.12 Section 5 of the LGA 2003 contains the power for an authority to borrow temporarily against future income yet to be received by it, provided the delayed receipt of such future income was not taken into account in the setting of the affordable borrowing limit. This power is thought to apply to the Authority by virtue of Regulation 32 of the Local Government (Capital Finance and Accounting) (England) Regulations 2003.
- 4.13 The Authority must have regard to both the guidance issued by CLG and the CIPFA Treasury Management Code when preparing its AIS. CLG recommends that the AIS be approved at the equivalent level of full council and should be approved before the start of the financial year. Under the

current cycle of Authority meetings this meeting is the appropriate one. The AIS is included within the attached Statement.

- 4.14 The Authority's levy, issued in accordance with The Levying Bodies (General) Regulations 1992, finances the payment of statutory compensation and is not a function of capital financing decisions. The Authority does not enjoy a precept power.
- 4.15 Whilst the Authority has no need to undertake external borrowing the Act still appears to impose a duty to set an Affordable Borrowing Limit. Last year's ABL was set at £250,000 and there is not thought to be any need to amend that limit.
- 4.16 The Authority receives this report and approves policy and strategy but delegates management of the policy to the Corporate Planning and Governance Board which receives regular updates upon implementation and monitoring. Day to day management is entrusted to the Treasurer.
- 4.17 The Treasurer is the designated s73 Officer under the Local Government Act 1985 and has overall responsibility for the execution and administration of treasury management decisions and is responsible for, amongst other matters:
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
  - submitting regular treasury management policy reports;
  - receiving and reviewing management information reports;
  - reviewing the performance of the treasury management function;
  - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
  - ensuring the adequacy of internal audit, and liaising with external audit;
  - the appointment of external service providers.
- 4.18 Under the Code the Treasurer is required to ensure that Members and officers with responsibility for treasury management receive adequate and appropriate training. Members were invited to a course in January 2016 provided by Capita Asset Services. The training requirements of officers are regularly reviewed.
- 4.19 The Authority utilises the services of external brokers and credit rating research published by Capita Asset Services. The Authority, however, recognises that responsibility for treasury management decisions remains with the organisation and sole reliance will not be placed on the use of external services. The Authority will also use market data and market information gleaned from other sources such as stockbrokers, the Bank of England, media and government.

4.20 In summary, therefore, the Authority employs a treasury management strategy in which investments are managed broadly in accordance with the Code of Practice for Treasury Management in Public Services published by CIPFA.

5) Business banking services

Lloyds Banking Group has been the Authority's "retail" bank since 1 April 2015.

6) Implications

6.1 Financial

There are no implications not otherwise mentioned within the report.

6.2 Legal

It is not thought that there are any legal implications.

6.3 Diversity

There are no diversity implications.

6.4 Risk

This Authority is the formal decision-making body for treasury management matters and has responsibility to ensure that adequate risk management processes are in place. This it discharges by agreeing a treasury management strategy and ensuring that compliance with it is regularly monitored by the Corporate Planning and Governance Board. There are potential reputational and financial risks that could arise from non-compliance with the Act and Regulations. It should also be noted that the ratings issued by credit rating agencies are only one means of assessing creditworthiness and are open to error and interpretation.

F Foster  
Treasurer

Officer responsible:  
J N Hattersley  
Fund Director

Contact telephone: 01226 772873

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

**Other sources and references:** Bevan Brittan; CIPFA; CLG; LGA; Capita Asset Services



## APPENDIX I

### SOUTH YORKSHIRE PENSIONS AUTHORITY

#### TREASURY MANAGEMENT: ANNUAL INVESTMENT STRATEGY

##### **A) Policy Statement**

###### 1) Introduction

1.1 Treasury management can be defined as the management of the Authority's cash flow, its borrowings and its investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.

1.2 The Authority's treasury management operation is relatively simple compared to that of a conventional local authority. It essentially revolves around the depositing of surplus monies (ie pending permanent investment) with approved institutions.

1.3 This Strategy is constantly monitored and if deemed necessary may be replaced by a revised strategy. The circumstances warranting a revised strategy may vary but likely triggers could be changes in legislation, changes to interest rate expectations or changes to underlying investment market conditions and money market liquidity. However, the Strategy should not be formally reviewed just because of changes to purely technical circumstances. It is to be treated as a flexible document with sufficient delegations to allow officers to effectively manage the cash balances of the Authority and Fund.

###### 2) Treasury Management Operation and Objectives

2.1 The activities of the treasury management operation cover:-

- Lending
- Cash flow forecasting and management
- Managing the underlying risk associated with the Fund's cash balances
- Consideration, approval and use of new financial instruments and treasury management techniques
- Liaison with brokers, the Authority's bankers, and other financial institutions

2.2 The overall objectives of the Authority are to achieve the optimum return consistent with minimising risk, with the overriding principle being to maintain the Authority's and Fund's capital.

2.3 Currently, investments are restricted to a limited number of organisations which enjoy a credit rating of F1 or better for short term debt (see 3.4 below).

2.4 Under the CIPFA Code procedures for the formulation of treasury management strategy are to be set and approved each year. This involves, inter alia, forecasting sums available for investment determined annually in advance and periods of investments, determined by the forecast interest rate movements, and the need to hold cash to meet contingencies. However, because of the short term nature of the Fund's cash balances (the allocation in the benchmark presumes that the Fund will normally be fully invested in the stock markets etc.) these decisions are taken as part

of the greater asset allocation exercise which considers the Fund's overall disposition. This is under constant review within the constraints laid down by the customised benchmark. Therefore, most deposits under normal circumstances are fixed for periods of not more than three months. The majority of monies are invested on call, weekly or monthly terms. If market conditions suggest that it would be beneficial for the Authority to lend longer, such loans are directly related to account settlement, real estate or payroll requirements or liabilities i.e. are determined by overall Fund requirements rather than money market considerations. The maximum length of temporary investments will not, in any case, exceed 364 days. The borrowing of monies purely to invest or on-lend and make a return is unlawful and will not be engaged in.

2.5 Officers employed in treasury management activities have proper working relationships with external advisors and brokers and have the appropriate level of experience. Members involved in the scrutiny of treasury management issues are encouraged to avail themselves of relevant training wherever possible.

2.6 Quarterly updates on treasury management matters are presented to the Corporate Planning and Governance Board. If this Strategy is approved at today's meeting it will be published on the Authority's website.

3) Approved Instruments and Organisations for Investment

3.1 The Authority manages its monies in compliance with the statutory requirements. Within the CLG guidance there are definitions of "local authority", "investment", "long-term investment" and "specified investment".

3.2 Under Government guidance, specified investments are categorised as those offering both high security and high liquidity and must be sterling dominated, maturing in less than one year and be made either with UK Government, local authorities or institutions with high credit ratings as determined by the Authority.

3.3 A non-specified investment is one not covered by the previous definition and is subject to greater potential risk. CLG has confirmed that building societies and similar investments are covered by this paragraph and has stated that there is no intention to discourage authorities from using non-specified investments. The aim is simply to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies that are not highly credit-rated.

3.4 The Authority uses the creditworthiness service provided by Capita Asset Services. The service does not only rely on the current credit ratings of counterparties but also uses the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This is a service which the Authority would not be able to replicate using in-house resources.

3.5 This service provides an independent assessment by professionals of the overall credit quality of an institution. Weekly reviews of the credit ratings ensure that the

Authority's criteria are maintained and the Authority is alerted to changes on a daily basis. Officers also access other rating information supplied by other providers.

3.6 The Authority can currently utilise the following instruments:-

- Deposits with banks, building societies, Debt Management Office or local authorities (and certain other bodies) for up to 364 days
- Certificates of deposits (CDs) with banks and building societies for up to 364 days
- Money market funds.

The Authority itself does not lend its own monies: all lending is Fund money.

3.7 The borrowers dealt with from April 2015 to February 2016 are shown in Appendix IV.

3.8 The amount invested with any one institution is limited. All loans must take due cognisance of the amount involved and the quality of the borrower in both absolute and relative terms to the whole lending book. The lending limit for specified investments with a short term credit rating of F1 or better is £15m. However, subject to obtaining prior approval from the Chair and Vice-Chair, the limit can be extended to £20m. A unit limit of £10m applies to non-specified investments i.e. the Authority can lend to the top twenty Prudential Regulatory Authority (or equivalent FATF regulator) regulated building societies, or those with assets in excess of £1bn. These restrictions apply to the Authority's principal bankers (i.e. Lloyds and HSBC). Officers regularly review the credit rating criteria the Authority uses and have concluded that the present approach is fit for purpose.

3.9 The Authority has a deposit facility with the UK Debt Management Office which is an executive agency of HM Treasury. This facility has no limit on deposit size but internal procedures require that should the facility be used for sums over £20m such use be reported to the next available meeting of the Board.

3.10 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 [SI No 534] clarified the use of money market funds and CLG has confirmed that this Authority is eligible to utilise them. The Authority has approved investment in such funds up to a maximum limit of £10m into any one fund and up to a maximum of 50% of total lent monies at any one time.

3.11 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009: SI 2009/3093 the administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances.

#### 4) Overdraft

4.1 The current overdraft limit of £250,000 is with the Authority's clearing bank, Lloyds, and is available until 31 August 2016. The current interest rate on authorised overdrafts is officially 2% above the Base Rate. This facility is very rarely used. It is a contingency for unexpected events or to facilitate short term allocations and is subject to immediate termination.

4.2 I can report that the Authority has had no difficulty in terms of overdraft limits formerly set, nor are any difficulties envisaged for current or future years. This view takes into account current commitments, existing plans and proposals in the approved budget. Accordingly, it is intended to seek renewal of the facility from 1 September 2016.

5) Delegated powers

- 5.1 The Authority's Standing Orders and Financial Regulations have delegated to the Treasurer the responsibility for all aspects of the operation of the Authority's bank accounts. This includes the opening and closing of accounts. She is also authorised to invest any monies belonging to or under the control of the Authority subject to the Authority's general directives. The Treasurer may delegate this power to members of her staff.
- 5.2 The Authority should approve the Annual Investment Strategy annually and before the start of the financial year.
- 5.3 The Affordable Borrowing Limit must be approved for each financial year and must be determined by the Authority. It should not be delegated to a committee and cannot be delegated to officers. It has to be kept under review.
- 5.4 It is the Treasurer's responsibility to implement and monitor the Strategy and Limit once set. The Treasurer should consider revising and resubmitting it as and when required, draft a strategy report for annual consideration by the Authority and monitor and report upon any material divergence from the strategy and recommend revisions if and when required.

**B Implementation**

6) 2016/17 Immediate Considerations

- 6.1 The factors expected to affect treasury matters during the forthcoming year are:-

	£M	%
Borrowing Requirement 2016/2017	None	
Current Bank of England Bank Rate (Feb 16)		0.5%
Current Investment Rates estimated range (overnight) for £10m deposit size		0.35-0.45%

7) Prospects for Interest Rates

The prospects for interest rates in the UK are expected to be as follows:-

a) Short Term Interest Rates

Bank Rate has been held at 0.5% since March 2009 (the MPC meets today) and the Bank of England has indicated it is not likely to rise in the foreseeable future and that when it does so it will be gradual. The economic and investment environment does not appear to have great impetus and remains below trend. It is very dependent upon consumer spending though the latest manufacturing indicators are a bit more encouraging. The labour market remains robust though wage growth is still subdued. Inflation has been influenced by fuel and food price falls but by not as much as they were last

year which will eventually dissipate over the year on base effects. Growing inflationary pressures are not evident in the economy and, thus, inflation should remain below the 2% target for the rest of this year.

The preface to the EU Referendum will add to the uncertain mix that has dogged the year to date.

b) Longer Term Interest Rates

Given the nature of the Authority's portfolio and liquidity requirements forecasting longer term interest rates is a low priority for this function. However, the Bank of England's view appears to be that risks are a little skewed to the downside in the medium term and expects inflation to exceed the 2% target within two years and then rise further above it. It judges that Bank Rate will increase over that period. However, the rise will be gradual and to a lower level than in recent cycles. But that view is an expectation only and policy will be determined by actual economic circumstances.

8) Short term considerations

8.1 Capital Finance

The Authority may have a requirement to finance capital expenditure in relation to the acquisition of new software licences or similar. Such expenditure will ultimately be financed from the Fund.

8.2 Debt Rescheduling

The Authority has no debt.

8.3 Temporary Investments

Cash flow requirements and changes in base rates will be closely monitored and investments made accordingly:

- a) kept short if it is anticipated that interest rates will rise, enabling returns to be compounded more frequently
- b) weighted to longer periods, with a view to enabling returns to be maintained, in a falling market.

Investments will be restricted to those funds and institutions which meet the criteria laid down in the Annual Investment Strategy.

8.4 Utilisation of Amounts Set Aside for Debt Redemption

The Authority has no debt.

8.5 Other issues

- 8.5.1 The Authority had deposits with Icelandic banks or their UK subsidiaries in 2008 at the time of their collapse. Both capital and interest due on these deposits was written off within its 2008/09 accounts.

- 8.5.2 The Authority's ISK account has a balance of c4,600,000 ISK which is valued at roughly £25,500. This sum remains in an interest earning escrow account and is subject to capital controls. The timing of the control release and the prevailing exchange rate at that time cannot be predicted.
- 8.5.3 The anticipated recovery rates and distribution periods for the monies deposited with the UK subsidiary banks vary even though both KSF and Heritable are UK E&Y run administrations. The latest KSF creditor report disappointed. The next payment, expected to be not less than a 1p dividend, is due later this month. The E&Y forecast of ongoing recovery was below market expectations though the administrator is still indicating a total recovery in the range of 85 – 86.5 p/£. KSF Distributions to date equate to 82.5p/£. Opportunities to sell the debt are being explored. So far 95.75p/£ has been recovered from Heritable. The deposits were £5m with KSF and £2.5m with Heritable (two shapes). It is not possible to predict either the totality or timing of the recovery from those deposits.

## APPENDIX II

### SOUTH YORKSHIRE PENSIONS AUTHORITY

#### DETERMINATION OF AFFORDABLE BORROWING LIMIT 2016/2017

1) Background Information

1.1 Under Section 3(1) of the Local Government Act 2003, those local authorities covered by the Act, must determine on a rolling basis, for the following financial year and two successive years, an affordable borrowing limit which is the amount of money which the Authority can afford to borrow.

1.2 This limit must be determined by the Authority and cannot be delegated to committees or officers.

2) Proposed Limit for 2016/2017

2.1 In accordance with the Act, the following determinations are proposed for 2016/2017:

a) an overall borrowing limit of £250,000

b) the proportion of interest payable at variable rates should be set at 100%

2.2 It should be noted that it is open to the Authority to vary the above limits at any time during the year.

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## APPENDIX III

### SOUTH YORKSHIRE PENSIONS AUTHORITY

#### MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17

1. The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt and until 2007/08, the basis of the calculation was specified as 4% of the capital financing requirement, which represents the Authority's underlying need to borrow for capital expenditure.
2. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 came into force on 31 March 2008 and replaced the above statutory calculation with a more general duty for the Authority to make an amount of MRP which the Authority considers "prudent".
3. Prudent provision is not defined within the Regulations but the guidance sets out several options which could be considered, although the overriding principle is that the charge to revenue should be linked to the lives of the assets funded by borrowing.
4. MRP commences in the year following the one in which the capital expenditure is incurred.
5. In accordance with the guidance, the MRP policy recommended for 2016/17 is as follows:
  - a) For capital expenditure incurred before 1 April 2008, MRP will be based on 4% of the Capital Financing Requirement
  - b) For capital expenditure incurred after 1 April 2008, for which borrowing is undertaken, MRP will be calculated based on equal annual instalments over the estimated life of the asset. The estimated life of each asset will be assessed each year based on the type of expenditure.
  - c) MRP will be deferred for new capital projects until the year after the asset is complete and therefore operational rather than the year in which the capital expenditure is undertaken. This approach is beneficial for building projects which take more than one year to complete.

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

### LIST OF BORROWERS: APRIL 2015 – FEBRUARY 2016

#### Banking institutions rated F1 or above as per Fitch Ratings Ltd

AUSTRALIA & NEW ZEALAND BANKING GROUP	F1+
BANK OF MONTREAL	F1+
CANADIAN IMPERIAL BANK OF COMMERCE	F1+
DBS BANK LTD	F1+
HSBC BANK PLC	F1+
LANDESBANK HESSEN THUERINGEN (HELABA)	F1+
LLOYDS BANK PLC	F1
NATIONAL BANK OF CANADA	F1
NATIONAL WESTMINSTER BANK PLC (CALL A/C)	F1
OVERSEA CHINESE BANKING CORP LTD	F1+
SOCIETE GENERALE	F1
SUMITOMO MITSUI BKG CORP EUROPE LTD	F1
UNITED OVERSEAS BANK LTD	F1+

DMO was used on **one** occasion  
Amount lent was £15 million

NB: National Westminster Bank Call A/C closed August 2015 following rating downgrade to F2

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

17 March 2016

### Report of the Deputy Clerk

## CONSTITUTION OF THE SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD

### 1. Purpose of the Report

To consider amendments to the Constitution of the South Yorkshire Joint Local Pension Board.

---

### 2. Recommendations

**Members are recommended to consider the suggested amendments as detailed in Section 3.4 below.**

---

### 3. Background

- 3.1 At its meeting on 1 October 2015 the South Yorkshire Joint Local Pension Board considered its amended Constitution as approved by the Authority earlier that day.
- 3.2 Subsequently, the Chair and Vice-Chair of the Joint Local Pension Board met with officers from BMBC's Joint Authorities Governance Unit to further discuss the Constitution.
- 3.3 Of particular concern was Section 4.1 regarding Scheme Manager Consents which states:
  - 4.1 The Local Pension Board shall not:
    - 4.1.1 Question what investment decisions have or have not been made by the Authority or its Boards, for the avoidance of doubt this shall include but not be limited to financial investment decisions and property related investment decisions.
    - 4.1.2 Amend or question the statements, strategies and reports prepared in compliance with Sections 57 to 61 of the LGPS Regulations.
    - 4.1.3 Consider or become involved in any internal dispute resolution appeals or the process itself.
    - 4.1.4 Enter into contracts on behalf of the Administering Authority.
    - 4.1.5 Dismiss any members of the Pensions Authority.
    - 4.1.6 Use the Local Pension Board to act on behalf of a particular constituency or Pension Fund member in general or in relation to a specific complaint at any time.
    - 4.1.7 Compromise the Pensions Authority's ability to comply with its fiduciary duty to the Pension Fund and its members.
- 3.4 Members of the Joint Local Pension Board request that Sections 4.1.1, 4.1.2 and 4.1.5 be removed from the Constitution as they are not in the spirit of the legislation and could prevent the Joint Local Pension Board fulfilling their role.

**4. Implications**

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

**M McCarthy**  
**Deputy Clerk**

**Officer Responsible:**

Gill Richards, Democratic Services Officer  
South Yorkshire Joint Authorities Governance Unit  
01226 772806; [g Richards@syjs.gov.uk](mailto:g Richards@syjs.gov.uk)

17 March 2016

Report of Clerk

MEETINGS OF THE AUTHORITY AND BOARDS IN 2016/17

1. Purpose of the Report

To consider the proposed schedule of Authority and Board Meetings during 2016/17.

---

2. Recommendations

**Members are recommended to approve the cycle of meetings for 2016/17.**

---

3. Information

3.1 Meetings of the Authority and Boards are currently fixed up to the Annual Meeting on 9 June 2016.

3.2 Attached as an **Appendix** to this report is a cycle of meetings for 12 months from June 2016.

3.3 **It should be noted that as Barnsley MBC meetings are held on a Thursday, the meeting dates in the Appendix have been produced against the existing Barnsley MBC meeting cycle, but this is still in draft until 20 May 2015.**

4. Implications and risks

- Financial - None
- Legal - None
- Diversity - None

**D Terris**  
Clerk

**Officer responsible:** Gill Richards Democratic Services Officer  
BMBC Joint Authorities Governance Unit  
01226 772806 [grichards@syjs.gov.uk](mailto:grichards@syjs.gov.uk)

**Background papers:** None

**Other sources and references:** None

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## PENSIONS AUTHORITY MEETINGS 2016/17

Pensions Authority	Corporate Planning & Governance Board	Investment Board	LPB
	<b>2016</b>		
	2 June*		
9 June (Annual)**			
23 June***		23 June**	
	20 July****		20 July
		15 September	
6 October			6 October
	20 October		
24 November			
		8 December	
	<b>2017</b>		
12 January			12 January
	16 February		
		9 March	
16 March			16 March
8 June (Annual)			
	1 June		
		22 June	

\* This meeting was originally scheduled for 16 June 2016

\*\* Meeting dates already arranged

\*\*\* Additional meeting of the Authority if necessary to discuss LGPS pooling (prior to the Investment Board) as discussed at the meeting on 11 February 2016.

\*\*\*\* This meeting is on a Wednesday. Member availability has been obtained.

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