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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

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 6 October 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

Tel: 01226 772806

WEBCASTING NOTICE

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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, M Iqbal, H Mirfin-Boukouris, K Rodgers, A Sangar, M Stowe, Z Sykes, P Wood, J Wood, R Wraith and K Wyatt

Contact Details

For further information please contact:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

6 OCTOBER 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

	Item	Page
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	Actuarial Valuation 2016 - Mercer	1 - 24
7	Verbal update on matters arising since the last meeting	Verbal Report
8	Minutes of the Annual Authority meeting held on 9 June 2016	25 - 28
9	Minutes of the Ordinary Authority Meeting held on 9 June 2016	29 - 36
10	Minutes of the Extraordinary Authority Meeting held on 30 June 23016	37 - 38
11	Minutes of the Corporate Planning & Governance Board held on 2 June 2016	39 - 46

	Item	Page
12	Minutes of the Corporate Planning & Governance Board held on 20 July 2016	47 - 56
13	Minutes of the Investment Board held on 30 June 2016	57 - 66
14	Minutes of the Investment Board held on 15 September 2015	67 - 74
15	Work Programme	75 - 76
16	Board Chairs' Report	Verbal Report
17	Section 41 Feedback from District Councils	Verbal Report
18	LGPS Current Issues September 2016	77 - 84
	<u>Exclusion of the Public and Press</u>	
*19	LGPS Pooling: Update on Proposals for BCPP (Exemption Paragraph 3)	85 - 168
	<u>At this point, the meeting will reopen to the public and press</u>	
20	Quarter 1 Performance Snapshot Report	169 - 174
21	Review of Pensions Administration since the Implementation of the UPM System	175 - 180
22	SYPF Annual Fund Meeting	181 - 182
23	CP&GB Audit Committee Functions Annual Report	183 - 194
24	Webcasting	195 - 196

SOUTH YORKSHIRE PENSION FUND

2016 ACTUARIAL VALUATION

INITIAL WHOLE FUND RESULTS AND FUNDING STRATEGY CONSIDERATIONS

Page 1

6 OCTOBER 2016



Paul Middleman FIA



Jonathan Perera

2016 VALUATION STATUS SUMMARY

What we have done so far ✓

- Full demographic analysis and impact
- Initial data quality assessment
- Produced whole of Fund results using updated membership data
- Analysed the change in deficit from the 2013 valuation
- Considered the sensitivity of the results on a range of key assumptions
- Produced provisional results for the major employers
- Initial meeting held with major employers on 19 September

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What we still need to consider

- The affordable level of contributions over 2017/20.
- More detailed risk analysis on future outcomes in different economic scenarios e.g. Brexit
- Final individual results for all employers
- Scheme maturity and cashflow analysis
- Finalise Employer Covenant assessments
- Develop Funding Strategy and begin consultation with all employers
- Section 13 valuation and KPIs (awaiting confirmation of final basis)

2016 VALUATION- DEVELOPING THE FUNDING STRATEGY

MAIN AREAS



OBJECTIVES OF THE FUND

1. 100% solvency level in a reasonable timeframe
2. Maintain sufficient assets to pay all benefits as they arise
3. Sufficiently prudent funding plan to protect against downside outcomes

DEFICIT RECOVERY PLAN

1. Sets out timeframe and plan to address any shortfall
2. Sets out the treatment of different employers when determining the recovery plan, taking into account affordability
3. Average recovery period expected to fall by at least 3 years i.e. from 22 to 19 years.

EMPLOYER ASSET SHARES AND CONTRIBUTIONS

1. Multi employer scheme so each employer has it's own notional asset share
2. Contribution rates set on a bespoke basis
3. Reflects different underlying investment strategies e.g. a corporate bond strategy

SOLVENCY AND LONG TERM COST EFFICIENCY

1. Solvency - where the Fund's liabilities (i.e. benefit payments) can be reasonably met as they arise
2. Long-term cost efficiency - Contribution levels cannot be set at a level that is likely to give rise to additional costs in the future
3. Desirability of a stable primary rate

ACTUARIAL ASSUMPTIONS

1. Allow for appropriate prudence and reflecting the demographic characteristics of the Fund
2. Linked to the Fund's investment strategy and economic outlook
3. Determines pace of funding along with recovery period

FUND AND EMPLOYER POLICIES

1. Covenant assessment and monitoring
2. Policy for admitting employers
3. Policy for employer terminations
4. Potential insurance arrangements



2016 VALUATION

RECAP OF KEY FUNDING STRATEGY ISSUES



DISCOUNT RATE – LINKED EXPLICITLY TO REAL RETURNS VERSUS CPI. MAINTAIN FOR SOLVENCY CALCULATION BUT REDUCE BY 0.25% P.A. FOR FUTURE SERVICE RATE.

50/50

REMOVAL OF ALLOWANCE FOR FUTURE 50/50 SCHEME MEMBERSHIP

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UPDATE DEMOGRAPHIC ASSUMPTIONS – LIFE EXPECTANCY, ILL HEALTH ETC



REDUCTION IN AVERAGE DEFICIT RECOVERY PERIOD (SUBJECT TO REASONABLE AFFORDABILITY) TO MAINTAIN DEFICIT RECOVERY PLAN



CONSIDER THE IMPACT OF BREXIT AND INTEREST RATE CHANGE ON FUNDING STRATEGY

2016 VALUATION

DATA QUALITY – IMPACT ASSESSMENT

Of the active members valued around 2,350 members had a missing CARE salary within the valuation data provided. A summary of these members is shown below.

Number of members affected	c2,350
CARE salary provided	Nil
CARE salary adopted	c£26m
Past Service Liabilities	c£40m
Proportion of the Fund's liabilities	0.5%

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For the c2,350 members, we suspect that the majority are unprocessed/un-notified leavers or there is a lack of data provided by the employers. As we have no way of deriving the CARE data easily, as agreed, for the Whole Fund results we have created a proxy pay and benefit amount based on pre-2014 data (where credible) or an average amount when calculating past service liabilities.






We have also left them as being active members which has some inherent prudence in the liability calculation. Similar estimates for CARE pay / benefits were made for members for whom a pay figure was provided but did not appear credible.

Whilst the valuation result can be reasonably signed off, there is a real potential impact on individual employers. If the above liability estimate is wrong by say 10%, the liabilities could be overstated by c£4m resulting in an increased deficit contribution of £0.25m per annum

2016 VALUATION – WHOLE FUND RESULTS













INTERVALUATION EXPERIENCE

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Actual vs Expected	Impact	Comment
Investment Returns		c21% return over 2013/16 – greater than expected and hence decrease in deficit
Membership Profile		Increase in Future Service Rate but decrease in deficit, in particular, number of early leavers greater than expected.
CPI Pension Increases		Overall liabilities are around 3% lower compared to those expected
Pensioner Deaths		Analysis shows that the impact on liabilities is positive
Pay Increases		Based on a “data implied” overall salary growth of 7% pay increase over 2013/16 (after credibility adjustment)

2016 VALUATION – WHOLE FUND RESULTS

DEMOGRAPHIC ASSUMPTIONS UPDATE

Analysis	Effect on Deficit (Whole Fund)	Effect on Future Service Rate (Whole Fund)	Comment in relation to Fund
Life Expectancy			Analysis indicates reductions from last time of around 0.2 years for current pensioners.
Ill-Health Retirement			Decrease for future service rate but no material impact for deficit
Withdrawal			Marginal decrease in deficit, no real impact on future service rate
50/50			As expected! – 0.6% p.a. increase to FSR given take up c0.1% compared to 10% assumed
Commutation			No change from 2013 assumption
Proportions with Partner / Dependants			Marginal impact only

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2016 VALUATION – WHOLE FUND RESULTS

PRELIMINARY RESULTS AS AT 31 MARCH 2016

Discount Rate	31 March 2013	31 March 2016
	Final Results	Maintain Real Return vs CPI at 2013 (CPI plus 2% p.a.) plus changes to demographics
Assets	£5,288m	£6,254m
Liabilities	£6,997m	£7,337m
Deficit ¹	£1,709m	£1,083m
Funding Level	76%	85%
Employer Future Service Rate ² (% of pay per annum)	12.8% ³	14.8% ³
Illustrative deficit contributions payable over 19 years (2017/18) <u>indexing</u> in line with long-term CPI inflation (2.2% p.a.)	£80.5m p.a. ⁴	£69.6m p.a.

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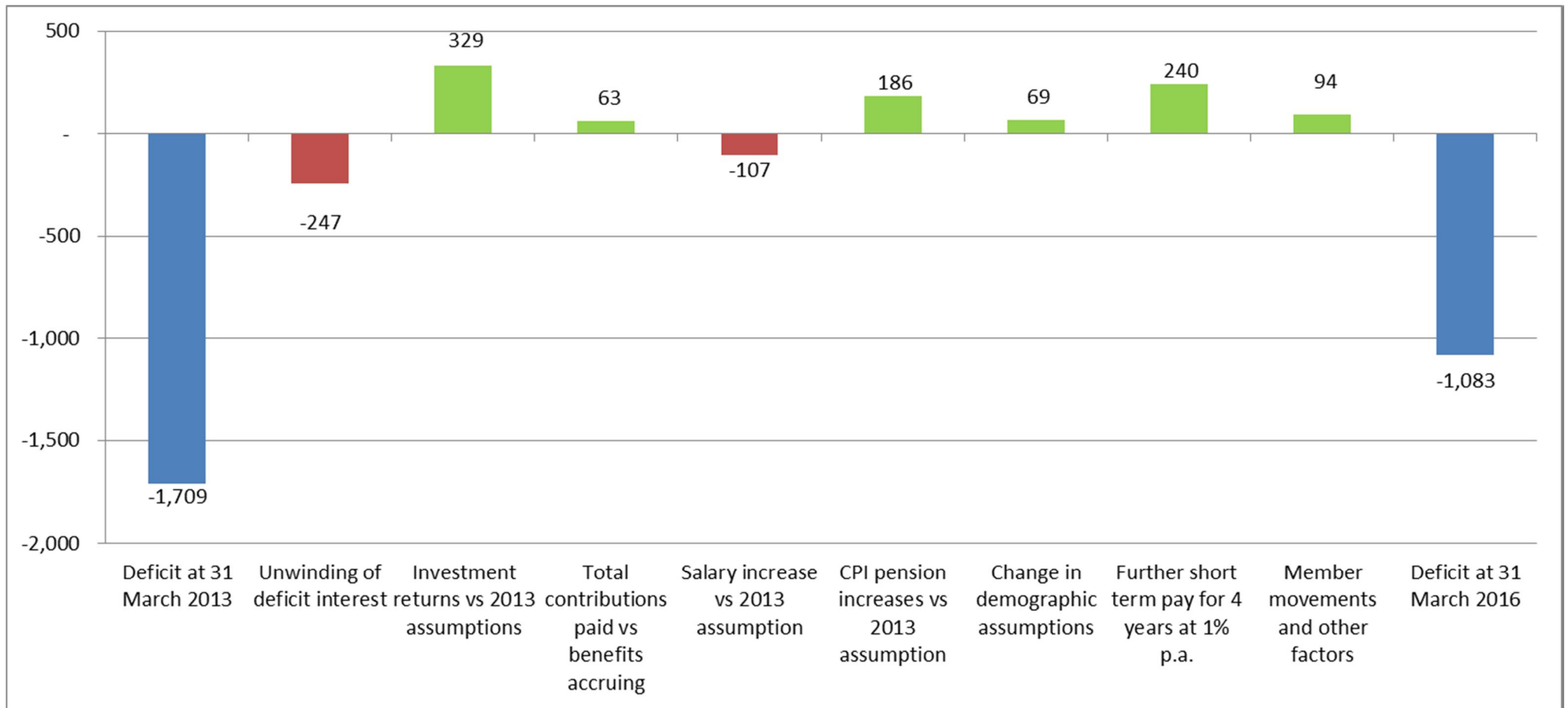
NOTES :

1. 2016 figure includes allowance for short-term pay of 1% p.a. for 4 years up to 2019/20 for all employers for illustration.
2. Allows for different discount rate assumption to past service (CPI plus 3% p.a. at 2013 and CPI plus 2.75% p.a. at 2016).
3. 2013 figure allows for 10% take up rate of 50/50 Scheme. 2016 figure includes no allowance.
4. Actual deficit contributions emerging from 2013 valuation were based on updated funding positions as at 31 August/December 2013 – ignores impact of prepayments

2016 VALUATION – WHOLE FUND RESULTS

ANALYSIS OF CHANGE IN DEFICIT POSITION

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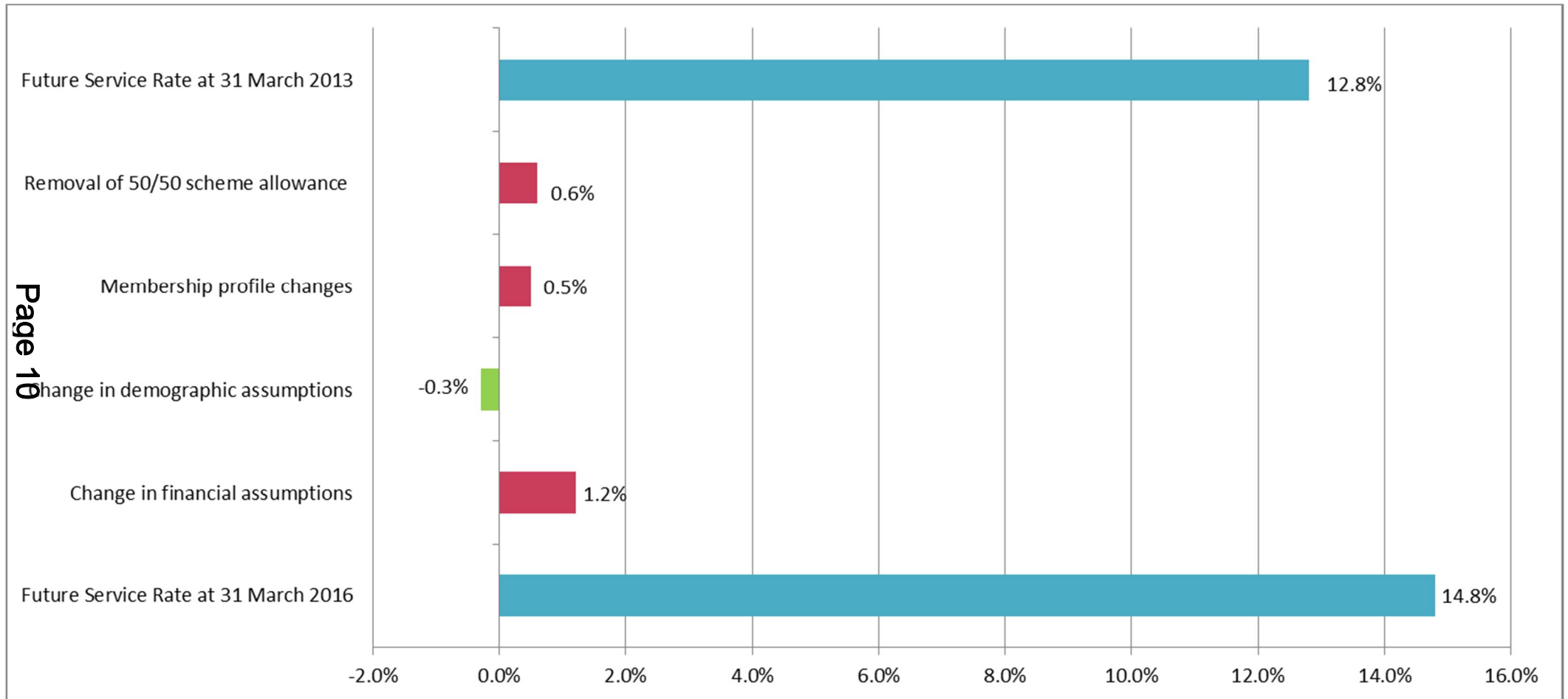


Notes:

1. The short term pay figure assumes it is incorporated for all employers at 1% for 4 years which is unlikely to be the case in practice.
2. The salary increase vs 2013 assumption item currently incorporates an implied average pay increase of 7% for 2013/16.

2016 VALUATION – WHOLE FUND RESULTS

ANALYSIS OF CHANGE IN FUTURE SERVICE RATE



2016 VALUATION – FUNDING STRATEGY CONSIDERATIONS

SOLVENCY VS STABILITY

ASSUMPTIONS



- Links to investment strategy
- Prudence
- Long-term cost efficiency
- Phasing of FSR increases?

RECOVERY PLAN



- Minimum contribution requirements
- Recovery Period
- Phasing of Deficit Contribution increases
- Prepayments

Funding Strategy will be subject to greater level of scrutiny

2016 VALUATION – WHOLE FUND RESULTS

ILLUSTRATIVE CONTRIBUTION OUTCOMES – 2017/20

Discount Rate	31 March 2013		31 March 2016		31 March 2016	
	Current Contributions		“Minimum” Contributions		“Recommended” Contributions	
			Move to new 2016 contribution outcomes		Maintain 2013 deficit contributions for 2017/20	
Deficit	£1,709m as at 31 March 2013		£1,083m		£1,083m	
Employer Future Service Rate (% of pay per annum)	12.8%		14.8%		14.8%	
Contributions Payable	Deficit (Indexed at 2.6% p.a.)	Future Service ¹	Deficit (Indexed at 2.2% p.a.)	Future Service ¹	Deficit (Fixed)	Future Service ¹
	2017/18 2018/19 2019/20 <u>Total</u>	£80.5m p.a. £82.3m p.a. <u>£84.1m p.a.</u> £246.9m	£111.0m p.a. £112.1m p.a. <u>£113.2m p.a.</u> £336.3m	£69.6m p.a. £71.1m p.a. <u>£72.7m p.a.</u> £213.4m	£128.3m p.a. £129.6m p.a. <u>£130.9m p.a.</u> £388.8m	£80.5m p.a. £80.5m p.a. <u>£80.5m p.a.</u> £241.5m
Total Contributions payable over 2017/20 (ignoring prepayments)	£583.2m		£602.2m		£630.3m	
Potential saving if all deficit contributions prepaid in April 2017			(£12.8m)		(£14.3m)	
Total Contributions payable over 2017/20 (allowing for 3 year prepayment)			£589.4m		£616.0m	

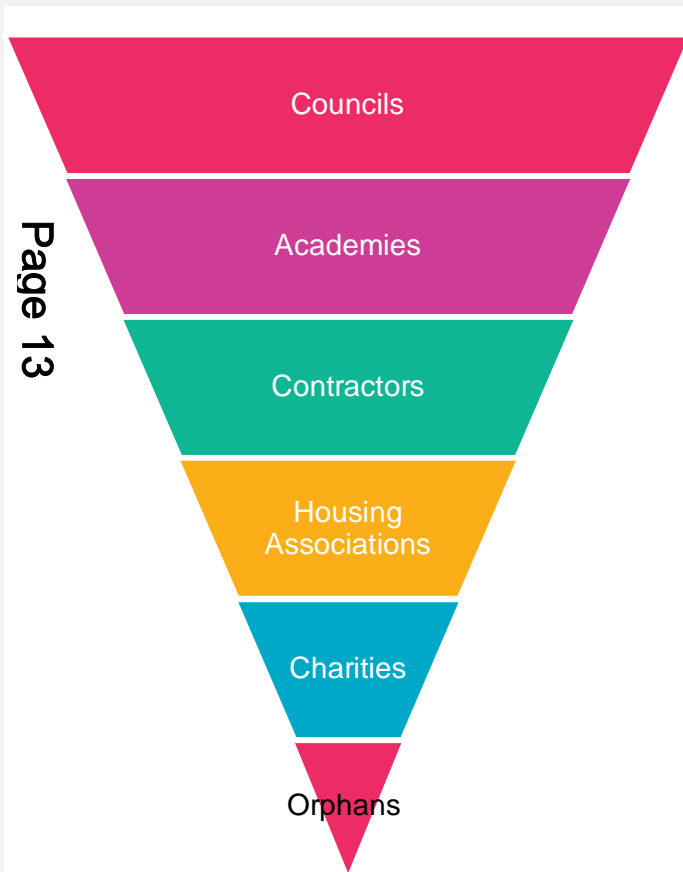
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¹Based on projected 2017/18 payroll of £867m p.a. increasing at 1% p.a. In practice, under the 2016 scenarios it may be possible for employers to phase in the increase to the 2016 rate where applicable under the Funding Strategy.

2016 VALUATION – FUNDING STRATEGY CONSIDERATIONS

MANAGING EMPLOYERS AND RISK

TYPES OF EMPLOYERS



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KEY EMPLOYER FEATURES:

- FUNDING LEVEL
- SIZE & MATURITY
- COVENANT
- EMPLOYER OBJECTIVES

SETTING EMPLOYER CONTRIBUTIONS:

- INVESTMENT STRATEGY
- AFFORDABLE PAYMENTS?
- RECOVERY PERIODS
- RISK MANAGEMENT /PROTECTION

2016 VALUATION TIMELINE

Initial meetings with
Fund, Councils, etc.



Develop initial funding
considerations/analysis



Get Data

Commence FSS draft and
policy refresh and updates



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Initial results for
total Fund and
major employers



Employer
meeting

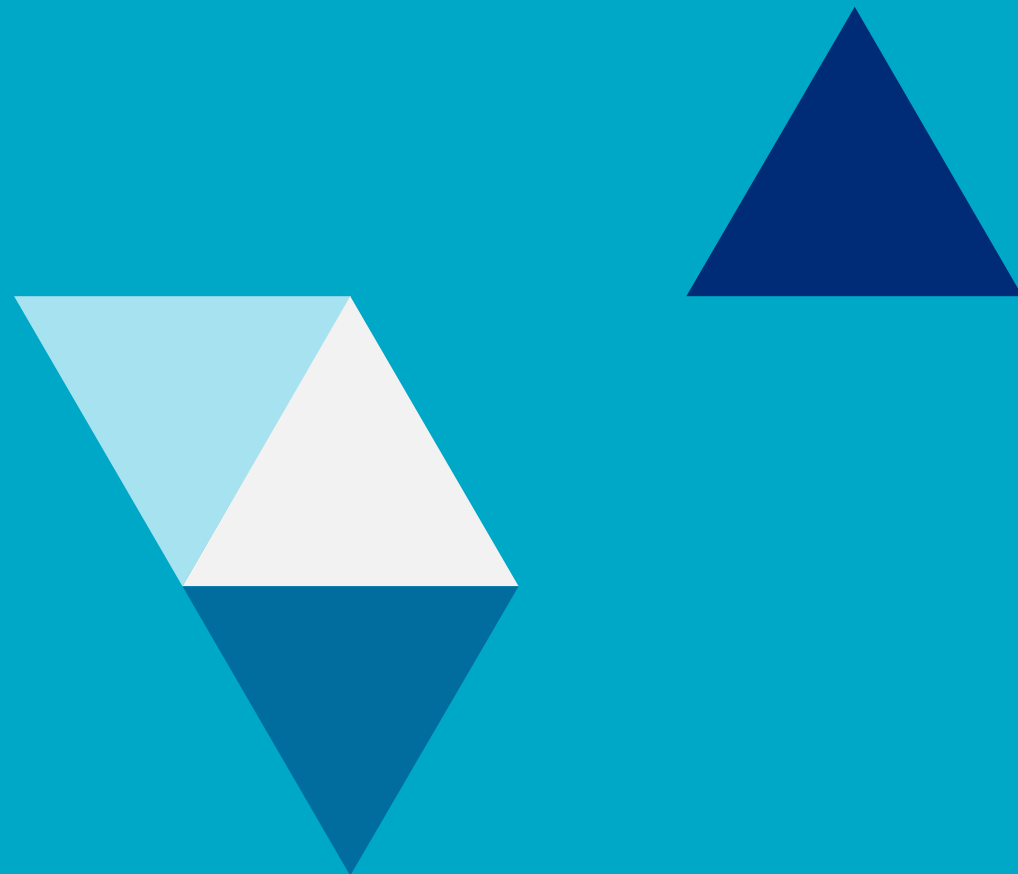


Valuation sign off

Feedback from consultation

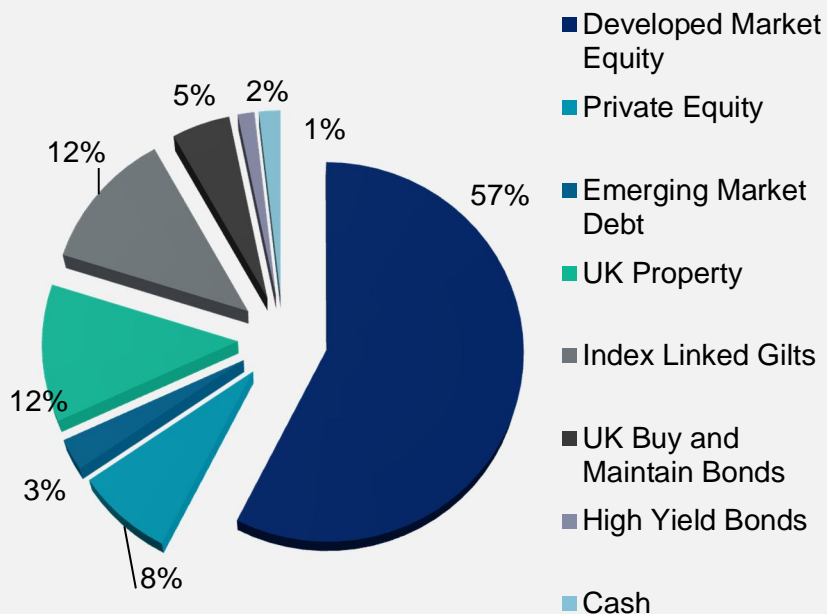
APPENDIX

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DISCOUNT RATE EXPECTED INVESTMENT RETURNS

Your strategic asset allocation



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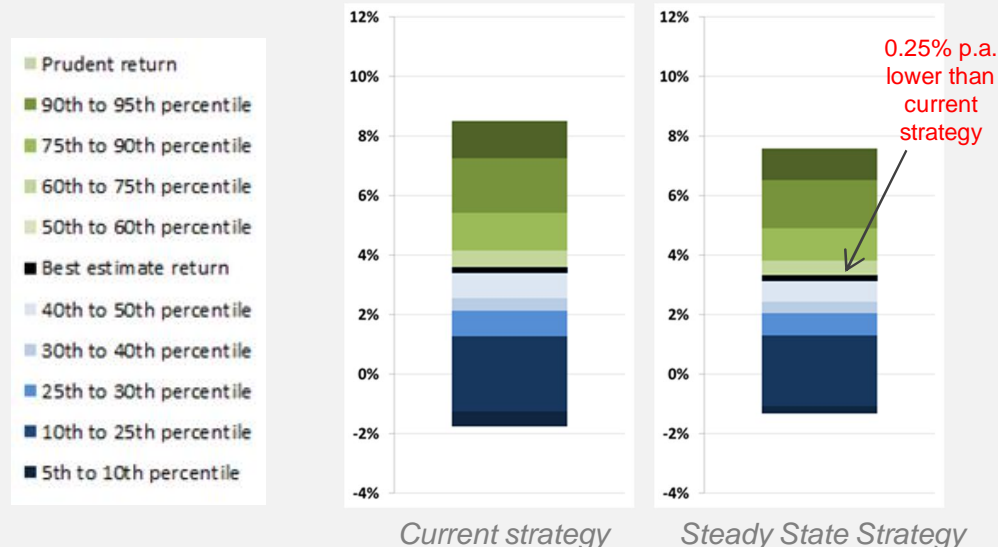
Chance of achieving return on <u>current strategy</u>	Expected Real Return
50%	CPI + 3.4% p.a.
60%	CPI + 2.6% p.a.
67%	CPI + 2.0% p.a.
75%	CPI + 1.3% p.a.

More prudent

"Best estimate"

Prudent AOA

Range of outcomes relative to CPI



Comments

To develop the discount rate we ultimately look at the expected returns on the assets relative to CPI.

We have considered the **current** benchmark investment strategy plus an **aspirational** example lower risk strategy (the "steady state"). Under this scenario, the expected best estimate real return would be 0.25% p.a. lower i.e.

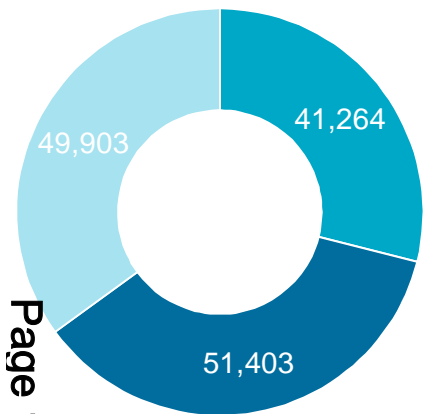
For **Past Service** i.e. "liability" calculations, we would propose to maintain a discount rate equivalent to that from 31 March 2013 i.e. **CPI + 2.0% p.a.**

For **Future Service**, we would propose a discount rate equivalent to **CPI+2.75% p.a.** (instead of CPI + 3.0% p.a.) given the current outlook.

OVERVIEW OF FUND PROFILE

MEMBERSHIP DETAILS

MEMBERSHIP DETAILS PROVIDED BY THE FUND

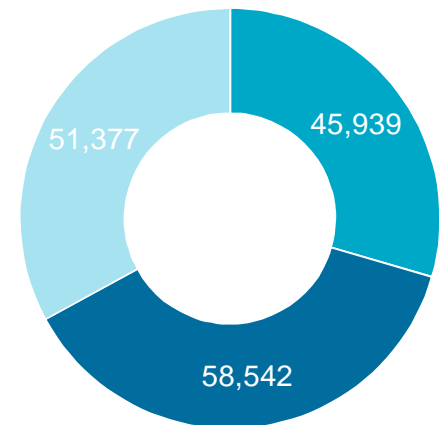


MEMBERSHIP DEVELOPMENT

31 MARCH 2013

Total membership – 142,570

- Pensioners
- Deferreds
- Actives

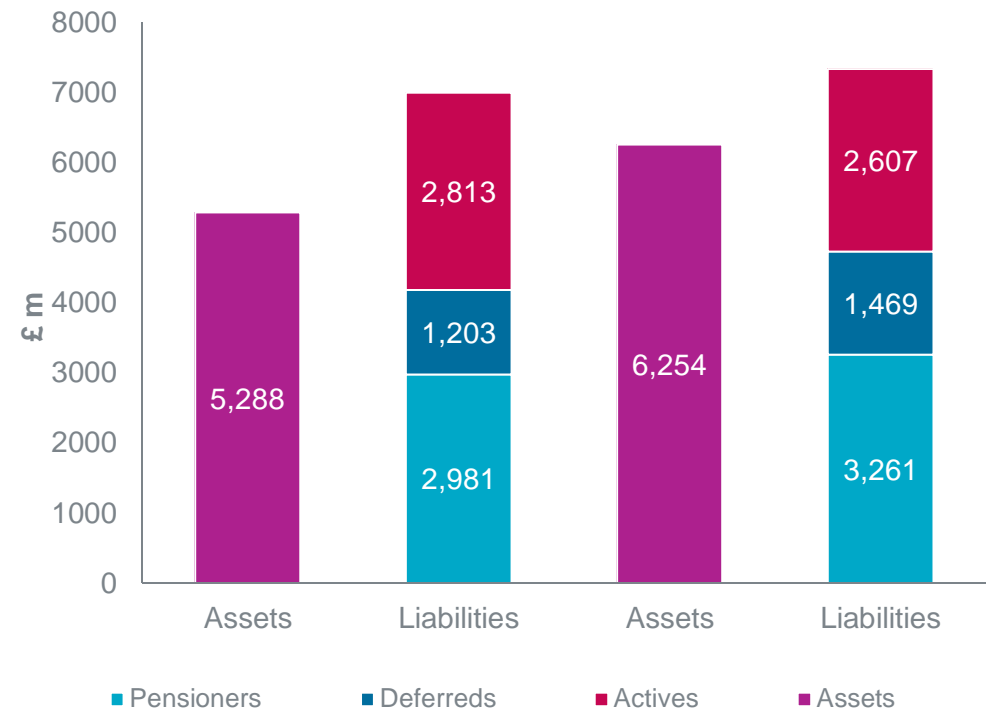


31 MARCH 2016

Total membership – 155,858

31 MARCH 2013

31 MARCH 2016



FUND MEMBERSHIP

MEMBERSHIP ANALYSIS

	31 March 2013	31 March 2016
Active members		
Number	49,903	51,377
Total Pensionable Salaries (£000s p.a.) ¹	842,122	868,395
Average Pensionable Salary (£ p.a.)	16,875	16,902
Average age ²	49.0	49.5
Average accrued pension	3,090	3,075
Deferred pensioners ³		
Number	51,403	58,542
Total deferred pensions revalued to valuation date (£000s p.a.)	64,016	79,652
Average deferred pension (£ p.a.)	1,245	1,361
Average age ²	48.3	48.9
Current Pensioners and Dependants		
Number	40,880 ⁴	47,736
Total pensions payable (£000s p.a.)	180,320	201,666
Average Pension	4,411	4,390
Average Age ²	68.9	69.8

¹ Including actual pay for part time members

² Weighted by accrued pension/deferred pension/pension

³ Including frozen refunds

⁴ Also an additional 384 current dependant pensioners

FINANCIAL ASSUMPTIONS



Market yields	31 March 2013	31 August 2013	31 March 2016
Fixed interest gilt yield	3.2% p.a.	3.6% p.a.	2.2% p.a.
Index-linked gilt yield	-0.4% p.a.	0.0% p.a.	-1.0% p.a.
Assumed CPI price inflation (derived by differencing yields on fixed-interest and index-linked gilts less 1% p.a.)	2.6% p.a.	2.6% p.a.	2.2% p.a.
Assumptions used for Liabilities			
Derivation of Discount Rate /Expected Return	CPI plus 2.0% p.a. (Gilts + 1.4% p.a.)	CPI plus 2.4% p.a. (Gilts +1.4% p.a.)	CPI plus 2.0% p.a.
Discount rate:	4.6% p.a.	5.0% p.a.	4.2% p.a.
Inflation: Consumer Prices Index (CPI)	2.6% p.a.	2.6% p.a.	2.2% p.a.
Long term pay growth assumption	4.35% p.a.	4.35% p.a.	3.95% p.a.
Pension increases	2.6% p.a.	2.6% p.a.	2.2% p.a.
Short term pay growth assumption	1% p.a. to 31 March 2016	1% p.a. to 31 March 2016	1% p.a. to 31 March 2020
Fund investment return	A total return of 21% over the period from 1 April 2013 to 31 March 2016.		

FUNDING FRAMEWORK

SECTION 13 VALUATION DRY RUN – SYPF OUTCOME

Funding Levels:

	Local Basis	Standardised Basis
South Yorkshire	76%	94%

Solvency Measures:

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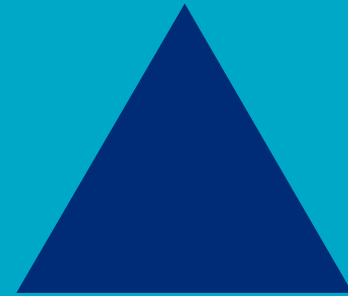
PENSION FUND	MATURITY (RANK)	SOLVENCY MEASURES						
		RISKS ALREADY PRESENT				EMERGING RISKS		
		SAB FUNDING LEVEL	OPEN FUND	NON-STATUTORY EMPLOYEES	CASHFLOW POSITION	LIABILITY SHOCK	ASSET SHOCK	EMPLOYER DEFAULT
SOUTH YORKSHIRE	6.4 (47)	94%	YES	10%	0%	+4%	+4%	+0%

Long Term Cost Efficiency Measures:

PENSION FUND	MATURITY (RANK)	LONG TERM COST EFFICIENCY MEASURES						
		RELATIVE CONSIDERATIONS				ABSOLUTE CONSIDERATIONS		
		DEFICIT REPAID	DEFICIT PERIOD	REQUIRED RETURN	REPAYMENT SHORTFALL	RETURN SCOPE	DEFICIT EXTENSION	INTEREST COVER
SOUTH YORKSHIRE	6.4 (47)	>50%	1	2%	17%	3.7%	-3	Yes

IMPORTANT NOTICES

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ACTUARIAL ADVICE

- We have prepared this document for the Administering Authority for the purpose of planning for the 2016 Actuarial Valuation.
- Unless otherwise stated, we have relied on the information and data supplied to us in preparing the information, without independent verification. We will not be responsible for any inaccuracy in the advice that is a result of any incorrect information provided to us.
- Mercer does not accept any liability or responsibility to any third party in respect of this report.
- This presentation is confidential and may not be disclosed in whole or part to any third party without Mercer's prior written consent, unless required by law or order of a court or regulatory body.
- Mercer retains all copyright and other intellectual property rights in this presentation.
- We are not lawyers, tax specialists or accountants. We are unable to give legal/tax/accountancy advice. If you think such advice is appropriate, you are responsible for obtaining your own professional advice.
- This presentation is correct as at September 2016. It will not be updated unless requested.

MAKE  **MERCER**
TOMORROW,
TODAY

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SOUTH YORKSHIRE PENSIONS AUTHORITY

9 JUNE 2016

PRESENT: Councillor S Ellis (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: M Maroof, A Sangar, M Stowe, Z Sykes, P Wood,
J Wood and K Wyatt

Councillors: (SYTPF Committee)

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

Investment Advisors:

Officers: J Hattersley (Fund Director SYPA), F Foster
(Treasurer), M McCarthy (Deputy Clerk), D Hanson (HR
Business Partner), I Baker (Pensions Manager SYPA) and
M McCoolle (Senior Democratic Services Officer)

Observers:

Apologies for absence were received from Councillor E Butler,
Councillor H Mirfin-Boukouris, Councillor J McHale, R Askwith,
G Chapman, S Smith, A Frosdick, B Clarkson and J Bell

1 APPOINTMENT OF THE CHAIR FOR THE ENSUING YEAR

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

Councillor Ellis thanked Members for their attendance at the Authority and extraordinary meetings held over the last year, together with their friendship and support given to her within capacity of Chair. In particular, she thanked Councillor Wraith as Vice-Chair, for providing her with the context and history of the Authority to enable her to fulfil her role.

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

2 APPOINTMENT OF THE VICE-CHAIR FOR THE ENSUING YEAR

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

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

3 MEMBERSHIP OF THE AUTHORITY

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

The current membership was noted:-

Barnsley Councillors	Doncaster Councillors	Rotherham Councillors	Sheffield Councillors
M Stowe R Wraith	E Butler K Rodgers (to 16.06.16) J McHale (from 17.06.16) J Wood	S Ellis K Wyatt	M Maroof H Mirfin-Boukouris A Sangar Z Sykes P Wood

M McCarthy welcomed the new Members to the meeting. It was noted that Councillor McHale was now officially a Member of the Authority, following the receipt of Councillor Rodgers' letter of resignation.

Councillor Wraith requested that a letter of appreciation be sent on behalf of the Authority to Councillor Rodgers, who had been a very able and capable Member.

Councillor Ellis commented that she would send letters of appreciation to the outgoing Members on behalf of the Authority.

RESOLVED – That the report be noted.

4 QUESTIONS IN MEETINGS OF THE DISTRICT COUNCILS

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

Membership was confirmed as follows:-

Council	Spokesperson	Substitute
Barnsley MBC	Councillor M Stowe	Councillor R Wraith
Doncaster MBC	Councillor J McHale	Councillor E Butler
Rotherham MBC	Councillor S Ellis	Councillor K Wyatt
Sheffield CC	Councillor P Wood	Councillor Z Sykes

RESOLVED – That Members agreed the Section 41 membership.

5 APPOINTMENT OF BOARDS, COMMITTEE AND CHAIRS

A report of the Clerk was presented to consider the appointment of Boards, Committee and Chairs for 2016/17.

Membership was confirmed as follows:-

Corporate Planning & Governance Board	Investment Board	Management Committee
7 members	7 members	Section 41 members

Pensions Authority: Thursday 9 June 2016

Councillor M Stowe (Chair)	Councillor Sue Ellis (Chair)	Councillor Sue Ellis (Chair) Sub: Councillor K Wyatt
Councillor S Ellis (Vice-Chair)	Councillor M Stowe (Vice-Chair)	Councillor M Stowe (Vice-Chair) Sub: Councillor R Wraith
Councillor E Butler	Councillor A Sangar	Councillor P Wood Sub: Councillor Z Sykes
Councillor H Mirfin-Boukouris	Councillor R Wraith	Councillor J McHale Sub: Councillor E Butler
Councillor J Wood	Councillor P Wood	
Councillor K Wyatt	Councillor M Maroof	
Councillor Z Sykes	Councillor J McHale	
And three trades unions representatives	And three trades unions representatives	

RESOLVED – That Members agreed:-

- i) The Terms of Reference and membership of the Boards and Management Committee and their Chairs for 2016/17.
- ii) That Councillor Sangar would be the Lead Member for training and development for 2016/17.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

ORDINARY MEETING

9 JUNE 2016

PRESENT: Councillor S Ellis (Chair)
Councillor M Stowe (Vice-Chair)
Councillors: R Wraith, M Maroof, A Sangar, Z Sykes, P Wood,
J Wood and K Wyatt

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

Officers: J Hattersley (Fund Director SYPA), F Foster
(Treasurer), M McCarthy (Deputy Clerk), D Hanson (HR
Business Partner), I Baker (Pensions Manager SYPA) and
M McCoole (Senior Democratic Services Officer)

Apologies for absence were received from Councillor E Butler,
Councillor H Mirfin-Boukouris, Councillor J McHale, R Askwith,
G Chapman, S Smith, A Frostdick, B Clarkson and J Bell

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

None.

5 DECLARATIONS OF INTEREST

None.

6 LOYAL SERVICE AWARD SCHEME

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

Councillor Ellis gave thanks to the individuals for their work provided to the Authority, in particular in relation to the UPS system; one officer was unable to attend the presentation.

Councillor Ellis presented the following individuals with the loyalty awards:-

Tracey Holland
Julie Peel
Linda Pollard
Louise Turton

RESOLVED – That Members noted the report.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 17 MARCH 2016

I Baker commented that Civica had made an offer of £33,000 in response to the request for compensation for overtime expenditure. To date the Authority had used £13,000 for employer work trays, which would enable the Authority to place work with the employers electronically for them to deal with and return. The Authority envisaged expending some of the remaining £20,000 costs on upgrading the member web and self-service facility.

Councillor Ellis commented that the Authority had originally estimated £50,000 for compensation and that it had been disappointed in the offer made, although the Authority was now receiving work that was required; the Authority had accepted the offer from Civica.

Councillor Ellis requested that the Chair and Vice-Chair be booked onto the 13th Annual LGPS 'Trustees' Conference on 23 to 24 June 2016 at the Mcdonalds Hotel and Spa, Manchester.

RESOLVED – That the minutes of the Pensions Authority meeting held on 17 March 2016 were noted.

8 MINUTES OF THE JOINT LOCAL PENSION BOARD HELD ON 17 MARCH 2016

RESOLVED – That the minutes of the Joint Local Pension Board meeting held on 17 March 2016 were noted.

9 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 24 November 2016.

RESOLVED - That Members noted the contents of the report.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor J Wood commented that DMBC Members had been invited to attend an urgent full briefing on council proposals with the Chief Financial Officer.

Councillor Ellis commented that RMBC continued to update Members on the pooling arrangements.

Pensions Authority Ordinary Meeting: Thursday 9 June 2016

Councillor Maroof commented that SCC had requested Members of the Pensions Authority to attend a finance meeting.

11 GOVERNMENT CONSULTATION ON LGPS POOLING

J Hattersley referred to a recent South Yorkshire Leaders Meeting at which the Chair, Treasurer and himself had provided an update on general pooling matters and had answered any questions raised. The issues discussed at the meeting included infrastructure and governance of the pooling arrangements moving forwards. The Chair had also attended a meeting with other Fund Chairs at the Pool level, which was progressing satisfactorily in terms of governance. J Hattersley urged the new Members to review the draft Memorandum of Understanding (MOU) and the structure of the Pool-co moving forwards, which had previously been approved by the Authority.

Members noted that the Pool Officers had given a presentation to a CLG Treasury Panel earlier this week, to provide an update on the Pool's position in terms of preparedness and the discussions taking place in relation to governance structures and the potential product mixes; no negative feedback had been received.

A letter had today been received from the CLG to confirm that the July submission deadline would be satisfied by a letter from the Pool rather than from each underlying fund, but that the letter must contain an annex on a fund by fund basis. It had been agreed at the last Authority meeting, that the Investment Board would consider at its next meeting the matters to be settled out with and within the Pool, which would form the basis of the Authority's submission on the back of the Pool submission.

Councillor Wraith queried whether arrangements had been made to merge the two South Yorkshire Pools.

J Hattersley commented that the two South Yorkshire Funds had both selected the Boarder to Coast Pool. There would be associated establishment costs with pooling which was estimated at £1.5m to £2.5m, and had been progressed on the basis of one fund, one vote. The South Yorkshire Passenger Transport Pension Fund was the smallest of the 13 funds within the Pool, and the establishment costs could prove to be disproportionate to the Fund. The South Yorkshire Passenger Transport Pension Fund Committee (SYPTPFC) had initiated discussions to determine whether the Authority could represent the South Yorkshire Passenger Transport Pension Fund at Pool level or whether it would be prudent for the South Yorkshire Passenger Transport Pension Fund to be dissolved and the assets and liabilities transferred to the South Yorkshire Pension Fund. As part of the general devolution discussions for the Combined Authority, there could be an opportunity to incorporate into the legislation remarks in relation to their administering authority status with the LGPS. The Authority had lodged the possibility of those discussions taking place with the CLG, together with email communication, and the Monitoring Officer had spoken to the Law Officers at the CLG.

Councillor Wraith queried the costings involved.

J Hattersley commented that it was premature to discuss the cost of transition, although if agreed it would require legislation which would be equivalent to a bulk transfer in actuarial terms. There would be a cost involved in the legal transfer of assets, therefore the Authority had suggested that any transfer be delayed until the

Pensions Authority Ordinary Meeting: Thursday 9 June 2016

time of pooling, to enable only one set of transition costs. The Authority was exploring the possibility of administering two funds, and retaining two separate administrative strategies and investment strategies.

Councillor Sangar queried whether Members of the SYPTFC had held a quorate meeting to agree matters.

J Hattersley referred to discussions held with the Chair and Vice-Chair of the SYPTFC and at its last meeting which had been inquorate, where Members had agreed in principle that they were favourable to the suggestions. A meeting of the Combined Authority was scheduled for 20 June, to which a paper outlining the proposals would be presented. It was hoped to provide confirmation of the assets to be held outside of the Pool at the next Investment Board meeting, which would form the basis of the Fund's annex to the Pool submission.

RESOLVED – That Members noted the update.

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

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

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

Members had been issued with individual copies in January 2016, to be completed and returned at the end of the financial year; 10 forms from the 12 forms issued had been returned (as in 2015). In the main, the scores were either Very Good or Excellent and no areas of concern or development needs had been identified.

RESOLVED – That the Authority:-

- i) Noted the contents of the report.
- ii) Agreed to review the process when the new Regulations were finalised.
- iii) Agreed to any development needs arising from the results.

13 BOARD CHAIRS' REPORTS

Councillor Ellis referred to several meetings she had attended with the Leaders during the last quarter in relation to the pooled investment arrangements. She had also attended the first formal meeting of Boarder to Coast, to which the Authority's suggestions for small but significant improvements had been accepted. Boarder to Coast was progressing at a far greater pace than the other pools. The next Pool meeting would be held at the conclusion of the 13th Annual LGPS Trustees Conference 'In at the deep end' on 23-24 June 2016 in Manchester; the Authority had agreed that the Chair or the Vice-Chair (as substitute) would attend future Pool meetings. Northern Powerhouse had re-named and was now known as The Northern.

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Councillor Ellis referred to J Hattersley's imminent retirement. The Authority had been unsuccessful in making a permanent appointment; it was hoped to make an interim appointment following the interviews scheduled later today. Pensions Authority staff had been asked for feedback on the matter.

Councillor Wraith referred to the pooling arrangements, and he queried whether the Authority had negotiated the property with Standard Life.

J Hattersley commented that at present the preferred tax vehicle for the new Pool would be an Authorised Contractual Scheme (ACS), which did not lend itself to holding direct property assets or limited partnerships. The assets would therefore need to be held outside of the Pool. All pools were in discussions with CLG to establish whether Treasury would grant some leniency about the transfer costs if direct property assets were transferred into a pool or a collective vehicle ownership. Tentative approaches had been made with Standard Life, the Authority's present investment advisor, in relation to management coverage up until the pooling exercise. The internal Investment Team had considered a proposal from Standard Life, the original suggestion had been for the whole of the property function carried out within the Authority to be transferred to Standard Life. The Investment Team had agreed that this suggestion was prohibitive and that the back office functions should be retained within the Authority. It was noted that the appointment of J Hattersley's successor would affect whether the Authority had an advisory or a discretionary mandate.

Councillor Sangar queried the period of appointment for the interim Fund Director and when a full time appointment would be made, and he questioned the role of the Authority at the point when the pooling process would settle down.

Councillor Ellis commented that talks with the head hunters had been loose in relation to time and pay, to enable the Authority to talk with a degree of flexibility to people across the range. Councillor Ellis added that the Authority was very grateful to J Hattersley for his flexibility in relation to his imminent retirement.

F Foster commented that an interim appointment would be required to assist with the transition period. Further time was required to assess the requirements for the permanent post, at which point the recruitment process would commence.

Councillor Ellis commented that it was hoped to provide further information at the next Authority meeting; M McCarthy would provide the new Members with the latest pooling briefing.

Councillor Wraith queried whether there were any indications as to which staff would move to a new pooling headquarters, and whether the location had been determined.

J Hattersley commented that at present everything had been undertaken in terms of a broad principle to enable the production of a broad framework structure. One of the principle attractions of the Authority joining the Boarder to Coast Pool had been for the Authority to retain an element of internal management which would result in a reduction of costs. It was envisaged that the internal management team would transfer to the new pool-co, although it was too early to establish where this would be based. There were two other internal management teams within the Pool, and it would be appropriate for all three teams to amalgamate into new premises.

14 SCHEME OF DELEGATION TO OFFICERS

A report of the Clerk was presented to update the chapter relating to the Scheme of Delegation to Officers in the Constitution following the changes to the roles of senior officers of the Authority and to amend certain discretionary limits.

Members noted that the Scheme of Delegation to Officers had last been reviewed in 2014; an opportunity had been taken to update write-off limits and to clarify the internal lines of responsibility.

RESOLVED – That Members approved the revised Scheme of Delegation.

15 AMENDMENT TO CONTRACT STANDING ORDERS

A report of the Clerk was presented to seek approval to proposed amendments to the Authority's Contract Standing Orders.

Members had approved the revised Contract Standing Orders at the December 2015 Authority meeting, and had agreed that an additional amendment be made to change the reference to 'Part B services' to 'light touch services' which would take into account the new terminology used in the Public Contracts 2015 Regulations.

M McCarthy commented that a further review could be instigated by incorporating electronic tendering into the Contract Standing Orders.

RESOLVED – That Members approved the revised contract standing orders.

16 LGPS CURRENT ISSUES

The Authority was presented with a paper to provide an update on the LGPS current issues.

I Baker commented that the Unit currently managed three threads of work i.e. maintaining the routine member service, valuation work and the year end work which was critical to the valuation. As at 8 June, a total of 340 annual returns had been received and work had now commenced on the initial posting of contributions for those returns; approximately 10 employers had failed to submit a return, which was a huge improvement on previous years. The Authority was considering two common deadline dates for the valuation work and contribution work related to the year end, which was envisaged for the end of July. Members noted the provisional deadlines for the data file for the annual benefit statements to be with the printers by early August, and the aim for the data extract for the actuary by the end of July/beginning of August. The Authority was currently considering the first set of captured errors/queries from the data extract for the actuary; it was envisaged to script solutions to those issues.

Councillor Wraith queried whether a number of Equitable Life members remained in the Scheme.

I Baker commented that there was a number of Equitable Life Members in the Scheme. There had been a bulk transfer of membership in 2000/2001, together with a

Pensions Authority Ordinary Meeting: Thursday 9 June 2016

further piece of work which had given individuals the opportunity to transfer over at a later date; the majority of Scheme Members were within the 'with profit' fund.

I Baker commented that there were approximately 50 academies within Rotherham together with a number of schools that were targeted to become academies within the financial year.

RESOLVED – That Members noted the update.

17 WEBCASTING

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

Members noted that the Authority's and other South Yorkshire Joint Authorities' meetings had been webcast since 2006, and had entered into a joint contract with Barnsley MBC in 2015, which had resulted in a reduction of costs for all parties. Over the last 12 months, there had been a total of 3,956 live and archived viewings of the Authority's meetings, which was up from 2,093 over the previous 12 month period. There would be a requirement for the Authority to contribute a cost of £1,500 to the overall webcasting contract.

RESOLVED – That Members:-

- i) Agreed to continue webcasting meetings of the South Yorkshire Pensions Authority.
- ii) Noted that costs were being negotiated with the service provider and would be reported to the next meeting of the Authority.
- iii) Delegated responsibility to the Chair and Vice Chair for agreeing a 3 year webcasting contract renewal.
- iv) Noted the price economies under consideration which arose from entering into a joint webcasting contract with Barnsley MBC and multi-year agreement.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

EXTRAORDINARY MEETING

30 JUNE 2016

PRESENT: Councillor S Ellis (Chair)
Councillors: J McHale, A Sangar, Z Sykes, R Wraith and
K Wyatt

Trade Unions: G Warwick (GMB) and F Tyas (UCATT)

Officers: J Hattersley (Fund Director SYPA), S Smith (Head of
Investments SYPA), A Frosdick (Monitoring Officer),
M McCarthy (Deputy Clerk), F Bourne (Administration Officer
SYPA) and A Shirt (Senior Democratic Services Officer)

Apologies for absence were received from Councillor E Butler,
Councillor M Maroof, Councillor H Mirfin-Boukouris, Councillor
M Stowe, Councillor P Wood, Councillor J Wood, F Foster,
J Bell and M McCoole

1 APOLOGIES

Apologies for absence were noted as above.

2 URGENT ITEMS

None.

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

RESOLVED – That agenda item 6 ‘Government Consultation on LGPS Pooling
Submission’ be considered in the absence of the public and press.

4 DECLARATIONS OF INTEREST.

None.

5 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be
excluded from the meeting for the following item of business on the grounds that it involves
the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule
12A of the Act and the public interest not to disclose information outweighs the public interest
in disclosing it.

6 GOVERNMENT CONSULTATION ON LGPS POOLING SUBMISSION

A report of the Fund Director was submitted seeking Members’ views on the proposed
submission to the Department for Communities and Local Government (DCLG) in July
2016. A single submission from each Pool would need to be submitted to DCLG with

an annex from each participating Fund on assets which they intended to be held outside the Pool.

Members gave their consideration to the background material circulated and agreed that the Fund's Agricultural Portfolio be held outside of the Pool on a permanent basis; due to its unique nature and because the portfolio offered distinct liability matching benefits.

Members also agreed that the Authority reserves the right to invest in small local private equity/infrastructure projects.

RESOLVED – That Members:-

- i) Considered the draft outline submission and agreed the key aspects of the Border to Coast Pensions Partnership;
- ii) Agreed that the Fund's Agricultural Portfolio be held outside the Pool on a permanent basis;
- iii) Agreed that the Authority reserves the right to invest in small local private equity/infrastructure projects; and
- iv) Agreed that the Chair and Vice-Chair of the Authority be delegated responsibility for signing-off the Authority's submission to DCLG.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

2 JUNE 2016

PRESENT: Councillor R Wraith (Chair)
S Ellis (Vice-Chair)
Councillors: H Mirfin-Boukouris, J Wood and K Wyatt

Officers: J Hattersley (Fund Director SYPA), G Chapman (Head of Pensions Administration SYPA), J Bell (Director of Human Resources, Performance and Communications, BMBC), F Foster (Treasurer), A Frosdick (Monitoring Officer), R Winter (Head of Internal Audit), M McCarthy (Deputy Clerk) and G Richards (Democratic Services Officer)

N Doolan-Hamer (Unison) and G Warwick (GMB)

E Wharton (KPMG)

Councillor A Sangar (Observer)

Apologies for absence were received from Councillor E Butler and F Tyas

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

There were no urgent items but the Chair had agreed to take an additional paper 'External Audit Progress Report and Technical Update' at agenda item 16.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 25 MARCH 2016

RESOLVED - That the minutes of the meeting of the Board held on 24 March 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to February 2017.

RESOLVED - That the report be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues during the period 1st January 2016 to 31st March 2016.

The Board noted that, as expected, casework performance had levelled out during the period and was currently 86%. The reasons for this were:

- Recent RTI (Real Time Information) issues with payroll combined with an earlier March closedown to accommodate the year-end process had meant staff had spent longer out of the system than was anticipated.
- Resource had to be directed onto clearing the year-end processes outstanding from 2014/15 in order to avoid delaying the start to the 2015/16 year-end exercises.
- Staff shortages due to maternity leave, retirements etc.
- Some processes still need work to make them function more efficiently.

In response to a question from a Member, G Chapman reported that recruitment was under way, the payroll vacancies had been filled and it was hoped to appoint to the other posts in the very near future.

Members were informed that the stress on staff was unrelenting and would be for the foreseeable future due to the pressures of preparing the Annual Benefits statements for members and valuation data for the actuary by the deadline of 31 August 2016.

Some staff were working overtime again (due to workload issues) and day-to-day work had been reorganised to only deal with priority cases such as deaths and retirements; this would inevitably lead to a backlog of non-urgent casework.

With regard to the employers' annual returns, the introduction of the Administration Strategy appeared to have had a positive effect. By the deadline of 31 May 2016 there were 41 outstanding annual returns compared to 152 at the same time last year.

Members noted that during the period 8 new employers had been admitted to the Fund. G Chapman informed the Board that from Rotherham alone it was expected that 23 academies would be admitted during 2016/17; there would also be

applications from academies in the other districts and it was thought there would be a number of multi-academy trusts seeking membership.

This would inevitably lead to further pressure on staff and a significant increase in workload. G Chapman would undertake a review of staffing levels and, if necessary, bring a proposal to the Board towards the end of the year.

RESOLVED - That the report be noted.

9 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was submitted to update Members on employers' performance and on any known levels of outstanding workload during the quarter 1 January 2016 to 31 March 2016.

The Board noted that total performance was down 1% from last quarter to 65%. An unusually low return on new starters and the usual low figures for contract changes were the main reasons for the overall performance result; Members were reminded that following the decision taken at the last meeting this was the last time contract changes would feature in this report.

Members noted that retirements continued to be consistently the best performing area which, along with deaths, was the category that resulted in actual payments to scheme members and therefore of most significance.

Members were informed that the results for the 'other' employers was disappointing as performance fell by 15% from the last quarter. This was a worrying trend given the fall of 13% from the previous quarter; urgent investigations as to the cause(s) was underway.

With regard to the districts, the Board note:

Barnsley

Live interface files for new starters using the new UPM format were regularly being received. The changes interface file was also being trialled and appeared to be working well so far.

Doncaster/Rotherham

Automated process from RMBC continued to be effective although the current interfaces had not yet been moved over to the UPM format; discussions were continuing about how best to achieve this.

Sheffield

Interfaces from Capita still required intervention and had not yet been moved over to the new UPM format. These issues were currently being investigated by Capita.

With regard to the figures for new starters, a Member questioned why Barnsley was only returning 25% compared to Rotherham at 81%.

G Chapman replied that the cause was unclear at present but the new system was not responsible for the problem.

F Foster informed the Board that BMBC were aware of the problem and were currently urgently investigating what had gone wrong.

In response to a question from a Member, the Head of Pensions Administration confirmed that the 'other' employers performance figures could be broken down into categories e.g. contractors, academies etc.

RESOLVED - That the report be noted.

10 DRAFT AUDIT COMMITTEE FUNCTION ANNUAL REPORT 2015/16

The draft Audit Committee Function Annual Report 2015/16 was submitted for approval and agreement to submit the report to the Authority's meeting in October.

The report covered the Board's work during the financial year 2015/16 in relation to its Audit Committee function and covered the Board's roles and responsibilities, membership and attendance and achievements.

RESOLVED:

- i) To approve the Audit Committee Annual Report 2015/16.
- ii) Agree to submit the report to the Authority's October meeting.

11 ANNUAL GOVERNANCE STATEMENT 2015/16

A report of the Clerk was submitted to enable the Board to consider the Authority's Annual Governance Statement for 2015/16.

The Annual Governance Statement was published with the annual Statement of Accounts and related to the governance framework as it applied during the year 1 April 2015 to 31 March 2016.

The draft Annual Governance Statement, attached at Appendix A to the report, outlined the following:

- i) The purpose of the governance framework.
- ii) The Governance Framework.
- iii) The process of reviewing the effectiveness of the Governance and Internal Control framework annually; and
- iv) Identifying development and improvement issues, arising from the annual evaluation, to be addressed during 2016/17.

The Board noted that an Action Plan had been prepared that would form the basis for Corporate Planning and Governance monitoring at regular intervals throughout the year.

RESOLVED - That the Board approves the Annual Governance Statement for 2015/16.

12 INTERNAL AUDIT ANNUAL REPORT

The Head of Internal Audit submitted a report which set out the Internal Audit Annual Report 2015/16.

The Annual Report included:

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

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

This was due to:

- All of the 13 completed pieces of work received a positive assurance with seven being substantial and six being adequate;
- No Fundamental recommendations were made;
- All of the recommendations made were either Significant or Merits Attention.

Members noted that whilst there had been no major issues warranting fundamental recommendation or limited assurance opinions given, there had been a number of issues and concerns during the year around the full and efficient implementation of the UPM system. The situation would be monitored and supported during the current audit year; a post-implementation review was currently being undertaken.

RESOLVED - That the report be noted.

13 INTERNAL AUDIT EFFECTIVENESS REPORT

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

The Board were reminded that the Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to develop and maintain a quality and assurance improvement programme (QAIP) that covered all aspects of internal audit activity; the QAIP formed the basis of the annual review of the effectiveness of the internal audit function. The QAIP had been monitored during 2015/16 and a further full self-assessment would be undertaken at the year end.

It was noted that the QAIP must include both internal and external assessments. There were two elements to the internal assessment process. Firstly, the ongoing monitoring arrangements of the performance of internal audit activity and secondly, the requirement to undertake periodic assessments to evaluate conformance with

PSIAS by an independent person. Members were informed that the precise arrangements regarding periodic assessments were currently being discussed.

The Board noted that external assessments by a qualified, independent assessor or assessment team from outside the organisation are required to be conducted at least once every five years.

The external assessment was undertaken in late 2015 with a final report being presented to BMBC Audit Committee in March 2016. The assessment found that the Internal Audit function achieved the highest classification with regards to conformance with the Standards.

RESOLVED: - That the Board:

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

14 BUDGET MONITORING

A report of the Treasurer was submitted which informed the Board of current expenditure levels within the Authority against the approved budget.

The Board noted that the 2015/16 annual accounts were being finalised and the Final Outturn reports would be produced once final accounting was complete.

Members were informed that the administration actuarial fees was overspent against the budget at 31 March 2016. It was expected that there would be increased work commissioned in respect of contribution requirements from newly formed academies; these initial set up fees related to new academies would be recovered as part of the deficit lump sum paid by the employer.

RESOLVED - That the report be noted.

15 TREASURY MANAGEMENT: UPDATE

A report of the Treasurer was submitted to update Members on the treasury management operations of the Authority.

It was reported that there had been no change in the Bank of England's stance on interest rates. There were some concerns that the economy was slowing and the possibility of a 'Brexit' was affecting short-term market sentiment.

Members were reminded that under the strategy the Authority's maximum lending size to a single borrower was £15m; however there was a proviso that, subject to the approval of the Chair and Vice-Chair, a deposit could be increased to a maximum of £20m. The Fund had the use of a facility with the Debt Management Office for this purpose; the Fund Director reported that during the period this facility was used once.

With regard to Icelandic banks, Members were reminded that the Authority's deposits with two Icelandic banks and two UK subsidiaries were written off with the 2008/09 accounts.

The Glitnir and Landsbanki deposits and claims had been recovered; there was a small amount of ISK remaining (approximately £26,000) pending relaxation of exchange controls.

The latest update regarding the Heritable administration suggested that a final recovery would be made in 2016 and would result in roughly 98/98/£ payment; the last KSF dividend was received in March and brought the recovery to 83.5p. Members were informed that the administrator's report was not encouraging as to the extent of recovery or the timescales involved. Consequently the sale of the Authority's claim was concluded in April for 85p, realising c£62,000.

A Member queried whether the possibility of 'Brexit' posed any risk to the Fund at the moment.

The Fund Director replied that, with regard to the Fund valuation, currency was a concern and the possibility of sterling cheapening in the event the UK left the EU.

With regard to trade, opinions varied but the markets did not appear to be overly concerned. There was the possibility that the domestic economy could be affected if GDP slowed but there had been forecast of a slowdown in any event.

RESOLVED - That the report be noted.

16 KPMG EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Board welcomed Lizzie Wharton to the meeting who had recently taken over from Linda Wild as Audit Manager, KPMG.

Members considered the External Audit Progress Report and Technical Update noting that the interim work had been substantially completed. The finals work commenced on 1 June 2016; the on-site team would arrive on 13 June 2016.

It was reported that the initial risk assessment in relation to KPMG's work on Value for Money had been completed and had identified one significant risk around the new pensions administration system. Discussions with officers indicated that, as at 31 March 2016, significant progress had been made in addressing the problems although some outstanding issues remained. KPMG would review the reports presented to the Authority and Corporate Planning and Governance Board to confirm arrangements are in place to support informed decision making around the issue.

RESOLVED - That the report be noted.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

20 JULY 2016

PRESENT: Councillor S Ellis (Chair)
Councillors: Z Sykes and K Wyatt

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration SYPA), B Clarkson (Head of Finance), I Blackburn (Principal Auditor), A Hunt (Risk and Governance Manager), P Rogers (Principal Auditor), M McCarthy (Deputy Clerk) and A Shirt (Senior Democratic Services Officer)

F Tyas (UCATT) and G Warwick (GMB)

R Khangura and E Wharton (KPMG)

Apologies for absence were received from Councillor M Stowe, Councillor E Butler, Councillor H Mirfin-Boukouris, Councillor J Wood, J Bell, F Foster, A Frosdick, S Bradley and R Winter

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Ellis informed the Committee that she would be bringing forward discussion of the following agenda items on today's agenda:-

Item 14 – External Audit Annual Governance Report (ISA 260)

Item 15 – Statement of Accounts 2015/16

Item 17 – Letters of Representation

Item 19 – FCA Clients Assets

The Board welcomed Stephen Barrett to the meeting who had recently taken up the appointment of Interim Fund Director, following John Hattersley's retirement from the Authority.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT (ISA 260)

R Khangura presented KPMG'S annual report to those charged with Governance (ISA 260) 2015/16. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2016 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money (VfM) in its use of resources.

It was anticipated that an unqualified opinion would be issued on the financial statements by 29 July 2016.

R Khangura reported that the quality of accounts and supporting working papers provided to audit were good, with some scope for improvement; opportunities for improvement had been discussed with officers. Officers had also dealt efficiently with audit queries and the audit process had been completed within the planned timescales.

KPMG had identified some weaknesses from the key financial systems audit in relation to the identification and resolution of mapping errors arising from data transfer and in accessing controls over changes to pay elements in UPM. KPMG's substantive testing had provided sufficient assurance that the financial statements did not contain material misstatements as a result of these weaknesses. It was noted that there may be some inaccuracies as a result of the data migration process, however, these were not material to the financial statements.

KPMG had identified one VfM risk (Pension's Administration System) in its External Audit Progress Report issued in June 2016. KPMG had worked with officers throughout the year to discuss this VfM risk, concluding that there were no matters of any significance arising as a result of its audit work in these VfM risk areas.

The VfM conclusion had indicated that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. KPMG anticipated issuing an unqualified VfM conclusion by 29 July 2016.

R Khangura thanked officers and Members for their continuing support and cooperation throughout the audit work.

RESOLVED – That the Board notes KPMG anticipate:-

- i) Issuing an unqualified audit opinion on the Authority's 2015/16 financial statements by 29 July 2016;
- ii) Issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 29 July 2016;

iii) Issuing an unqualified opinion on the VfM conclusion by 29 July 2016.

7 STATEMENT OF ACCOUNTS 2015/16

A report of the Treasurer was submitted seeking the Board's approval of the audited Statement of Accounts for 2015/16.

RESOLVED – That the audited Statement of Accounts for 2015/16 be approved and that the Chair of the Board be authorised to sign them.

8 LETTERS OF REPRESENTATION

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

- i) The information in the final accounts for 2015/16 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) The Authority's operations in relation to the Financial Conduct Authority (FCA) and the fact that the Authority does not hold client money or custody assets.

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

RESOLVED –

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

9 FCA CLIENTS ASSETS

R Khangura informed the Board that Members would normally be presented at this time of year, with the final clients' assets report prepared by the external auditor (KPMG) as required under Rule SUP 3.11.2 of the Financial Conduct Authority (FCA).

It was reported that there had been a slight delay in issuing a report this year, due to the Monitoring Officer needing to contact the FCA to ascertain a specific point of clarification.

In the event that a reply not being received by 29 July 2016, for the Authority to meet the FCA's deadline, then KPMG would issue a holding letter to the FCA explaining the current delay.

Members asked that they be kept informed of progress.

L Wharton stated that an update would be included in KPMG's progress update report, which would be presented at the next Board meeting in October.

RESOLVED – That the update be noted.

10 MINUTES OF MEETING HELD ON 2 JUNE 2016

RESOLVED – That the minutes of the meeting of the Board held on 2 June 2016 be agreed and signed by the Chair as a correct record.

11 WORK PROGRAMME

The Board considered its Work Programme to February 2017.

RESOLVED – That the report be noted.

12 ANNUAL REVIEW OF ILL HEALTH RETIREMENTS

A report of the Head of Pensions Administration was submitted informing the Board on the number and cost of ill-health retirements during the period 1 April 2015 to 31 March 2016.

Members noted that there had been 152 referrals in 2015/16 to the Fund's Medical Advisors, compared to 138 in the previous year. 47% of referrals had met the assessment criteria, which was down from 61% in the previous year. 91% of supported ill health retirements were awarded the highest tier of benefits (Tier 1). 41% of Tier 1 awards were in respect of members who were terminally ill.

Across the employers for the period 1 April 2015 to 31 March 2016 there had been a total of 41 ill health retirements at a cost of £4,261,973.00, compared to the period 1 April 2014 to 31 March 2015 of 45 ill health retirements totalling £6,045,541.00.

Members were informed that the cost of ill health retirement was managed through an internal insurance premium for the small and most vulnerable employers. Large employers and transferee admission bodies had an actuarial allowance to pre-fund and pick up the cost of ill health retirements during the valuation period. Direct charges in the form of a cash injection would apply if they used up their actuarial allowance

In 2015/16 there were two ill health retirements where the employer had used up all of its actuarial allowance and required a cash injection into the fund.

RESOLVED – That the report be noted.

13 ANNUAL REVIEW OF APPEALS AND COMPLAINTS 2015/16

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

Members noted that during 2015/16 over 67,993 items of casework had been processed by the Authority, ranging from complex benefit calculations to simple data amendments. From this casework the Authority received the following appeals and complaints:-

Appeal Type	2015/16	2014/15	2013/14
Stage 1 Appeal	1	2	2
Stage 2 Appeal	1	2	0
Complaints	31	13	8
Pensions Ombudsman	1	1	0

In addition to appeals against decisions made by the Authority, the Fund Director had also been required to issue stage 2 determinations regarding decisions made by other employers within the fund on 6 occasions.

Councillor Ellis commented that it was pleasing to note that SYPA staff had dealt with a significant number of informal complaints and resolved the issues first time, without them escalating to the formal appeals process.

RESOLVED –

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

14 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues during the period 1 April 2016 to 30 June 2016.

The Board noted that the number of cases and overall performance had dipped during the period and was currently 78%. This had been caused by the overriding necessity to concentrate resource on year-end work for the reasons identified within the report presented.

G Chapman commented that, whilst resource had been diverted to the year-end, the build-up of casework would require a concentrated and perhaps additional effort to complete and get back on track. It was anticipated that 'normal' service was expected to resume by the end of the year.

Some staff were working overtime again to try and ensure the completion of the year-end work on schedule and to assist with casework that was critical to the valuation data. It was likely that overtime would need to continue after the major ongoing projects had been completed in order to clear backlogs.

During the period, 10 new employers had been admitted to the Fund with no employers exiting the Fund.

Members were pleased to note that staff sickness absence had been very low in the reporting period, especially given the pressures that staff had been, and were still under.

Councillor Sykes asked what steps the Authority was taking to improve staff morale, given the unrelenting pressures of preparing the Annual Benefits statements for members and valuation data for the actuary by the deadline of 31 August 2016.

G Chapman informed Members that the Authority had been considering a number of initiatives to boost staff morale; a staff discount scheme had been put into operation, management had also promised to undertake a review of the Pensions Administration structure and staffing levels and, if necessary, bring a proposal to the Board towards the end of the year.

The Board requested that SYPA staff be congratulated for all their efforts during the reporting period.

RESOLVED –

- i) That the report be noted.
- ii) That SYPA staff be congratulated for all their efforts during the reporting period.

15 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report of the Head of Pensions Administration was submitted to update Members on employers' performance and on any known levels of outstanding workload during the quarter 1 April 2016 to 30 June 2016.

The Board noted that the results from the quarter showed an improvement in overall performance of 4% from the last quarter for the district councils' and an increase of 8% from all other employers'.

It was highlighted that this was the first set of results following the decision not to report on contract changes; this would have had a positive impact on the overall result.

Members noted that retirements continued to be consistently the best performing area which, along with deaths was the category that resulted in actual payments to scheme members and therefore, of most significance.

There had been significant improvement from the poor performance recorded last quarter on the results for 'other' employers. There was still further improvement required. The cause in the reduction in performance was not yet clear; the Authority had ruled out issues relating to its insistence on electronic communications; investigations continued.

With regard to the employers' annual returns, the introduction of the Pensions Administration Strategy showed to have had a significant impact. By the deadline of 31 May 2016, 91% of employers' had submitted their return on time.

In relation to District Council engagement, the Board noted:

Barnsley MBC

Live interface files for new starters using the UPM format were regularly being received. The charges interface file was also being trialled and appeared to be working well so far.

BMBC had queried the number of new starters reported last quarter, as it appeared to be low compared to what they thought had been submitted. The query had identified a change to the reporting methodology, which had not been communicated internally to SYPA and had led to a significant number of new starters being omitted from the report. Instead of 111 cases being received, of which 25% were on time, 225 were received. Of which, 63% were on time; which was a significant improvement.

Doncaster/Rotherham MBC

Automated processes from RMBC payroll continued to be effective, although not in the new UPM format. A meeting was scheduled towards the end of August with a view to agreeing a timetable for implementation.

Sheffield CC

Interfaces from Capita still required intervention, noting that there had been some improvement in recent times. Capita had not yet been moved over to the UPM format. The Authority did not have any indication from Capita as to when the transfer would take place.

Councillor Sykes agreed to follow-up this issue with Capita on behalf of the Authority.

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

16 LGPS (AMENDMENT) REGULATIONS 2016 (DRAFT)

A report of the Head of Pensions Administration was presented to alert Members to a Department for Communities and Local Government consultation on draft changes to the Local Government Pension Scheme Regulations.

Members noted that the draft Local Government Pension Scheme (Amendment) Regulations 2016 contained a combination of scheme changes and technical corrections. It was noted that most of the changes would have a retrospective application from 1 April 2014, although, this would not be known until the regulations were published. The consultation on the regulations closes on 20 August 2016.

A summary of the main changes were outlined in the report presented to Members'.

RESOLVED –

- i) That Members noted the proposed changes; and
- ii) Authorised the Head of Pensions Administration to formally respond to the consultation where appropriate.

17 RISK MANAGEMENT

A report of the Clerk to the Authority was presented updating Members on the developing Risk Management arrangements for the Authority.

Members noted that the Risk and Governance Manager (BMBC) had met and agreed a scope to develop risk management arrangements for the Authority in liaison with the Clerk, the Fund Director and Head of Pensions Administration.

A Risk Management workshop had been delivered to the Pensions Management Team in February 2016. Following this workshop, a draft Risk Register was developed, and circulated to workshop attendees in March 2016.

A copy of the draft Risk Register was presented for Members' comments, noting that further actions included:

- Development of a draft Risk Management Strategy;
- Development of Risk Management training opportunities for Members, and officers; and,
- Consideration of appropriate review periods for the Risk Register.

RESOLVED – That Members:-

- i) Noted the developing Risk Management arrangements for the Authority.
- ii) Agreed to receive periodic updates regarding Risk Management arrangements for the Authority 2016/17.
- iii) Agreed that the Risk Management Strategy be presented at the October Board meeting.

18 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to report on the work of the Internal Audit Team from 1 April 2016 to 30 June 2016.

Members were informed that a total of 34 days of planned work had been delivered to date in accordance with the agreed schedule of work. This was expected at this time of year, as the majority of work was planned for quarter 3 and 4.

As previously reported, the issues with regard to the new UPM system remained with management who were still actively working with/monitoring Civica to resolve. A post implementation review was currently being undertaken, the outcome of which would be reported to the Board in due course.

There was no significant control, compliance issues or longstanding recommendations to bring to the Board's attention.

Members were informed that there had been one amendment to the Annual Plan to date; this was a new review, to provide assurance that the financial accounts relating to the Local Pension Board were accurate and robust.

RESOLVED – That the report be noted.

19 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2015-2016

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Report 2015/16 for Members' consideration.

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

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

20 BUDGET MONITORING (APRIL-JUNE)

A report of the Treasurer was submitted to advise Members of current expenditure levels within the Authority against approved budget up to 30 June 2016.

A summary of the major budget variances were set out in the report for Members' information.

RESOLVED – That the report be received.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

30 JUNE 2016

PRESENT: Councillor S Ellis (Chair)
Councillors: J McHale, A Sangar and R Wraith

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

M McCarthy (Deputy Clerk) and M McCoolle (Senior
Democratic Services Officer) (BMBC)

Trade Union Members: G Warwick (GMB) and F Tyas (UCATT)

Investment Advisors: T Gardener, N MacKinnon and L Robb

Observer: Councillor Z Sykes (Sheffield CC)

Apologies for absence were received from:
Councillor M Stowe, Councillor M Maroof, Councillor P Wood,
R Askwith and F Foster

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

RESOLVED – That the following agenda items be considered in the absence of the public and press:-

Item 10 'Government Consultation on LGPS Pooling – Background Information'.

Item 11 'Government Consultation on LGPS Pooling Submission'.

5 DECLARATIONS OF INTEREST

F Tyas declared an interest as he had become the newly appointed Chair of Armthorpe Parish Council.

6 MINUTES OF THE MEETING OF THE BOARD HELD ON 10 MARCH 2016

RESOLVED – That the minutes of the meeting of the Investment Board held on 10 March 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board was presented with the Work Programme to 9 March 2017.

Councillor Ellis urged the new Members to contact M McCarthy if there were any additional items for inclusion onto the Work Programme.

Councillor Sangar referred to the training and development listed on the Work Programme. He suggested that further consideration should be given to evaluation and training, and to make the most of external presentations.

T Gardener referred to the valuation and the proposed Asset and Liability Study. He suggested that in terms of training, that Members should be kept ahead of the technical events.

The Fund Director said he had already broached potential training with the actuary with a view to organising an event during September/October 2016.

RESOLVED – That Members noted the Work Programme.

8 UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

The Fund Director commented that a discussion would be held at the conclusion of today's meeting in relation to the Brexit EU Referendum.

9 WORKING TOWARDS THE 2016 ACTUARIAL VALUATION

The Fund Director commented that progress had been made towards the 2016 Actuarial Valuation, and that the returns from employers were ahead of schedule. Members noted that there would be Brexit implications.

Councillor Wraith queried the number of meetings held with the District Treasurers in relation to the Actuarial Valuation.

The Fund Director commented that the District Treasurers had met with the Actuary prior to the last Authority meeting, where they had been provided with a broad outline of assumptions and procedures that the Actuary was considering using; the District Treasurers had been content with the information provided. It was envisaged that an additional meeting would be held in September/October 2016, when the preliminary data was available and the implication of the contribution rates were known.

T Gardener referred to the Fund's previous interactions with the Actuary in relation to past valuations. He queried at what stage the Actuary would attempt to include layers of conservatism into the assumptions.

The Fund Director commented that the Fund had taken cognisance of market movements at the 2013 Actuarial Valuation, and that an allowance had been made for the changes in bond yields between the March and autumn dates. The new approach was more evolutionary and any smoothing would be taken account of. He had spoken to the Actuary yesterday, who had indicated that he was in the same mind frame, and that although he could not change the statutory valuation date he would not be bound by it.

Councillor Ellis queried whether the District Treasurers would seek independent advice or valuations as previously undertaken.

The Fund Director commented that if the circumstances changed and the proposals caused concern, that the District Treasurers may seek independent advice; there was no indication of this at present.

RESOLVED – That Members noted the update.

10 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

11 GOVERNMENT CONSULTATION ON LGPS POOLING - BACKGROUND INFORMATION

A report of the Fund Director was submitted to update Members on the progression to a final detailed submission from Borders to Coast Pension Partnership (BCPP).

Members noted that all three of the Investment Advisors were content with the submission at this stage. T Gardener requested a copy of the CPM report.

RESOLVED – That Members:-

- i) Noted the background material.
- ii) Agreed the key combined aspects of the BCPP to be submitted in the single pool submission to DCLG in July 2016.
- iii) Agreed that a report be submitted to the next Pensions Authority meeting to indicate the Board's broad approval to the submission, and to seek the Authority's agreement to the submission.

12 GOVERNMENT CONSULTATION ON LGPS POOLING SUBMISSION

A report of the Fund Director was presented to seek Members' views on the proposed submission to DCLG in July 2016.

RESOLVED – That Members:-

- i) Considered the draft outline submission.
- ii) Agreed that a report be submitted to the next Pensions Authority meeting to indicate the Board's broad approval to the submission, and to seek the Authority's agreement to the submission.

AT THIS POINT THE MEETING RE-OPENED TO THE PUBLIC AND PRESS

13 EQUALITY AND HUMAN RIGHTS COMMISSION REPORT INTO RECRUITMENT AND APPOINTMENT OF DIRECTORS IN FTSE350 COMPANIES

A report of the Fund Director was presented to inform Members that the Equality and Human Rights Commission had published their report into the recruitment and appointment of directors to FTSE350 companies.

The Equality and Human Rights Commission had stated that more than 60% of the individual companies had failed to meet the target set by Lord Davies. In relation to the executive roles, there was almost 75% of FTSE100 companies, and 90% of FTSE250 companies that had no female executive directors.

RESOLVED – That Members noted the report.

14 FRC: REVISED CORPORATE GOVERNANCE CODE

A report of the Fund Director was presented to inform Members that the Financial Reporting Council (FRC) had published an amended UK Governance Code which came into force this month.

Members noted that the Code had last been reviewed in 2014. The revised Code applied to the accounting periods commencing on or after 17 June 2016, and applied to all companies with a Premium listing of shares regardless of whether they were incorporated in the UK or elsewhere.

RESOLVED – That Members noted the report.

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

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

Members noted that the Shareholder Engagement Statement was periodically reviewed by the Authority to ensure that it reflected the current best practice. Minor amendments had been made to the statement, in line with the changes to the voting guidelines, in relation to directors' availability and share buy-backs.

RESOLVED – That Members approved the proposed Statement on Shareholder Engagement.

16 RESPONSIBLE INVESTING AND THE COMMERCIAL PROPERTY PORTFOLIO

A report of the Fund Director was presented to seek Members' approval to publish a revised policy statement regarding the application of responsible investing to the management of the commercial property investment portfolio.

At the Investment Board meeting held in December 2008, the Board had agreed that a Responsible Investment (RI) policy would be produced for use in conjunction with its property portfolio.

The Fund Director informed Members that following the 2015 Paris Conference on Climate Change the policy had been revisited. However, no material changes had been made.

RESOLVED – That Members agreed the revised Commercial Property Responsible Investment policy.

17 PROPERTY PORTFOLIO: MANAGEMENT ISSUES UPDATE

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

The Fund Director commented that there were a number of situations where costs could not be recovered from tenants but the bulk of the expenditure related to vacant units rather than occupied ones. It was envisaged that the cost would be substantially less this year but it was expected to rise later in the financial year following the planned acquisition of some partially developed units.

Members noted that the tender for property insurance was dealt with by Barnsley Metropolitan Borough Council (BMBC), through a framework agreement. In previous tenders the agricultural business had been awarded to a mutual insurer, but had not been a party to the framework agreement, and the insurance premium on the agricultural portfolio had risen by 20%. The Fund Director suggested that it would be prudent, next time the process was carried out, to ensure that the agricultural business was outside of the framework agreement. The Fund was responsible for the security of vacant premises, and as part of multi-tenanted estates, the Fund would install surveillance kits where appropriate; increasingly CCTV monitoring and alarm systems were used. The Fund had a good insurance record in terms of theft, although one of the retail units had recently been broken into for the second time in 12 months.

The Fund Director referred to Brantano and Austin Reed, the two tenants who had entered into administration during the period. The Brantano unit had been quickly re-let and the Austin Reed unit was subject to an assignment. As the Fund was increasing its development exposure within the portfolio, the void rate would increase.

Councillor Sangar queried the status of the wind turbine development proposal and whether any landlord had been fined for a breach of the energy efficiency regulations.

There was only one live wind turbine proposal within the Fund's portfolio and the developer continued to talk to the local authority concerned; the development of new large-scale projects had significantly slowed due to the digression of subsidy regimes and the recent policy changes.

The Fund Director commented that work was required to comply with energy certificates when disposing of a property; if a unit was not efficient then a lower price would be achieved. With regard to wind and solar power a significant problem within the UK was obtaining a grid connection. The Fund would continue to monitor the position.

Councillor Wraith referred to the empty property rates and in particular the Warrington property at a cost of £97,000 per year.

The Fund Director reported that following a number of inspections at the Warrington property, there continued to be three interested parties, although one party was subject to funding. Work was underway to attempt to reduce the Fund's rate liability as much as possible. Specialist advisors were employed each time a unit became vacant, to establish what could be done to avoid paying rates. Members noted the proposals to privatise the Land Registry, a new framework for compulsory purchase and legislation to change the law on easements.

RESOLVED – That Members noted the report.

18 ASSET AND LIABILITY STUDY 2016

A report of the Fund Director was submitted to suggest to Members and Advisors that consideration should be given to commissioning an Asset and Liability Study post the 2016 actuarial valuation.

The Fund Director commented that circumstances had clearly changed over the last 3 years in terms of the general economic background. In previous years a health check had been undertaken, rather than a full Asset and Liability Study because the changes made to the Fund's customised benchmark had been evolutionary and not revolutionary. The Fund Director suggested that there had been two significant changes since consideration had been given to the last Asset and Liability Study i.e. firstly, the ongoing low interest rate environment and its effect on bond yields and whether it was sustainable; secondly, what products could be invested in the future going via the pool and how it would limit the potential decision making at Authority level.

Councillor Ellis queried the length of time for procurement.

The Fund Director commented that depending upon the work the Authority wished to undertake, he expected that indicative quotes could be obtained from leading firms within 1 month. If a health check was the agreed option it might be prudent to approach the previous consultant again.

Councillor Ellis queried whether the Authority should give consideration today to determine whether a full study or health check should be carried out.

The Fund Director suggested that consideration should be given at the Investment Board meeting in September, when the preliminary results of the actuarial valuation would have been received.

T Gardener commented that in order to reach a decision, it would be helpful to obtain the indicative prices of the health check and the full study.

The Fund Director commented that previously, the health check had cost approximately £15,000 and the full study had been closer to £30,000.

RESOLVED – That Members:-

- i) Considered the matters raised within the report.
- ii) Agreed that consideration be given at the Investment Board meeting in September 2016, to determine whether a full study or health check should be undertaken.

19 ILLIQUID PREMIUM ALLOCATION

A report of the Fund Director was submitted to seek Members' guidance regarding the ongoing implementation of the portfolio.

The Fund Director commented that one of the Fund's greatest areas of expense was investing in alternative assets but, at the same time, this would provide the key asset class from which it could accrue savings within the pool. The Government had made it clear that if decisions needed to be unwound, that they would be done so at the Fund's cost. The Fund continued to invest in assets which were far more expensive than the other areas invested in; the Fund believed that they remained an attractive asset class. The Fund wanted to continue to add to that asset class.

L Robb queried how far away the Fund was from where it wanted to be initially.

The Fund Director commented that prior to the events of the last fortnight, officers were considering a gradual increase in exposure. The Fund was not currently arguing for an increase in the tactical range but it was looking to invest more.

T Gardener commented that he was very happy for the Fund to carry on with matters. He added that whilst the Government had specified that if a Fund had to unwind that it would be done so at the Fund's own cost. Government had also stated that it would not make a fund a forced seller, which would enable the unwinding to be made at the discretion of the Fund; the extra return was worth the potential cost.

S Smith commented that the Fund would not incur any additional costs, as assets would not be unwound, as the Fund would let them run off. Net of fees the performance had been good; the Fund's alternative benchmark was 2%, to which the Fund was already slightly above, but the Fund was happy to continue due to the tactical range of up to 7%.

RESOLVED – That the Board:-

- i) Considered the issues raised within the report.
- ii) Agreed to continue to invest in the asset class.

20 OVERSEAS EQUITY BENCHMARK

A report of the Fund Director was submitted to determine an overseas equity benchmark.

Members noted that background information had been provided at the last Investment Board meeting on the construction of the current benchmark, together with a paper prepared by the Advisors in relation to reviewing the benchmark and how it was constructed. A decision had not been reached at that meeting, but that further discussion would be held between the officers and Advisors to attempt to reach a solution, and for a recommendation to be brought to today's meeting.

S Smith commented that Members had agreed with the main thrust of the report to look at GDP ratings. The Advisors' paper had included a second step, and the views on the regions had been used to create a further benchmark. The Fund considered that if it took a view on this and then took an allocation as to whether the Fund should be underweight or overweight, the Fund could double up on some of those decisions. The Fund considered that if decisions were taken against that benchmark then it could be measured as to whether the decisions were right or wrong. Consideration had been given to those regions which had then been split between the developed and emerging markets for America, EMEA and Asia specific, which had resulted in different data. A large part of emerging markets was measured in GDP terms; those markets were very illiquid and the Fund could not invest in those types of money. The Fund then looked at the addressable market split by each region individually, and worked out a proposed benchmark. The emerging market element within the proposed benchmark equated to 21% of the Fund's overall overseas allocation, to which S Smith was cognisant to move forwards. She expressed concern when entering into the pool, as to how such issues would be split.

L Robb commented that his expectation would be that when consideration was given to the emerging markets under the new pooling arrangements, that it would be prudent to think about emerging markets as an entity rather than three separate blocks; a factor to be taken into account by the new fund management group. He added that if Table 2 was adopted, that there would be no material changes arising from the emerging markets percentages, the main changes were between Japan, America and Europe; he suggested that there was no need to attempt to change the emerging markets components at this point. The broader part was the potential to increase Europe and reduce Japan and America. L Robb's personal view was not to increase in Europe at the moment due to the current environment, but to agree to note the recommendation, semi-endorse it, but not to implement it at the moment.

T Gardener was concerned that the benchmarks typically acted as anchors for fund managers. He queried how far S Smith was comfortable to move away from such an anchor.

S Smith commented that presently the Fund had a plus or minus 5%; the Fund would not move much further than that.

T Gardener expressed concern that this would anchor the Fund, he added that GDP was a reflection of past successes and not future successes. He suggested that the second stage of going from GDP to another stage was to allow a medium term view to be taken as to where GDP's were going. He expressed concern in relation to the 31% of developed Europe, which was a reflection of Europe up until now. He did not consider that Europe would become 31% of the world in the next 5 years, although he commented that if the Fund had this benchmark, that it would stay within 5% of it. He was concerned that it focused too much on past successes. He considered that responsibility would lie with the Investment Board and Advisors, and that the responsibility for making technical decisions would lie with the Investment Team. He considered that the benchmark would be 5 years; he suggested that the Investment Team should be comfortable with the suggestion.

S Smith commented that the Investment Team were happy with the process, but that they were concerned in relation to the timing and implementation.

L Robb agreed with T Gardener's suggestion, he was cautious to implement the benchmark at this stage. He added that he would be more positive with America and Asia rather than in Europe.

T Gardener commented that he was more positive in the long term in relation to America and Asia. He was happy with the process, but he considered that the process could come out with a result that did not make investment sense. He would have preferred a second stage, which would provide for a practical step overlaid on the mechanical quanta total step.

L Robb commented that he would have been keen for S Smith to state that the Fund did not mind to adopt the benchmark, but that it would not change much about what was currently undertaken.

T Gardner commented that he did not envisage any circumstances in which the Fund would want to implement such a weighting in Europe, due to the missing elements.

Councillor Sangar referred to Brexit, which had transformed the discussion today. He suggested that the report be noted and that further consideration should be given when the markets would have stabilised at the Investment Board meeting in September, to enable the Fund to agree upon a benchmark for the next 5 years.

T Gardener commented that there was something missing from benchmark process. He added that he would give further consideration to an additional solution, which he would discuss further with S Smith.

RESOLVED – That Members noted that T Gardener would relook at the overseas equity benchmark, and bring a report back on other suggestions before the end of the year.

21 QUARTERLY REPORT TO 31 MARCH 2016

The Board reviewed the performance of the Fund during the quarter ended 31 March 2016.

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

Transactions had been quiet during the quarter, the only significant feature being the reduction of UK equities due to the culmination of various takeovers during the quarter.

Performance for the quarter had returned 2.5% against the expected return of 3.2% with the Fund valuation rising from £6093.3m to £6220.2m. Fixed interest had returned 4.0% against the benchmark index of 3.2%. Index-linked gilts had returned 6.7% against the benchmark return of 7.5%. Higher income bonds had returned 4.5% against an expected return of 3.2%.

Emerging market bonds had returned 4.4% against an expected return of 3.2%. International equities had returned 3.0% against the benchmark return of 4.6%. Private equity had returned 2.3% against the benchmark return of 0.9%. Alternatives income had returned 2.9% against the benchmark return of 0.9%.

RESOLVED – That Members noted the contents of the report.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

15 SEPTEMBER 2016

PRESENT: Councillor S Ellis (Chair)
Councillors: M Stowe (Vice-Chair), J McHale, A Sangar and R Wraith

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

M McCarthy (Deputy Clerk), F Foster (Treasurer), and M McCoole (Senior Democratic Services Officer) (BMBC)

Trade Union Members: G Warwick (GMB), N Doolan-Hamer (Unison) and F Tyas (UCATT)

Investment Advisors: T Gardener, N MacKinnon and L Robb

Apologies for absence were received from: Councillor M Iqbal, Councillor P Wood and R Askwith

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 the following agenda items be considered in the absence of the public and press:-

Item 11 'Standard Life Presentation – Real Estate Performance Review'.

Item 16 'Asset and Liability Study 2016'.

Item 17 'Corporate Class Action Law Suits: Shareholder Rights, Class Actions and Portfolio Monitoring'.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 30 JUNE 2016

Councillor Ellis commented that the Borders to Coast Pension Partnership (BCPP) submission had been made to the DCLG in July 2016. A report would be submitted to the next Investment Board Meeting in December.

RESOLVED – That the minutes of the meeting of the Investment Board held on 30 June 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board was presented with the Work Programme to 22 June 2017.

Councillor Sangar commented that the 'Government Consultation on LGPS Pooling' reports should cover a multitude of reports. Under the IIGCC item, he suggested that we should continue the review of the effects of climate change, together with the commitment the Fund had made in responding to the 2015 Paris Conference on Climate Change and the actions taken in the carbon audit.

Councillor Ellis commented that the matter would be raised with J Firth, the Principal Investment Manager.

M McCarthy informed Members that the next Board meeting would be held on 15 December, and not 8 December as stated on the Work Programme; this would be amended accordingly.

F Tyas suggested that Members had not been provided with enough notification and reminders of the valuation training held with Mercers yesterday.

M McCarthy commented that the invitation had been sent to Members and had been referenced at a number of meetings; the matter would be addressed further.

L Robb queried whether a decision had been made to replace the State Street universe data reporting with the service offered by PIRC.

S Smith commented that a decision had not yet been made; PIRC wanted to undertake a service in relation to the universe data. Members noted that many funds would look to go out to tender as an entirety for the service. A national framework tender has been formulated for this service. S Smith also noted that if the majority of funds did not subscribe to the PIRC service then the universe data would be worthless.

T Gardener had expressed concern that the Fund had not yet reached a decision to select PIRC; a total of 25 Funds had signed up to PIRC to date.

Councillor Ellis suggested that the avenues could be explored further at the Pooling Conference next week.

RESOLVED – That Members noted the Work Programme.

8 UPDATE ON MATTERS THAT HAVE ARISEN SINCE THE LAST MEETING

S Barrett referred to the commercial property portfolio agenda. Members were updated on the proposal to engage J Hattersley to act as a temporary property investment manager for the Fund. A contract offer has been issued, subject to review on a six monthly basis.

9 ACTUARIAL VALUATION 2016

S Barrett commented that the actuarial valuation had been incorporated into the valuation training session held with Mercers yesterday. The actuarial valuation process had commenced in May 2016, when the Actuary had met with the principal customers and representatives from the four local authorities to outline the initial thoughts on assumptions and procedures. The Actuary had met with officers, Mercers and F Foster yesterday, to provide an update on the position, and meetings would also be held with the principal financial representatives at the four local authorities, the Passenger Transport Executive and South Yorkshire Police. It was hoped to agree a position with good balance between the needs of both the Fund and the principal employers. A report would be presented to the Authority in the autumn which would lead to the Actuary reaching a final position in March 2017. It was hoped to have the key issues agreed in principle by the end of October 2016.

Councillor Wraith gave thanks to F Foster for the work undertaken and requested that Members be kept informed of the position.

RESOLVED – That Members noted the update.

10 GOVERNMENT CONSULTATION ON LGPS POOLING

S Smith informed Members that each pool had met separately with the HM Treasury, DCLG and an independent advisor on the individual points for submission. The pool's submission had been made on 15 July. The group had met on 8 September in relation to all pool submissions, and feedback was awaited; it was hoped to receive confirmation from the Government by the end of September.

Councillor Wraith queried the staffing arrangements for the new pool.

S Smith commented that once the group had been formed and the key personnel had been employed, that staffing arrangements would be determined. It was noted that the Pensions Authority would still require a degree of admin support, although it was anticipated that the investment managers would transfer to the new pooling arrangement.

T Gardner highlighted that at some stage in the process the Fund would have to give a firm commitment to the way the money was invested. The Fund would continue with internal management with the option for external management and even if the Fund does decide internal there is the Government perspective to

consider. T Gardener commented that he was relieved that S Smith and the team would be there. Due diligence would be needed and the Fund should be informed if the money is going to be managed differently.

S Smith commented that the pool had agreed to establish a shell company to enable the work to start to be commissioned. Authority approval would be sought to commence the funding operation.

Councillor Ellis commented that special Authority meetings would be arranged if the pool's timeframe did not align with the Authority's meeting schedule.

Councillor Stowe queried how staff would be supported moving forward with the new pooling arrangements, together with the impact on the terms and conditions of employment which would be dealt with via trade unions and in-line with legislation.

RESOLVED – That Members noted the update.

11 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

12 STANDARD LIFE PRESENTATION - REAL ESTATE PERFORMANCE REVIEW

Members received a presentation from Standard Life Investments on the Real Estate Performance Review, together with an update on the UK and European Markets.

T Gardner requested that the Board be provided with an explanatory note to address the realignment of sector weightings in response to a changing environment. Members noted that they would also be provided with a copy of the matrix.

Councillor Ellis gave thanks for an interesting and informative presentation.

RESOLVED – That Members noted the contents of the report.

AT THIS POINT THE MEETING RE-OPENED TO THE PUBLIC AND PRESS

13 LOCAL AUTHORITY PENSIONS FUND FORUM: UPDATE ON BUSINESS MEETINGS; ANNUAL CONFERENCE DECEMBER 2016

A report of the Interim Fund Director was submitted to inform Members that the minutes of the January and April 2016 business meetings had been issued, and to advise on the dates of the next Annual Conference in December 2016.

Members noted that the Forum's Annual Conference would be held in Bournemouth on 7, 8 and 9 December 2016. Member Funds were entitled to two free places, although accommodation and travel would have to be paid for.

Councillor Ellis suggested that in light of the developing agenda it would be reasonable to approve attendance of the Chair or Vice Chairman along with an officer.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Approved attendance at the Annual Conference.

14 STATEMENT OF INVESTMENT PRINCIPLES

A report of the Interim Fund Director was submitted to seek Members' approval to the Statement of Investment Principles with effect from 1 September 2016, subject to any changes arising from the 2016 Actuarial Valuation.

The Authority has a statutory obligation to produce and publish a Statement of Investment Principles. There had been no changes of any substance made to the Statement since it had last been reviewed in September 2015, and it was proposed to continue with this version pending the outcome of the 2016 Actuarial Valuation.

RESOLVED – That the Board approved the Statement of Investment Principles with effect from 1 September 2016 for a period of not less than twelve months, subject to any changes which may arise following the 2016 Actuarial Valuation.

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

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

Standard Life Investments (SLI) had been appointed as the Authority's commercial property advisor to monitor and report upon the health and safety performance of Cushman and Wakefield, the managing agent. The Authority had also appointed S2 Partnership to provide the statutory health and safety compliance systems in each of the Authority's multi-let properties. S2 would independently audit each property annually, and the reports would be reviewed by SLI and acted upon by Cushman and Wakefield.

Members noted that following an audit of the whole portfolio, a total of 1869 risks had been identified over the year; 99.57% of which were now controlled. Cushman and Wakefield were currently addressing the remaining 8 outstanding uncontrolled risks.

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

16 QUARTERLY REPORT TO 30 JUNE 2016

The Board reviewed the performance of the Fund during the quarter ended 30 June 2016.

Performance for the quarter had returned 7.0% against the expected return of 6.6%, with the Fund valuation rising from £6220.2m to £6630.5m. The Royal London portfolio had returned 5.1% against the benchmark index of 4.3%. Index-linked gilts had returned 12.2% against the benchmark return of 13.4%. Higher income bonds had returned 5.3% against an expected return of 4.3%. Emerging market bonds had returned 5.4% against an expected return of 4.3%.

International equities had returned 8.7% against the benchmark return of 8.3%. Private equity had returned 7.0% against the benchmark return of 0.8%. Alternatives income had returned 5.7% against the benchmark return of 0.8%.

L Robb suggested that in the overview, the officers consider each quarter whether there are more helpful ways to explain relative performance, rather report mechanically based on asset allocation or stock selection. As an example this time, index linked underperformance was due to taking a short duration position rather than due to stock selection.

S Smith commented that the Fund was still uncomfortable with the valuation of index-linked bonds. During this quarter the Fund's overall exposure to bonds had not changed, but had switched and reduced the index link weighting to be moved into corporate bonds. The Fund had benefited from not being in some of the financial stocks and the high yielding bonds investing in the commodity area. The Fund would look to increase its weighting in the UK, but would slightly reduce its US weighting which had become very overweight. Members noted that in August the Fund had invested in a Standard Life Infrastructure Fund in conjunction with a number of other LGPS funds.

T Gardener queried how close the Fund was to reaching a nil position with hedge funds.

S Smith referred to a number of direct quota hedge funds that the Fund would shortly be out of, and others that would take an additional year. Members noted that SYPA had an Investment Manager that oversaw the two alternative asset portfolios, in conjunction with the Bond Manager.

N MacKinnon commented that his initial thoughts had been that the immediate impact of Brexit could have a negative impact on businesses, and to a lesser degree consumer confidence. In the run up to the Referendum the views of many economists and the political establishment was that Brexit would be damaging to the economy. N MacKinnon commented that in his opinion, the economists and political establishment's views were incorrect. The export orders were now at a 2 year high and the output expectations were improving. The next stage would be to focus on Article 50 and he thought this would lead to further uncertainty.

Councillor Ellis congratulated the Investment Team on the very pleasing results in light of the recent changes made following the retirement of the Fund Director and the Brexit Referendum.

RESOLVED – That Members noted the contents of the report.

17 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

18 ASSET AND LIABILITY STUDY 2016

A report of the Interim Fund Director was presented to enable Members to give further consideration to commissioning an Asset and Liability Study post the 2016 actuarial valuation.

The Advisers suggested that instead of formally tendering for an asset and liability review, it would be more helpful at this stage to have a discussion with the investment consultant (Mercers - Jo Holden), to agree some particular areas to focus on particularly longer term planning around how to achieve satisfactory returns/income if low interest rates, low bond yields and relatively high equity valuations persist.

RESOLVED – That:-

- i) The Board agreed the preferred course of action in respect of an Asset and Liability Study.
- ii) The Interim Fund Director would meet with the Fund's Actuary and Investment Advisors to progress the work.

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

A report of the Interim Fund Director was submitted to inform Members of the progress regarding the portfolio monitoring system on corporate class actions.

RESOLVED – That Members noted the report.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	6 October 2016	24 November 2016	12 January 2017	16 March 2017
Strategic Overview of Business	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting	Verbal update on matters arising since last meeting
	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins	Call-Ins	Call-Ins
Review of Strategies		Annual Review of Risk Management Policy		
	Actuarial Valuation 2016 Presentation from Mercer			
	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling
	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
		Member Development Annual Update		Treasury Management Strategy Statement
	CP&GB Audit Committee Functions Annual Report			
Business	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports	Board Chairs' Reports
	6 October 2016	24 November 2016	12 January 2017	16 March 2017

Business	Review of Pensions Admin/UPM	Budgets and Revised Estimates	Budgets and Revised Estimates	Meeting Dates of Authority and Boards
	SYPF Annual Fund Meeting	FoIA Annual Report Publication Scheme	Members Self-Assessment Report	
	Webcasting Contract	SYPF Annual Fund Meeting	SYPF Annual Fund Meeting	
Training & Development				

SEPTEMBER, 2016

Agenda Item 18

LGPS CURRENT ISSUES



NEWS IN BRIEF



2016 ACTUARIAL VALUATION (ENGLAND AND WALES)

Work on the 2016 actuarial valuations of LGPS Funds in England and Wales is now well underway. Indicative results will have already been made available during initial meetings with Fund Officers, and actual whole fund and major employer results are now being communicated to our clients.

We will keep you up-to-date on the latest progress of your own Fund's 2016 actuarial valuation. Any queries regarding timings of the various stages should be directed to your usual Mercer contacts.

SECTION 13 "DRY RUN" VALUATIONS

The Government Actuary's Department (GAD) was appointed by DCLG to report under section 13 of the Public Service Pensions Act 2013 about LGPS funding reviews and employer contribution rates to check that they meet the aims of Section 13.



IN THIS ISSUE

- News in Brief
- Dates to Remember
- Contacts

ACTIONS TO CONSIDER

- Engagement with Colleges
- Review Admission and Termination Policies
- Communicate with employers regarding HMRC's online Lifetime Allowance registration site



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In particular, Section 13 requires GAD to report on whether four main aims are achieved:

- **Compliance;** whether a fund's valuation is in accordance with the scheme's regulations;
- **Consistency;** whether a fund's valuation has been carried out in a way which is not inconsistent with any other fund valuations within the LGPS;
- **Solvency;** whether the rate of employer contributions is set at an appropriate level to ensure the solvency of each pension fund, and
- **Long term cost efficiency;** whether the rate of employer contributions is set at an appropriate level, so far as it relates to each pension fund.

We are very comfortable with the output from the analysis for Mercer-advised Funds, and in most cases all measurements are green. In the isolated instances that are not, we have no concerns as the underlying funding plans are sufficiently robust that on further investigation it would be confirmed as in line with expectations.

Notwithstanding the limitations within the analysis, using a standardised reporting basis is helpful for comparing funds. However, it is only a comparison tool and should not be used to drive decisions as the standardised assumptions do not reflect the investment or risk profile of any particular LGPS Fund. Going forward your actuary will assess how your own Fund stands against these measures as part of the valuation process.

BREXIT: A PENSIONS PERSPECTIVE



It is now approaching three months since the UK voted for "Brexit". Although the formal exit negotiations have still to begin, there has been a noticeable impact on economic markets as a result of the vote and administering authorities should consider the effect that this may have on their funds.

The UK's decision to leave the EU has resulted in significant volatility in equity and currency markets. Since the referendum, Sterling fell by over 10% against the dollar. Gilt yields immediately fell by over 50bps, and even more so since. Having increased in the run up to 23 June, equity markets immediately fell but then rallied, helped, perhaps, by the fall in Sterling. The table below gives an update to the end of last month.

Indicator	31-Dec-15	22-Jun-16	24-Jun-16	30-Jun-16	03-Aug-16	04-Aug-16	31-Aug-16
Nominal Gilt yield (10 year point)	2.04%	1.45%	1.23%	1.03%	0.92%	0.76%	0.66%
	(0bps)	(-58bps)	(-81bps)	(-100bps)	(-112bps)	(-129bps)	(-138bps)
FTSE350	3,494.5	3,489.4	3,399.0	3,573.9	3,659.5	3,717.0	3,753.3
	(0.00%)	(-0.15%)	(-2.73%)	(2.27%)	(4.72%)	(6.37%)	(7.41%)
FTSE All-World ex UK	270.8	274.0	286.2	299.8	310.4	316.2	319.6
	(0.00%)	(1.20%)	(5.72%)	(10.74%)	(14.66%)	(16.80%)	(18.05%)
AA Credit spread (15+ year) ¹	1.11%	1.04%	1.16%	1.14%	0.88%	0.83%	0.79%
	(0bps)	(-8bps)	(+5bps)	(+3bps)	(-23bps)	(-28bps)	(-32bps)
USD/GBP exchange rate	1.474	1.469	1.363	1.337	1.333	1.313	1.310
	(0.00%)	(-0.35%)	(-7.55%)	(-9.30%)	(-9.57%)	(-10.92%)	(-11.13%)

Press commentary has noted that the volatility in the market and fall in yields has had a direct impact on the funding positions of DB pension schemes and in particular that the immediate impact of the referendum will have caused a fall in funding levels for many UK pension schemes. Our approach to valuing liabilities is not directly tied to gilt yields, and although we anticipate some lowering of expected future investment returns, past investment performance relative to inflation has much more influence on your current funding position.

As noted earlier in this edition, the 2016 actuarial valuation is well underway. The impact on a particular LGPS Fund will depend on the assets held and scheme membership profile and your actuary will be discussing this with you as the valuation calculations are completed.

In that context we support the Pensions Regulator's recommendation that warns against knee-jerk reactions and focus should be on the longer term. TPR also notes that default investment arrangements for AVCs may in due course need to be reviewed and, in particular, communicating with members approaching retirement should be considered.



INVESTMENT POOLING IN THE LGPS

The deadline for pooling submissions to the government has now long since passed. Whilst the pools have been continuing to develop their own plans, formal feedback has yet to materialise. It is our expectation that this along with draft Regulations will emerge before the end of the month.

Please contact Joanne Holden (joanne.holden@mercer.com / 0161 837 6514) if you require any further information.



UPDATE ON EDUCATION SECTOR EMPLOYERS

You may be aware of the [area-based reviews](#) of Further Education and Sixth Form Colleges taking place (the aim being to ensure that the right capacity to meet the needs of students and employers exist in each area, and are provided by institutions which are financially stable and able to deliver high quality provision). The [Skills Funding Agency's Early Intervention Strategy](#) is to engage with general further education (GFE) colleges where examination of their financial plans (or other ongoing indicators) suggests that they are at risk of failure.

Following on from this, there has been a recent [consultation](#) on its proposals to introduce procedures for further education and sixth-form colleges which become insolvent. Key messages within the consultation are:

- It will be clarified that the principles of the Insolvency Act 1986, which covers companies incorporated under the Companies Act, will also apply to colleges.
- A Special Administration Regime will be available to ensure that an insolvency practitioner would protect the interests of learners in an insolvent college.
- The proposals do not seem to affect the position of pension scheme liabilities. Any cessation debt would rank as an unsecured creditor.
- Academies fall outside the proposed new insolvency arrangements. Instead they are subject to the DfE financial monitoring and management arrangements.

Given all these, we are strongly recommending that Administering Authorities engage proactively with relevant employers, as we know many are. **A review of the Termination Policies should also be set in train**, ideally alongside the Funding Strategy Review, to ensure that Funds are well placed to address any issues as necessary.



NEW FAIR DEAL

As previously reported, a [consultation](#) was published by the Department for Communities and Local Government (DCLG) setting out draft changes to the LGPS regulations to introduce [New Fair Deal](#) for staff in the LGPS who are compulsorily transferred to another employer. It is proposed that the existing LGPS regulations will be amended to allow all such staff to remain in the LGPS. This is likely to lead to an increased number of employers in the LGPS and it is important that Funds and letting authorities have clear and robust admission policies established. The proposals do not extend to LGPS Scotland and we await the Government's response.



NEW PENSIONS AND LIFETIME SAVINGS ASSOCIATION LOCAL GOVERNMENT CONTRACTORS GUIDANCE

The Pensions and Lifetime Savings Association (PLSA) has published guidance aimed at helping employers understand what they need to know before joining the Local Government Pension Scheme (LGPS). The PLSA has published [a guide to navigating entry for local government contractors](#) and [an introduction to the LGPS aimed at scheduled bodies](#).



HMRC LIFETIME ALLOWANCE PROTECTION - ONLINE MEMBER SERVICE

The online facility to register for Fixed Protection 2016 and Individual Protection 2016 is now open for individuals to access.

A summary of the various HMRC Lifetime Allowance protections, along with links to the online registration site and details of the information required to register can be found [here](#). We suggest that Administering Authorities proactively raise this with employers to ensure that all potentially affected members are made aware of this facility.

To recap, the option to apply for Individual Protection 2014 (which is available for anyone whose total benefits as at 5 April 2014 had a HMRC value in excess of £1.5m) remains open until 5 April 2017. From now on, this protection must also be registered via the new online service (accessible through the above link). The issue of pension tax is potentially a significant one for individual members and, following some of the changes made by Government, does not exclusively affect the highest earners. We would be happy to provide educational training, or direct advice to members as required, so please speak to your usual Mercer consultant if this would be of use to you.

TPR DC CODE OF PRACTICE



The Pensions Regulator's new defined contribution code of practice and supporting guides came into force on 28 July, replacing the previous DC code and regulatory guidance originally published in 2013. The code focuses on the standards of conduct and practice that are expected to be met. The guides provide examples of best practice and suggested approaches that may be chosen, where appropriate for the circumstances of their scheme. Whilst primarily aimed at private sector schemes, managers of Public Sector Schemes should be aware of this given the linkage contained in the Public Sector Code and the use of AVC arrangements.

The DC code is divided into the following six sections, with each section supported by a guide:

- The Trustee Board
- Investment governance
- Scheme management skills
- Value for members
- Administration
- Communicating and reporting

The “quality features” that formed the backbone of the previous version have been dropped, although the underlying requirements are still very much part of the code.



NEW PENSION TRACING WEBSITE LAUNCHED

There is currently an estimated £400 million in unclaimed pension savings in the UK. To help people find their lost savings, a new Department for Work and Pensions website has been launched by the Pension Tracing Service. The service is free and the database includes over 320,000 pension schemes covering workplace pensions, personal pensions, and the Civil Service, NHS, teacher or armed forces pension arrangements. If not already done so, Administering Authorities may wish to alert members to this new service.



OFF-PAYROLL WORKING IN THE PUBLIC SECTOR

HMRC has carried out a consultation regarding off-payroll working in the public sector: reform of the intermediaries legislation. The Government is reviewing responses, but the proposals include changing the IR35 rules for workers who operate through an intermediary, such as their own limited company, in the public sector (including those that obtain work through third parties such as employment intermediaries etc). The government believes that public sector bodies have a duty to ensure the people working for them pay the right and full level of tax. Therefore, subject to some nuances, the proposal is from next April the responsibility for determining whether IR35 applies, and withholding tax if it does, will move from the worker's private service company to the public sector body (or the agency or other third party paying the worker's company).

DATES TO REMEMBER

DATE	ISSUE	SUMMARY
30 September 2016	Actuarial valuation	Deadline for membership data to have been submitted to GAD as part for the LGPS cost management analysis.
31 March 2017	Actuarial valuation	Deadline for the 2016 England and Wales actuarial valuation exercises to have been formally signed off by the fund actuary. Effective date of the Scottish LGPS actuarial valuations.
6 April 2017	Scottish Income tax	From this date, the Scottish Parliament will have the power to set all income tax rates and bands above the personal allowance for non-savings and non-dividend income for Scottish taxpayers.
7 May 2017	State Pension Age	Deadline for publication of the first report on the independent review of the State Pension age.

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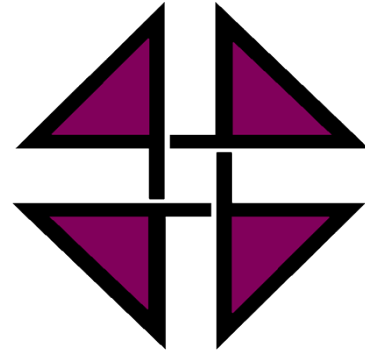
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**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Business Planning and
Performance Framework 2016/17
for the Pensions Service
and Pensions Authority

**Performance Snapshot Report
2016/17: Q1**

ISSUED: October 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
Transactions with Members	12,752 cases of which 78.99% were on target	97%	Performance has suffered as a result of resource being diverted to the annual returns and actuarial valuation processes.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£6630.5m	N/A	£6220.2m at end March.
Performance Against Benchmarks	Qtr 7.0% YTD 7.0%	Qtr 6.6% YTD 6.6%	Global equity markets were less volatile than in the previous quarter. The dominant theme of the quarter was the UK's 'Brexit' referendum. First in anticipation of the vote and then the surprising outcome. Oil returned to a price above \$50 a barrel and Gold returned to favour with investors as uncertainties over the potential split between the UK and the EU surfaced. Sterling fell to a 30 year low against the dollar. ..

3. Responsible Investment

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

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	1 Leaver 1 New Starters	Annual 4.25%	On target
Staff Training	No training during the period	Plan 100% up to date	Concentrating on meeting statutory deadlines for annual statements and the actuarial valuation.
Sickness Monitoring	0.72% total	None	Lowest sickness levels for many years.

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	12 new employers registered for EPIC this period	N/A	354 employers now registered for Epic. Non-Epic employers only represent 7 active members.
	Online registration		4747 members

	now open to scheme members		registered to date.
Face to Face Communication	463 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	10 New Employers (7 Academies 3 Contractors) 0 Terminations	N/A	There are currently 461 participating employers of which 385 have active members and there are a further 59 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	June - Internal Audit Annual Report considered by CP&GB.	100%	On target
Annual and Quarterly Reports	June – Audit Committee Functions Annual Report considered by CP&GB July – SYPF Annual Report considered by CP&GB		
External Audit Reports /Plans	July – External Audit ISA 260 report considered by CP&GB.	100%	On target
Risk Management Annual and Quarterly Reports	July– CP&GB considered Risk Management arrangements	100%	On target
Constitution Policy /Procedure Revision Dates	No update reported	100% Up to date	
Financial Reporting	June- Budget Monitoring report considered by CP&GB	100% achievement of reporting schedule	On target.

Area under Review	Activity During Quarter	Target	Status/Comment
	June - Treasury Management update considered by CP&GB		
Annual Governance Statement Conclusion	June – AGS considered by CP&GB	No Significant Weaknesses	Accuracy of pay and contributions identified. Action continuing.
Annual Self-Assessment			No significant issues
Member Training	May – 7 members attended Investment Pooling training	100% Induction & Fundamentals Training & Fundamentals Refresher	<p>66.5% had induction.</p> <p>91.5% had Fundamentals Day 1.</p> <p>83% had Fundamentals Day 2.</p> <p>91.5% had Fundamentals Day 3.</p> <p>42% had Fundamentals Refresher Training</p> <p>2 new Members booked on Fundamentals 2015</p>
	June – 7 members attended Investment pooling training		

SOUTH YORKSHIRE PENSIONS AUTHORITY

6 October 2016

Review of Pensions Administration since the implementation of the UPM System:

Year 2

1. Purpose of the Report

To provide Members with a comprehensive review of the experience of the Pensions' Administration Division of the Authority since the last report of this nature in October 2015

2. Recommendations

Members are recommended to consider the contents of the report with a view to commenting on any areas of the report where they have new or continued concerns

3. Introduction

- 3.1 Officers presented a report to the October 2015 meeting that appraised Members in detail of the Administration Division's experience since the purchase and subsequent launch of the UPM Pensions Administration System in November 2014.
- 3.2 Members asked for a further similar report 12 months on and this is now presented as requested.

4. Background Information

- 4.1 Members are already very aware of the extremely problematic and difficult history that the Authority has had with the system and its development company Civica, both up to the 2015 Report and since. Members have twice "invited" senior representatives of the company to attend Authority meetings to explain their lack of performance and provide assurances for the future. In addition the question of compensation for the outlay on overtime has also been the subject of discussions and Members are already very much aware of these discussions and their outcomes. As such no further background information is provided here.
- 4.2 The following sections of the report detail the current situation across the various sections of the Administration unit with comparators against the situation a year ago where appropriate.

5. Member Services

- 5.1 Performance: The first table below shows the casework performance for the period reported to Members in the 2015 Report. Members will recall that a full year's reporting was unavailable because the system had only been live for around 10 months at the date the report was written. The second table reports on the performance for the full year since.

Performance for the period 1st December 2014 to 14th September 2015

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

Performance for the period 15th September 2015 to 14th September 2016

Work Category	Number Completed	Within Target	Target
Priority Casework	9,168	73.87%	100%
Non-Priority Casework	54,534	84.61%	96%
All casework	63,702	83.06%	97%

- 5.2 As can be seen, although the reporting period is for a full year and therefore a slightly longer period than the 2015 reporting period, the Unit processed 19,515 more cases (44% more) and improved performance in all areas.
- 5.3 Having said that the performance is still short of where we are used to being and where we wish to be again but, as overtime has continued, many cases processed during Saturday working are already out of time and thus tend to drag down the overall performance level.
- 5.4 The Authority, for a number of reasons, currently has a large amount of outstanding work to process despite the original backlog reported last year being cleared on target by 31st December 2015. This outstanding work has resulted from the requirement for the Authority to manage the year end routines this year with the objective of issuing annual benefits statements on time as well as preparing the valuation data to enable the actuary to calculate new employer contribution rates from April 2017. Both these projects carried a significant price in relation to non-priority casework.
- 5.5 Senior Management, faced with the prospect of simply not having the staffing resource available to maintain casework processing and complete the work required to meet the statutory deadlines on annual statements and the valuation, made the decision to concentrate on the Year End work and only process the most urgent priority cases during May, June and July. Having also introduced financial penalties through the new Pensions Administration Strategy for employers failing to supply their Year End Returns by the 31st May deadline we had an added responsibility to those employers who issued their returns on time to ensure their members received their statements by the deadline.
- 5.6 I am pleased to be able to report that as a result we were able to issue over 44,000 statements to members by the 31st August deadline. This represented a massive improvement in the usual outcome at this time of the year and was beyond comparison with the performance in this area last year which, in simple terms, was disastrous because of the problems with the UPM system. It is intended to issue a further run of statements at the end of October for those members who did not receive a statement in the August run.

- 5.7 The results do not mean that the system is now trouble free. The efforts of everyone concerned with the outcome of this project this year cannot be underestimated. There has been a monumental and sustained effort to get the Authority to this stage but it comes at price both in terms of continued overtime working, backlogs of work and ultimately failure of performance targets. The situation has also been exacerbated by the dedicated efforts required to deal with the provision of data for the valuation and dealing with actuarial queries arising from that data.
- 5.8 As a result of the concentrated efforts made to meet our Statutory obligations in respect of Annual Benefit Statements, the valuation exercise and the sacrifice of all but the most urgent priority casework, the Unit now has a casework load of just over 6,000 historical cases to deal with as a project. Members will recall that at its peak the backlog occasioned by UPM in the first year surpassed 11,000. Ways of dealing with this in the most efficient and speedy manner in addition to overtime efforts are being examined.
- 5.9 Overtime efforts currently continue on Saturdays but the summer season has seen a reduced turnout in many weeks as Staff have taken their holidays.

6. Payroll

- 6.1 The Pensions Payroll process has improved dramatically in the last two months. One of the few areas of the UPM system that has shown a marked improvement over a short period. Prior to this the issues outlined in the 2015 report were still plaguing the unit and reducing the system time available to staff for routine casework because of the need to have an early payroll closedown date and a lengthy closedown period.
- 6.2 RTI, the Real Time Information submission to HMRC that invariably failed with errors each month, has submitted smoothly and quickly for the last two pay periods, (there was a slight issue last month where the numbers of staff accessing the MyPension facility following receipt of Annual benefit Statements appeared to impact on performance. This is being investigated by the IT Manager and is not thought to be a UPM issue). Should this smooth processing of the RTI file continue into the next pay period then confidence in the system should further improve and consideration can then be given to returning the payroll closedown date to a more normal and later schedule. The beneficial knock-on effect of this would be considerable.
- 6.3 Closing the tax period also presented problems each month but is now another smooth error free process at the moment and again brings additional benefits beyond payroll.
- 6.4 It may also be fair to say that the relatively recent introduction of new payroll staff into the section has also helped in that the new staff were not already worn out by the chaotic and stressful time experienced from the live launch to the current time and have been able to deal with the system and its problems from a fresh perspective.

7. Information Technology

- 7.1 In the 2015 Report I said that the Authority was aiming to release some aspects of the Member Web facility for pensioner members by mid-October and was security testing the system. In the end it was problematic to release it to pensioner members only and so the facility was launched for all members instead. Over 4,000 members have now registered.

- 7.2 The overall quality and look of the system is below what we had been led to believe and at launch only limited functionality was available and despite significant effort on our part we are still unable to release the online benefit calculator to scheme members. This has brought criticism from the membership as they are quite rightly used to much better online offerings from other providers they come in to contact with in their daily lives.
- 7.3 The Employer Web facility has also been a catalogue of delays and disputes having first been installed during January 2016. Progress has finally started to be made and we are trialling the issue of forms through the system with our district offices. This is a big step forward as it heralds the start of straight through processing allowing data that is sent to us to be automatically uploaded to the member database cutting out manual handling and data input processes.
- 7.5 The IT Manager has recently developed an in-house application for UPM to allow text messaging to members. This was a facility that we had under the old system and the new application is about to be released to staff.
- 7.6 The IT Manager has also developed and released a new version of DART for UPM. Members may recall that this system, (Data Analysis and Retrieval Tool), was developed for the old AXIS system and is a critical management tool in terms of reporting data issues and inconsistencies. Its development for UPM will be a major step forward in cleansing our pensions data but in order to make best use of the system the authority will need to be able to ensure it has the resource available to deal with the data issues reported. Demonstrations are being arranged with other UPM users with a view to selling this software to them.
- 7.7 A new version of UPM is due to be delivered and needs to be installed by the end of December 2016. The Authority is not optimistic about the installation as past experience tells us that some of the things that currently work will not do so after the new release. There will also be an additional testing burden as well and as this is a core software release that has interdependencies on other parts of the system we have no option but to install it.

8. Technical & UPM Development

- 8.1 This is an area where the Authority still has major issues with the UPM System and Civica. The Authority has diverted some resource within the Member Services Unit to create a temporary dedicated in-house problem solving post to act as the liaison between the UPM Team and member Services and Payroll. This alleviates some of the pressure on the UPM Team and aids consistency across the office for those staff encountering problems that can be resolved locally, and there are still many of these.
- 8.2 The calculation update release that the Authority received from Civica in March 2016 created more problems than it solved. It has caused more manual calculations to be required than prior to its release, in turn this requires more manual checking resource, the calculations require more in-house testing which in turn diverts resource away from routine casework. Despite Civica protestations to the effect that the calculations have been tested it appears that their testing regime is very limited and the culture is to test those perfectly straightforward cases which are few and far between in reality. When applied to real world scenarios problems arise on site and further testing falls to the Fund concerned.

- 8.3 Bulk Data Importers, (BDIs), continue to be a problem area. Members will recall that delays in last year in bulk exercise processing were mainly down to late releases of bulk processes, processes that did not work when released or failed at critical junctures and calculations within processes that did not work correctly.
- 8.4 The Valuation Extract BDI, required to provide data to the Actuary for the 2016 valuation, was painfully slow and initially inadequate. Although performance improvements were made by Civica the process still took the better part of a working week to run compared to a few hours on our old system..
- 8.5 The Annual return BDI took was initially not fit for purpose and took months of effort internally until we were satisfied that we could run the returns and progress the Year end routines. As members know, the annual returns exercise is critical to the production of annual statements.
- 8.6 We have a significant number of internal and external UPM error/development logs and although priority issues are being looked at it is proving impossible to keep on top of all of them. The same goes for Civica who have hundreds of issues raised by their LGPS client base.
- 8.7 We meet with Civica on a monthly basis to discuss outstanding issues and receive updates on developments in production. We have just recently agreed a performance monitoring framework which will help us to closely monitor Civica's performance and clearly highlight success and failures. Within the last couple of months the two most senior managers in the Civica pensions unit have left and there is now a new management team in place. We haven't met them yet but we are intending to air our concerns with them as soon as possible. We continue to participate in the various user groups and just recently our senior technical officer has been elected Chair of the group dealing with calculation issues.

9. Customer Service/Complaints

- 9.1 The authority received 23 Formal Complaints during the 10 month live period reported in October 2015. As mentioned at the time this was a much larger figure than the authority had been used to dealing with and would have been more but for staff interventions in the early stages of customer discontent. The number of complaints directly linked to UPM problems was about twice the number of total complaints usually received in a year.
- 9.2 In this reporting period the Authority has received 24 formal complaints, many directly linked to system performance or issues caused by the way in which the system works and calculation error problems. About two thirds of this number were received in the period following the last report and up to the end of March this year indicating that problems continued but are starting to reduce and slow the number of complaints received. Training, experience, system familiarity, known errors being logged and disseminated across the Unit and additional resource placed into problem solving have all helped to slightly downturn the discontent effect on members since March this year.
- 9.3 It is worth noting that the system still has occasional tendencies to make random errors for which there initially appears to be no logic and these are the ones that cannot be pre-empted, prepared for, or picked up at the checking stage unless additional resource to enhance the checking processes for all cases involving a calculation is introduced.

10 Conclusion and current position

- 10.1 Overall, the Authority is better placed than it was a year ago in relation to the UPM System but we are not yet back to our previous high level of performance.
- 10.2 There are still high levels of frustration matched by low levels of morale amongst the staff who, despite the stresses and strains they have endured and have maintained an high level of attendance. As a group they have shown determination to get the job done and to provide a high level of customer service members as well as possible in difficult circumstances and their intervention has certainly kept senior management involvement in disputes to a minimum.
- 10.3 Additionally, we have a group of staff who have worked virtually every Saturday for eighteen months and, whilst their assistance has been of immense value, that effort is voluntary, cannot be relied upon, is costly, and will take its toll eventually.
- 10.4 Civica, as a company are struggling to get to grips with the influx of new clients and at times seem oblivious to our pressures and deadlines. Since signing the contract there have been a number of senior personnel changes, each one promising better things for SYPA, and each one in turn failing to deliver on those promises. It is hoped that the most recent changes are successful in reversing this trend.
- 10.5 Our issues have not just been confined to UPM as we have also had to contend with additional demands arising from LGPS 2014 and increased scrutiny from the Pensions Regulator who has issued a code of practice and statutory guidelines that we have to adhere to.
- 10.6 I mentioned earlier in the year that we needed to conduct comprehensive review of our working practices and the structure of the unit. This review is now well underway and a report will be issued to you in the not too distant future.

11. Implications

- **Financial** - There are financial implications to this report in that:
 - Overtime payments are still being made to maintain the flow of casework and aid performance
- **Legal** - None
- **Diversity** - None

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

6th October 2016

SYPF - Annual Fund Meeting 2016

1. Purpose of the Report

To advise members about the 2016 Annual Fund Meeting

2. Recommendations

Members are recommended to note Thursday 20th October for this year's Annual Fund Meeting

3. Information

- 3.1 The 2016 Annual Fund Meeting (AFM) will be held at The Holiday Inn, Dodworth, Barnsley on Thursday 20th October.
- 3.2 Following the format of previous meetings the AFM will be held during the evening with a 5.30pm start time to allow maximum attendance. A light buffet will be served after the meeting has concluded and transport for Fund members will be arranged to and from the meeting.
- 3.3 The style and format of the meeting will follow last year's event but with more time being set for questions.
- 3.4 For the first time last year the meeting was available to view in near real time and although the viewing numbers were disappointing we intend to provide this facility again. The link which enables members with internet access to watch the event is publicised in our newsletters and on the website. In addition this year we will email a reminder about the event on the day. We then intend to review this facility after the meeting. However, as with all venues, this facility will be subject to testing the mobile phone service at the Holiday Inn prior to the event.
- 3.5 Members will also receive an email from the Communications Team, inviting those who wish to attend the meeting to complete an application form, confirming attendance, closer to the event date.

4. Implications and risks

Implications

- Financial

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

- Legal

There are no legal implications

- Diversity

There are no diversity implications

Officer Responsible: Joanne Webster Communications Manager

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

Other sources and references:

SOUTH YORKSHIRE PENSIONS AUTHORITY

6 October 2016

Report of the Clerk

CORPORATE PLANNING AND GOVERNANCE BOARD – AUDIT COMMITTEE FUNCTIONS ANNUAL REPORT 2015/16

1. Purpose of the Report

The Annual Report of the Corporate Planning and Governance Board's work during 2015/16 is submitted for Members consideration.

2. Recommendations

Members are recommended to:

- a) **consider the Annual report for 2015/16; and**
 - b) **note that it will be published on the Authority's website.**
-

3. Background Information

- 3.1 Good practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that audit committees should produce an annual report for consideration by its "governing body" i.e. the full Authority.
- 3.2 The Corporate Planning and Governance Board considered the draft Annual Report for 2015/16 at its meeting held on 2 June 2016. The report attached is the final version for consideration by the full Authority.

4. Implications and risks

- 4.1 There are no financial, legal, risk management or diversity issues associated with the report.

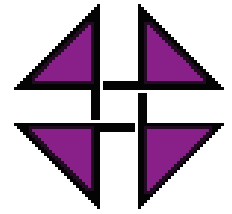
M McCarthy
Deputy Clerk

Officer responsible: Gill Richards Democratic Services Officer
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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

Other sources and references: The Board's agenda papers and minutes.

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**SOUTH YORKSHIRE
PENSIONS
AUTHORITY**

CORPORATE PLANNING AND GOVERNANCE BOARD

AUDIT COMMITTEE FUNCTION

ANNUAL REPORT 2015/16

**Draft agreed by the Corporate Planning and Governance Board on 2 June
2016**

Final version presented to the full Authority on 6 October 2016

Foreword

I am pleased to present the Committee's annual report for the period 2015/16 which provides evidence of the arrangements the Authority has in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Richard Wraith
Chair
Corporate Planning and Governance Board

AUDIT COMMITTEE ANNUAL REPORT 2014/15

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1. INTRODUCTION

This report is prepared for the full Authority and covers the Board's work during the financial year 2015/16 in relation to its audit committee function. It outlines the Board's:

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

2. BOARD INFORMATION

Audit Committee Role and Responsibilities

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

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

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

Board Membership

The Board's membership at the end of March 2016 was:

Councillor R Wraith (Chair)
Councillor E Butler
Councillor S Ellis (Vice-Chair)
Councillor B Lodge
Councillor H Mirfin-Boukouris
Councillor J Wood
Councillor K Wyatt

Membership changes occurring during the year were as follows:

- Councillor H Mirfin-Boukouris replaced Councillor L Rooney
- Councillor K Wyatt replaced Councillor P Wootton

Board Meetings and Attendance

The Board held four meetings in the year (June 2015, July 2015, November 2015 and March 2016). The business conducted was in accordance with the work programme which was reviewed at each meeting.

The schedule of Members' and Officers' attendance is attached as Appendix 2. The good practice guidance suggests that the Chief Financial Officer should attend

regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

3. COMMITTEE WORK PROGRAMME AND OUTCOMES

The Board maintains a work programme for its main areas of activity which is considered at each meeting. The reports received during 2015-16 relating to its audit committee functions are shown in Appendix 3; the outcomes of the Board's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Board has achieved its responsibilities.

3.1 Risk Management and Internal Control

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

The Board has:

- Considered regular reports on the corporate risk register and considered the movements in individual risks and their categorisation;
- Received progress reports from the Head of Internal Audit on internal audit matters and from KPMG on external audit issues;
- Considered the results of the review of internal control and internal audit for 2014/15;
- Approved, the Annual Governance Statement 2014/15 including the improvements required in 2015/16;
- Received regular update reports on the Authority's treasury management position;
- Received regular Budget Monitoring reports.

3.2 Internal Audit and External Audit

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

Internal Audit:

The Board has:

- Agreed the Internal Audit Strategy and Annual Plan for 2015/16;
- Received and considered Head of Internal Audit's Annual Report for 2014/15, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

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

The Board has:

- Received reports from KPMG on their Audit Plans for the Authority;
- Received regular progress reports from KPMG
- Approved KPMG's fee for the financial year 2015/16.

3.3 Accounts

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

The Board has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2014-15;
- Reviewed and approved the Authority's Statement of Accounts 2014/15;
- Received and approved the Audit Commission's Annual Governance Report 2014/15 and agreed the responses to the recommendations made.

3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2014/15 which was presented to the full Authority and published on the Authority's website.

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

CORPORATE PLANNING & GOVERNANCE BOARD

TERMS OF REFERENCE (extract)

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

APPENDIX 2

MEMBER/OFFICER ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Member / Officer	June 2015	July 2015	Nov 2015	March 2016
Members				
Councillor R Wraith (Chair)	✓	✓	✓	✓
Councillor S Ellis (Vice-Chair)	✓	✓	✓	✓
Councillor E Butler	✓	✓	✓	r/a
Councillor B Lodge	✓	✓	✓	r/a
Councillor H Mirfin-Boukouris	r/a	r/a	r/a	r/a
Councillor J Wood	r/a	✓	r/a	r/a
Councillor K Wyatt	✓	✓	✓	✓
Representative Bodies				
Unison – N Doolan	✓	✓	✓	✓
GMB – G Warwick	✓	✓	r/a	✓
UCATT – F Tyas	✓	✓	✓	✓
Officers				
Treasurer (FF)	r/a	✓	✓	rep
Monitoring Officer (AF)	r/a	✓	r/a	r/a
Deputy Clerk (MM)	✓	✓	✓	✓
Head of Internal Audit (RW)	✓	✓	✓	✓
Member Services Representative	✓	✓	✓	✓
Fund Director (JNH)	✓	✓	✓	✓
Head of Pensions Admin (GC)	✓	✓	✓	✓
KPMG Appointed External Auditor				
District Auditor (KPMG)	r/a	✓	✓	✓
Audit Manager (KPMG)	✓	r/a	r/a	r/a

Notes:

- ✓ = attended
- r/a = apologies for absence recorded
- rep = sent representative

APPENDIX 3

BOARD ACTIVITY – AUDIT COMMITTEE FUNCTION

Function / Issue	June 2015	July 2015	Nov 2015	March 2016
Risk Management				
Risk Register		Noted	Noted	
Governance and Internal Control				
Review of Internal Control 2015/16: Internal Investment Mandate			Approved	
Annual Governance Statement (AGS) 2014/15	Approved			
AGS Improvements Action Plan 2015/16	Agreed			
Treasury Management Update	Noted		Noted	
Internal Audit				
Audit Strategy & Plan 2016/17				Agreed
Annual Report 2014/15	Noted			
Progress report & outstanding recommendations	Noted		Noted	Noted
External Audit				
Audit Fee 2015/16				
Annual Audit Letter			Noted	
External Audit Plan 2015/16				Noted
Report to those charged with governance (ISA 260)		Noted		
Accounts				
Audited Statement of Accounts 2014/15		Approved		
Letter of Representation		Noted		
Budget Monitoring	Noted	Noted	Noted	Noted
Board Working Arrangements				
Work Programme	Noted	Noted	Noted	Noted
Annual Report 2014/15	Approved			

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

6 October 2016

Report of the Clerk

WEBCASTING

1. Purpose of the Report

To provide Members with an update in respect of the Authority's webcasting contract

2. Recommendations

Members are recommended:

- a) **To note the cost of £2511 (ex VAT) for webcasting meetings of the South Yorkshire Pensions Authority, per annum for the next 3 years as part of the Joint Authorities webcasting contract.**
-

3. Background Information

- 3.1 At the previous meeting of the Authority (9th June), Members agreed to enter into a 3 year webcasting contract for the live transmission and archived viewing facility of Pensions Authority meetings. At the time of the meeting, Members were informed that costs were being negotiated with the service provider in the interests of identifying potential cost savings as part of a longer term, joint contract with Barnsley MBC. Members agreed to delegate final responsibility to the Chair and Vice Chair for agreeing to enter into the contract.
- 3.2 The cost to the Authority is calculated against a percentage of the total hours broadcast by the webcasting partners (Pensions Authority, Fire Authority and Sheffield City Region Combined Authority), determined as a percentage of live hours broadcast.
- 3.3 The total cost of webcasting (ex VAT) is £13,217 p.a., which includes a 15% saving derived as a result of the above negotiations and of which the Pensions Authority is liable for a 19% proportion which equates to £2511 p.a.
- 3.4 On receipt of these figures, the Chair and Vice Chair approved the Authority entering into the 3 year contract on 26th September.

4. Transparency

- 4.1 The webcasting of the Authority supports transparency and engagement with stakeholders including employers and scheme members. The increased avenues for openness and accountability, which web technologies provide are important to gain public trust in the Authority's decision making. This complements the expectations regarding openness and transparency of meeting proceedings as defined in the 2014 Audit and Inspections Act.
- 4.2 Broadcasting meetings in this way encourages engagement and feedback, and overcomes exclusion: the hard of hearing can read a transcription, minority groups can read a translation, and citizens with reading difficulties can see and hear a streamed video.
- 4.3 There have been a total of 3956 live and archived viewings of South Yorkshire Pensions Authority meetings over the last 12 months (up from 2093 over the previous 12 months).

6. Implications

- 6.1 There is a low risk of legal action. This relates to the potential of defamatory statements by members of the Authority which are subsequently transmitted by webcast. However, the Authority can remove potentially defamatory statements from the archive copy of the webcast. The Authority's insurers have also stated the current liability policies will provide an indemnity in respect of any claims arising out of the webcast transmissions of Authority meetings.

M McCarthy
Deputy Clerk

Officer responsible:
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Principal Policy and Communications
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