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SOUTH YORKSHIRE PENSIONS AUTHORITY

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Diana Terris
Clerk

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley on Thursday 24 November 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
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Distribution

Councillors E Butler, S Ellis, M Iqbal, H Mirfin-Boukouris, J McHale, A Sangar, M Stowe, Z Sykes, P Wood, J Wood, R Wraith and K Wyatt

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SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2016 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELY, S70 2HG

Agenda: Reports attached unless stated otherwise

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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.	
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*19	Release of Preserved Benefits - Compassionate Grounds (PS) (Exemption Paragraph 1)	107 - 112

SOUTH YORKSHIRE PENSIONS AUTHORITY

6 OCTOBER 2016

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

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

Officers: S Barrett (Interim Fund Director),
G Chapman (Head of Pensions Administration) and
S Smith (Head of Investments)(SYPA)

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

Apologies for absence were received from
Councillor H Mirfin-Boukouris, Councillor M Iqbal,
Councillor Z Sykes, Councillor K Wyatt, A Frosdick and J Bell

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Ellis introduced S Barrett, Interim Fund Director to the Authority. Members noted that J Hattersley had recently retired as Fund Manager; formal presentation would be made to him at the conclusion of the meeting.

Councillor Ellis expressed her gratitude, on behalf of Members to J Hattersley for all of his work provided to the Authority, which had helped to ensure that the Authority was in a good financial state and entered into an uncertain future in the best shape possible.

Councillor Wraith commented that it had been a great pleasure to work with J Hattersley, who had been a fine ambassador for Barnsley and South Yorkshire Pensions Authority.

3 URGENT ITEMS

None.

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

RESOLVED – That agenda item 19 entitled ‘LGPS Pooling: Update on Proposals for BCPP’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 ACTUARIAL VALUATION 2016 - MERCER

Members were provided with a presentation from P Middleman and J Perera at Mercer on the Actuarial Valuation 2016. Members noted the following provisional results in terms of the contributions required from employers:-

- An initial meeting had been held with the district councils on 19 September 2016, in relation to affordability.
- The Fund objectives were to achieve a 100% solvency level within a reasonable timeframe, to maintain sufficient assets to pay all benefits as they arose and to have a sufficiently prudent funding plan to protect against downside outcomes.
- The Fund was maintaining a direct link with inflation.
- The allowance for future 50/50 scheme membership would be removed.
- Mercer would continue to work with the Fund to ensure that any refinement of data from the small funds was undertaken.
- Life expectancy analysis had indicated a reduction from last time of approximately 0.2 years for current pensioners in South Yorkshire. Across the board, male life expectancy was improving quicker than female life expectancy.
- South Yorkshire continued to have a lower rate of ill-health retirement compared with other LGPS areas.
- The short term pay figure assumed that it was incorporated for all employers at 1% for 4 years, which was unlikely to be the case in practice.
- Thought was required on how to develop the contribution plans, to ensure the financial health of the Fund was kept on an even keel moving forward.
- A funding strategy statement would be brought as part of the consultation.
- A formal consultation process would commence between now and the employer meeting at the end of November 2016. This would be extended to all employers as part of the overall governance arrangements, with a view to signing off the valuation at the end of March 2017.

Councillor Sangar referred to the valuation data and in particular the 2,350 active members with a missing CARE salary. He queried how this valuation compared with previous valuations.

G Chapman commented that as a result of the CARE Scheme there was a greater emphasis on ensuring that the contributions and pay data was accurate with only a short period of time. In recognition of this the new administration strategy penalised employers who submitted their annual return after the deadline employers and this has brought about an immediate improvement with 93% of returns at the end of May 2016.

Councillor Sangar queried Mercer's position in terms of communication with the four district authorities.

P Middleman referred to a number of meetings held over the summer period in relation to budgeting and other pressures faced by the district councils. Mercer had last met with the district treasurers on 19 September, and would meet with them today

in order to reach a sensible position for all parties. Members would be provided with an update in due course.

Councillor McHale referred to the budgetary pressures faced. He anticipated that the main authorities would be looking for a tapering down of recovery periods and percentage contributions.

P Middleman commented that the assumptions on pay growth were still incomplete. Mercer was talking to treasurers about the individual budgets; a key aspect would be to modify some of the contribution patterns, together with keeping watch on what could happen in the next 3 years.

Councillor Wraith congratulated G Chapman, F Foster and the other three district treasurers, on behalf of the Authority, for all of the work provided.

Councillor Ellis thanked Mercer for an informative presentation.

RESOLVED – That Members noted the presentation.

7 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

None.

8 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 9 JUNE 2016

M McCarthy informed Members that Councillor M Iqbal had become the new Sheffield CC representative.

RESOLVED – That the minutes of the Annual Authority meeting held on 9 June 2016 be signed by the Chair as a correct record.

9 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 9 JUNE 2016

RESOLVED – That the minutes of the Ordinary Authority meeting held on 9 June 2016 be signed by the Chair as a correct record.

10 MINUTES OF THE EXTRAORDINARY AUTHORITY MEETING HELD ON 30 JUNE 2016

RESOLVED – That the minutes of the extraordinary Authority meeting held on 30 June 2016 were noted.

11 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 2 JUNE 2016

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 2 June 2016 were noted.

12 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 20 JULY 2016

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 20 July 2016 were noted.

13 MINUTES OF THE INVESTMENT BOARD HELD ON 30 JUNE 2016

RESOLVED – That the minutes of the Investment Board held on 30 June 2016 were noted.

14 MINUTES OF THE INVESTMENT BOARD HELD ON 15 SEPTEMBER 2016

RESOLVED – That the minutes of the Investment Board held on 15 September 2016 were noted.

15 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 16 March 2017.

RESOLVED – That Members noted the contents of the report.

16 BOARD CHAIRS' REPORT

Councillor Ellis informed Members that J Hattersley would act as a temporary property investment manager for the Fund for the foreseeable future.

17 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Members noted that actuarial valuation discussions were underway at the districts.

18 LGPS CURRENT ISSUES SEPTEMBER 2016

Members were presented with the LGPS Current Issues paper dated September 2016, which included a number of items for consideration including the 2016 Actuarial Valuation.

RESOLVED – That Members noted the contents of the report.

19 QUARTER 1 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2016/17 Quarter 1.

RESOLVED – That the contents of the report be noted.

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

A report of the Head of Pensions Administration was submitted 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.

Members noted that following the launch of the UPM Pensions Administration System in November 2014, a report had been submitted to the October 2015 Authority meeting. The Authority continued to encounter extremely problematic issues with the system and its development company Civica.

G Chapman reported that prior to the implementation of the new system, the Pensions Administration Division had met the 99% target performance target for scheme member transactions. This had declined to 56% following the introduction of the new system. Following overtime and a great deal of effort to improve the performance level, the level of all casework completed from 15 September 2015 to 14 September 2016 had increased to 83%. Over 44,000 statements had been issued to members by the 31 August 2016 deadline. One of the few areas which the UPM system had shown a marked improvement over a short period was the Pensions Payroll process, which had dramatically improved over the last two months. The UPM system had impacted upon the Authority's Information Technology (IT) Department, who had been inundated with user queries and helpdesk calls. Staff continued to express high levels of frustration with the system, and staff morale continued to be low.

Councillor Wraith expressed concern at the continued overtime payments. He enquired when the workload would resume to normal levels, and he queried whether senior representatives from Civica should be invited to attend a future Authority meeting.

G Chapman commented that the new scheme had placed many new demands upon the Pensions Administration Division to ensure that the CARE pension delivered into scheme members' pension accounts was correct. The statutory deadline for production of annual statements allows little time to complete the work required without compromising other areas of work. G Chapman said we were pushing the system in the right direction to achieve efficiencies, although staff manpower was required to achieve this. He hoped to meet shortly with the new Civica leadership, following which he would arrange for them to attend a future Authority meeting if required.

Councillor McHale enquired whether plans were in place to review the procedures and processes. He queried whether resources could be deployed more effectively.

G Chapman clarified his earlier comment by saying that bringing new staff at a fixed level for a specific task would bring immediate benefits to the team which would not happen if we went down the usual route of appointing career grade staff. A considerable amount of time had been spent by the UPM team to ensure the work processes were obtaining maximum efficiency and further to this the intention of the online employer system was to undertake straight through-processing, which would help the Pensions Administration Division to meet the statutory deadline and drive efficiencies to deal with Members and customers to provide the service. The Pensions Administration Division had previously achieved and continued to maintain

the Customer Service Excellence Award. It was essential to continue the link with scheme members, which had recently been compromised.

Members noted that a staffing issues report would be presented to the next Authority meeting, with a view to having a revised structure in place by 1 April 2017. The staffing levels had not increased since 1997, but the workload had grown immensely.

RESOLVED – That Members:-

- i) Considered the contents of the report and commented on any areas where there were new or continued concerns.
- ii) Agreed that a staffing review report would be presented to the next Authority meeting.
- iii) Agreed that Civica would be invited to attend an Authority meeting, at an appropriate time in the future.

21 SYPF ANNUAL FUND MEETING

A report of the Head of Pensions Administration was presented to advise Members of the 2016 Annual Fund Meeting which would be held on Thursday 20 October at the Holiday Inn, Dodworth, Barnsley, commencing at 5.30 pm. All Members were welcome to attend.

The meeting would follow the same style and format as last year's event, with additional time allocated for questions. The meeting would be available to view in near real time as at last year's meeting, which would enable scheme members with internet access to watch the event.

RESOLVED – That Members noted the forthcoming 2016 Annual Fund Meeting.

22 CP&GB AUDIT COMMITTEE FUNCTIONS ANNUAL REPORT

A report of the Clerk was submitted to present the Annual Report of the Corporate Planning and Governance Board's work during 2015/16 for Members consideration. The report provided evidence of the arrangements the Authority had in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Members noted that the draft Annual Report had been considered at the Corporate Planning and Governance Board meeting held on 2 June 2016.

RESOLVED – That Members:-

- i) Considered the Annual Report for 2015/16.
- ii) Noted that it would be published on the Authority's website.

23 WEBCASTING

A report of the Clerk was presented to provide Members with an update in respect of the Authority's webcasting contract.

Members had agreed at the last Authority meeting, to enter into a 3 year webcasting contract for the live transmission and archived viewing facility of Pensions Authority meetings. The Authority's cost to the webcasting contract was calculated against a percentage of the total broadcasting hours by the webcasting partners i.e. the Authority, Fire Authority and Sheffield City Region Combined Authority; both of which had approved their portion of the contract. Members had agreed to delegate final responsibility to the Chair and Vice Chair to agree to enter into the contract. The 3 year contract had been entered into on 26 September.

RESOLVED – That Members noted the cost of £2,511 (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.

24 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.

25 LGPS POOLING: UPDATE ON PROPOSALS FOR BCPP

A report of the Interim Fund Director was presented to advise Members on the latest proposals for the BCPP and actions arising thereon.

RESOLVED – That Members agreed the recommendations outlined in the report.

CHAIR

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Agenda Item 7

SHEFFIELD CITY REGION COMBINED AUTHORITY/SOUTH YORKSHIRE PENSIONS AUTHORITY

JOINT LOCAL PENSION BOARD

20 JULY 2016

PRESENT: G Boyington (Scheme Member) (Chair)

G Berrett (Employer, SYP), S Carnell (Scheme Member), K Morgan (UCATT), S Ross (Scheme Member) and G Warwick (GMB)

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration SYPA), M McCarthy (Deputy Clerk), M McCoolle (Senior Democratic Services Officer) and A Hunt (Risk and Governance Manager)

Apologies for absence were received from Councillor T Corden, Councillor B Curran, N Doolan-Hamer, M Priestley, J Thompson, F Foster, A Frosdick and G Richards

1 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting, and introductions were made. Apologies for absence were noted as above.

G Boyington referred to a number of employer representatives that had not attended any of the Board meetings; he suggested that the employer representatives' membership should be considered at a future Board meeting.

M McCarthy commented that a letter would be sent on behalf of the Chair to seek the views of those employer representatives. The Board's constitution would be considered if a negative response was received.

RESOLVED – That Members noted that a letter would be sent, on behalf of the Chair, to those employer representatives that had not attended any of the Board meetings.

2 DECLARATIONS OF INTEREST

None.

3 MINUTES OF THE MEETING HELD ON 17 MARCH 2016 AND MATTERS ARISING

RESOLVED – That the minutes of the meeting of the Board held on 17 March 2016 were agreed as a correct record.

4 WORK PROGRAMME

The Board considered its Work Programme to 6 October 2016.

G Boyington commented that the Work Programme had been further developed since the last Board meeting. Colleagues were requested to inform him of any additional items for inclusion onto the Work Programme.

G Berrett requested that the Board's Terms of Reference should be reflected within the Work Programme, in particular in relation to the Audit function, monitoring the validity of any discretions made by the employers/Administering Authority and monitoring the level of fees against the annual budget set for the Pensions Board.

M McCarthy would discuss those monitoring issues within the Terms of Reference, with Section 151 Officers and colleagues, with a view to providing reports to the next Board meeting. The Head of Internal Audit would provide an Audit function report to the next Board meeting.

A draft agenda would be circulated onto Members prior to the next Board meeting, to establish whether any additional items were required to provide the necessary assurance.

S Barrett referred to the Internal Audit report presented at today's Corporate Planning and Governance Board (CP&GB) meeting. He suggested that Members of the Board be provided with an electronic link to the reports upon despatch of the CP&GB agendas.

G Berrett added that he would also expect specific CP&GB reports to be presented to meetings of the Board. He suggested that it would be useful for the Board to have been presented with reports in relation to each item of the Terms of Reference, at the end of the 12 month period.

G Boyington requested officers to ascertain how the Board's agenda items fit with the Authority and other Board meetings, to ensure that the items were included on the Board's agendas, in order for Members to acknowledge that they had seen them and to avoid duplication.

G Berrett requested that the following items be included onto the Work Programme:-

- To review the Pensions Regulator Code of Practice.
- Breaches of the Law, to enable the Board to review the numbers of such breaches in the internal reviews and action plan.
- Service Level Agreement.

RESOLVED – That Members:-

- i) Noted the Work Programme.

- ii) Were requested to inform G Boyington of any additional items for inclusion onto the Work Programme.
- iii) Agreed that a draft agenda be circulated prior to the next Board meeting.
- iv) Noted that an Audit function report would be presented to the next Board meeting.
- v) Agreed the proposed items for inclusion on the Work Programme.
- vi) Noted that M McCarthy would discuss the monitoring issues within the Terms of Reference, with Section 151 Officers and colleagues, with a view to providing reports to the next Board meeting.
- vii) Noted that officers would ascertain how the Board's agenda items fit with the Authority and other Board meetings, to ensure that the items were included on the Board's agendas.

5 ISSUES FOR CONSIDERATION AS A RESULT OF AUTHORITY MEETINGS

G Warwick suggested that it would be useful, when reviewing the summary fund account, for an explanation to be provided in relation to the contributions that had reduced from 2014/15 to 2015/16 from £315m to £220m.

S Barrett commented that in 2014/15 cash injections had been accelerated by the four larger employers; the deficit had been addressed by a percentage of the employers.

RESOLVED – That Members noted the update.

6 RISK MANAGEMENT ARRANGEMENTS - SOUTH YORKSHIRE PENSIONS BOARD

A report of the Clerk to the Authority was presented to update Members on the developing Risk Management arrangements for the South Yorkshire Pensions Authority.

A Hunt informed Members of the good engagement made with G Chapman, J Hattersley and S Barrett to refine the draft Risk Register. He would develop the policy and strategy to be presented with a final version of the Risk Register to the next Authority and Board meetings in October 2016.

G Warwick referred to Risk No. 002 'Failure to ensure that the Elected Members' knowledge and understanding of Pensions related activities is robust, and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004'. He added that scrutiny was one of the Board's primary objectives, and he hoped that the Board would be included within the risk.

M McCarthy referred to Member learning and development; Board Members would be invited to attend any pertinent training courses.

A Hunt requested Members to inform him of any risk management training requirements.

G Berrett commented that the six monthly review periods were too infrequent, and that it would be good practice to review the risks on a quarterly basis.

A Hunt commented that he would update the Risk Register to indicate the next review period. He added that BMBC reviewed their risks twice annually; he would reconsider the Board's review periods to include a number of interim review dates.

RESOLVED – That Members:-

- i) Noted the developing Risk Management arrangements for South Yorkshire Pensions Authority.
- ii) Agreed to continue to receive periodic updates regarding the Risk Management arrangements for South Yorkshire Pensions Authority during 2016/17.
- iii) Noted that the policy and strategy would be presented with a final version of the Risk Register to the next Authority and Board meetings in October 2016.
- iv) Agreed to inform A Hunt of any risk management training requirements.
- v) Noted that A Hunt would include a number of interim review dates onto the Board's Risk Register.

7 LOCAL PENSION BOARD BUDGET

Members were presented with the Board's expenditure to 31 June 2016. The Board had only incurred travel expense claims, subsistence and training expenses at the end of Quarter 1, and therefore the expenditure had been minimal against the budget.

M McCarthy referred to previous conversations with the Chair and Vice Chair in relation to the courses currently available; the consensus had been that Members would not gain a great deal from the current courses available in comparison to the expensive course fees.

Members noted that they could seek professional advice within the Board's terms of reference is so required. M McCarthy requested Members to inform him of any specific training requirements.

RESOLVED – That Members:-

- i) Noted the Local Pension Board budget.
- ii) Agreed to inform M McCarthy of any specific training requirements.

8 MEMBER LEARNING AND DEVELOPMENT

G Boyington referred to the CIPFA Local Pension Boards Conference held on 29 June 2016 in London which J Thompson and himself had attended. The conference had predominately been attended by the chairs and vice chairs of the local pension boards. The Pensions Regulator had shown a keen interest in transparency, and he had queried that G Boyington's photograph and/or biography could not be located on the South Yorkshire Authorities' website. A suggestion had been made to regularly review the Regulator Code of Practice, together with the need to consider complaints and complements. A distance training package was available on the Pensions Regulator website www.thepensionsregulator.gov.uk.

Members would be provided with the details of the 3 day fundamentals training courses, to which Elected Members attended. K Morgan commented that he would be interested in attending the training courses.

G Warwick gave thanks to G Chapman and colleagues for the background information provided in relation to the Pensions Regulations and the internal training which had always been of an excellent standard. He added that it was important for Members to be kept up to date on developments in relation to the pooling arrangements and nearing the end of the Government's consultation period on the final investment pool. It was noted that GMB were concerned at the outcome of the Tata negotiations on the restriction of pensions.

G Boyington reiterated that it was imperative for the Board to be kept updated on developments. He gave thanks to J Hattersley and G Chapman for the information previously provided to Members, which had provided a useful steer on the Board's responsibilities, and would continue through S Barrett.

RESOLVED – That Members:-

- i) Noted the verbal update.
- ii) Noted that G Boyington's photograph and/or biography should be included onto the South Yorkshire Authorities' website.
- iii) Agreed to be provided with the details of the 3 day fundamentals training courses.

9 SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD ANNUAL REPORT 2015/16

Members were presented with the South Yorkshire Joint Local Pension Board Annual Report 2015/16.

G Boyington gave thanks to G Richards for her sterling work in producing the report. Members agreed that it would be appropriate to include Member attendance and details of the Board's budget within the report.

M McCarthy informed Members that it was incumbent of the Board to prepare an annual report to be presented to the Authority (the scheme manager). The Authority was not scheduled to meet again until October 2016; he queried whether a report should be released in the interim period.

G Boyington commented that subject to it being legally correct, he would like an interim report to be published onto the South Yorkshire Authorities' website, in an easily locatable area.

G Warwick referred to a number of concerns raised by the Advisory Board in relation to the function, role and payment of some of the chairs. He suggested that it would be useful to send a copy of the Board's Annual Report onto the Advisory Board and the Department for Communities and Local Government, to indicate that the Board was active and undertaking its' duties for the purposes that it was initially intended.

M McCarthy commented that he would draft a letter on behalf of G Boyington, to be sent to those Members who had not attended the Board's meetings. He would also request D Terris to speak to her colleagues at the district councils to request their respective members' attendance at the Board meetings.

G Berrett drew Members' attention to the 'Work of the Board 2015/16' section within the report. He suggested that the first bullet point should read 'A model Constitution and Terms of Reference', and that the additional narrative within that bullet point should be included onto the sentence above.

RESOLVED – That Members:-

- i) Noted the South Yorkshire Joint Local Pension Board Annual Report 2015/16.
- ii) Agreed that Member attendance and details of the Board's budget be included on the Annual Report.
- iii) Noted that the Annual Report would be presented to the Authority meeting in October 2016.
- iv) Agreed that an interim Annual Report be published onto the South Yorkshire Authorities' website in an easily locatable area, subject to it being legally correct.
- v) Agreed that a copy of the Annual Report be sent to the Advisory Board and the Department for Communities and Local Government.
- vi) Noted that a letter would be sent on behalf of G Boyington, to those Members who had not attended the Board's meetings, and that D Terris would be requested to speak to her colleagues at the district councils, to request their respective members' attendance at the Board meetings.
- vii) Noted the suggested amendment to the Annual Report.

10 INVESTMENT POOLING UPDATE

S Barrett referred Members to the development of Borders to Coast; the final submission had been made by 15 July 2016. Members had been provided with copies of the Pension Authority agenda of 30 June 2016, which underpinned matters further.

S Carnell commented that the Board was not permitted to receive private Pensions Authority papers.

S Barrett commented that an essential principle for the final governance structure was that each fund would establish its own asset allocation, which for the Board rested with the Pensions Authority. The decision of how the funds would be used and managed would be made through the executive body. A supervisory entity would be established for a member from each fund within the pool, and all 12 of the voting members would have voting rights (except the Passenger Transport Pension Fund, who wanted to avoid sharing a cost of the fund). It was noted that the Government would respond to submissions by September/October 2016; a large proportion of work was required ahead of 1 April 2018.

G Boyington referred to discussions with colleagues in London, who were equally on board; it was apparent that people were struggling with the concept of having a pooled fund, to which individual authorities were still responsible for their own assets and allocation.

S Barrett commented that there would be a role for the Board. At this stage the administrative side would retain all administrative functions, to which the Local Pension Board would still have a large interest into how it was managed.

G Boyington commented that the Board's direct involvement in investment was limited. The Board hoped that as much investment work as possible would be retained in-house; he queried the position of any physical relocation for the Investment Team.

S Barrett commented that there would almost certainly be a physical relocation in Yorkshire. The main internal investment teams were based in Teesside, East Riding and South Yorkshire.

RESOLVED – That Members noted the update.

11 CIPFA LPB SURVEY

The Board was presented with a report to advise of the results of a survey conducted by CIPFA regarding Local Pension Boards. A total of 59 responses to the survey had been made, which included one submission on behalf of the Board. The results of the survey would be discussed at the workshops scheduled at the CIPFA annual conference later this month.

M McCarthy commented that the Board was conforming to everything that the Pensions Regulator and the CLG had requested in the establishment of the Board.

G Berrett referred to the statistics from the summary results from the survey. He suggested that the Board's budget and Members attendance at meetings should be included in the Annual Report, to identify the work that the Board intended to undertake.

G Boyington commented that he would speak to the Chair of the Authority to firm up his capacity of attending Pensions Authority meetings.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Agreed that the Board's budget and capability of Members be included in the Annual Report.

12 INDEMNITY INSURANCE FOR LOCAL PENSION BOARDS

Members were presented with the Counsel's Opinion of James Goudie QC on the Local Government Pension Scheme 'LGPS' Pension Boards. Counsel's Opinion related to the legal status of a LPGS Board, the legal relationship between such a Pension Board and the scheme manager and details of the conflict between the two.

G Boyington referred to the large number of individuals that were exercised by the business of insurance. Counsel's Opinion had highlighted that as the Board was not classed as a local authority committee, that it was highly likely that many of the local authority insurers would not automatically provide indemnity cover for the Board. He considered that the risks were low, but that it would be necessary to ascertain the opinion of the Authority's insurers or legal team, in the event that the Board was unjustly accused.

M McCarthy commented that he would seek to obtain a definitive answer from the Authority's insurers and A Frosdick, Monitoring Officer.

G Boyington requested that Members be provided with a response in the interim period.

G Boyington gave thanks to everyone for attending today's meeting.

RESOLVED – That Members:-

- i) Noted Counsel's Opinion.
- ii) Noted that a definitive answer would be sought from the Authority's insurers and legal team in relation to indemnity cover for the Board from local authority insurers.

CHAIR

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 verbal update	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	<u>Review of Pensions Administration</u>	SYPF Annual Fund Meeting	
		<u>Release of Preserved Benefits</u>		
Training & Development				

SOUTH YORKSHIRE PENSIONS AUTHORITY

24th November 2016.

Report of the Clerk.

SOUTH YORKSHIRE PENSIONS AUTHORITY – RISK MANAGEMENT ARRANGEMENTS

1) Purpose of the Report

To provide Members with the draft Risk Management Framework that has been developed for South Yorkshire Pensions Authority.

2) Recommendations

Members are recommended to:

- a) **Consider the content of the Risk Management Framework, which has been developed for SY Pensions;**
 - b) **Consider the content of the Risk Register, which has been developed for SY Pensions;**
 - c) **Subject to changes emanating from (a) and (b) approve the Risk Management Framework and Risk Register for SY Pensions.**
-

3) Background Information

- 3.1 The attached Risk Management Framework and Risk Register have been developed during 2016 by the Risk and Governance Manager (BMCB) and colleagues from the Pensions Service.
- 3.2 Following a series of meeting and refinements, the Risk Management Framework has been prepared for consideration by the Pensions Authority.
- 3.3 The Risk Management Framework comprises of:
 - Foreword prepared by Cllr Ellis;
 - Aims, Objectives, Approach and Benefits;
 - Governance – roles and responsibilities; and,
 - Appendices covering definitions and processes.

3.4 The Risk Register itself contains 9 risks relating to:

- Succession Planning;
- Members knowledge and Experience;
- Data quality issues;
- Social Investment;
- 'Credit' risk;
- 'Liquidity' risk;
- Data protection;
- Reconciliations; and,
- Pooling Arrangements.

4) Implications and risks

4.1 Whilst there are no direct financial, legal or compliance issues arising from this report, the approval of the Risk Management Framework for SY Pensions will add a valuable and robust element to the organisation's own internal control and governance arrangements.

Officer Responsible: Adrian Hunt
Post: Risk and Governance Manager (BMBC)

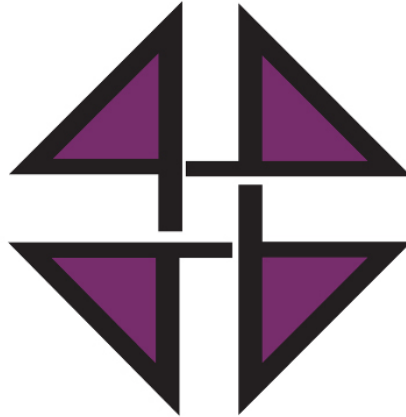
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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley.

South Yorkshire Pensions Authority

DRAFT Risk Management Policy 2016



SOUTH YORKSHIRE PENSIONS AUTHORITY

Date Approved:	2006
Date Revised:	November 2009; April 2010; confirmed April 2011; July 2012; June 2013; September 2014; October 2015; October 2016
Date of Next Review:	October 2017
Owner:	Deputy Clerk
Owner:	Deputy Clerk

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Foreword

Councillor Sue Ellis – Chair of South Yorkshire Pensions Authority

The risk management policy was last reviewed in October 2015 and it is appropriate to keep arrangements under review.

The Local Government Pension Scheme is a highly valued service and we are proud of our strong tradition of excellence here in South Yorkshire.

Reform and the challenge faced by Funds in implementing new Pooling arrangements support the need for good risk management arrangements.

I therefore commend the revised risk management policy for adoption by the Authority.

Section 1 – Overview

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

Section 2 – Aims, Objectives, Approach and Benefits

2.1 The key aims of the strategy are to ensure that the Authority:

- Meets specified governance requirements
- Realises the business benefits of formal risk management processes

2.2 Key objectives are to:

- Integrate risk management into the culture of the Authority
- Manage risk in accordance with best practice and adhere to national guidance
- Minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources
- Protect the Authority's assets
- Anticipate and respond to changing political, economic, sociological, technical, environmental, legal and organisational requirements
- Exploit opportunities
- Preserve and enhance the effectiveness of service delivery
- Inform policy and operational decisions by identifying risks and their likely impact
- Protect the corporate image and reputation of the Authority
- Maintain effective stewardship of the Authority's funds and demonstrate good corporate governance

2.3 Approach – the Authority will achieve these objectives by:

- Approving this Risk Management Policy and keeping it under review
- Ensuring that appropriate resources are allocated to risk management activities
- The Clerk establishing and maintaining the risk management framework identified in this Policy
- Embedding the Risk Management Process as outlined in this document.
- Establishing clear roles and responsibilities for all stakeholders
- Providing risk management training and awareness sessions to Members and officers
- Fully integrating risk management into the organisation's management processes e.g. Planning process, Business Continuity, Partnership arrangements, Financial Planning
- Actively maintaining awareness of current best practice via other organisations, publications and networking

2.4 Benefits expected:

- A framework for consistent and controlled activity
- Improved decision making, planning and prioritisation through structured understanding of business activity and associated threats/opportunities
- An aid to appropriate allocation of funding and resources

- Protection of assets and the organisation's image/reputation
- Helps to optimise operational efficiency
- Helps to develop and support people and the organisation's knowledge base

Section 3 – Governance – Risk Management Roles & Responsibilities

3.1 Pensions Authority

Role:

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

Responsibilities:

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

3.2 Corporate Planning and Governance Board

Role:

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

Responsibilities:

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

3.3 Clerk

Role:

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

Responsibilities:

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

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

3.4 Pensions Planning Group

Role:

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

Responsibilities:

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

3.5 Strategic Risk Owners

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

3.6 Service Response

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

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

3.7 Internal Audit and risk management advice

- The risk management process will be subject to audit.
- Additional advice can be made available through BMBC 's risk management adviser
- Internal Audit will provide advice on risk management processes.
- Internal Audit will regularly review the risk registers and incorporate risk areas into its work programme as appropriate.

Appendix 1 sets out further procedural guidance.

Appendix 1 - Definitions and processes

1. What is Risk?

- 1.1 Risk can be defined as the threat that an event or action will adversely affect the organisation's ability to achieve its own objectives.
- 1.2 A 'risk' is made up of an **EVENT** which if it manifests will have a **NEGATIVE IMPACT** on the organisation's **OBJECTIVES**.
- 1.3 Risk is usually expressed in terms of the probability or likelihood of an occurrence, together with the possible impacts, usually expressed by a financial loss as well as other impacts. The mechanism used to assess risk logged on the SYPA risk register is detailed in Appendix One.
- 1.4 However, risk should also be considered and thought of in more positive terms, by considering both missed opportunities, and opportunities that have not yet been maximised or fully exploited.

2. What is Risk Management?

- 2.1 Risk Management is the structure, processes and culture that are employed by an organisation to assist in the maximisation of opportunities whilst minimising any associated uncertainty.
- 2.2 Risk Management assists in the delivery of the organisations own agenda, including the delivery of strategic objectives for the SYPA, which are as follows:
 - **The Best:** to be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.
 - **Investment Returns:** to maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities.
 - **Responsible Investment:** to develop our investment options within the context of a socially responsible and sustainable investment strategy.
 - **Valuing our Employees:** to develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.
 - **Pensions Planning:** to encourage and support well informed pensions planning and investment amongst our member organisations and their employees.

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

3. Why Manage Risk?

- 3.1 Managing the risks that could adversely influence and affect the ability to achieve organisational objectives is an essential element of the SYPA's corporate governance arrangements and internal control framework. This is recognised in the Accounts and Audit Regulations 2015, section 3, which requires Authorities to have effective arrangements for the management of risk.
- 3.2 The aim of the risk management policy and strategy is to manage risks that threaten the successful delivery of organisational objectives, and where possible, reduce these to acceptable levels. However, it is not the intention to be risk averse, and it is recognised that risk taken in the pursuit of organisational objectives will not always be capable of being mitigated to agreed, acceptable levels.
- 3.3 Considerable progress has been made throughout the SYPA with regard to the introduction of risk management policies and procedures which contribute to the development of an overall risk management culture within the organisation.
- 3.4 This strategy sets out how a culture of risk management will be further developed in the next few years. The essential elements required to encourage the further development of a risk management culture are an agreed policy, processes and framework, without imposing undue regulation.
- 3.5 Risk Management should be seen to be an essential enabler to the delivery of services, the achievement of objectives and the effective performance management of the organisation.

4. Risk Management Policy

4.1 Policy

- 4.1.1 The risk management policy sets out the overall vision and purpose of risk management within the SYPA, and defines the objectives necessary to support the successful delivery of that vision, and details how those objectives will be supported.
- 4.1.2 The policy is subject to regular review and any proposed amendments are to be agreed by the Executive Management Team, the Pensions Planning Group (who have subsumed the terms of reference of a 'Risk Group'), and subsequently, the SYPA Corporate Planning and Governance Board.

4.2 Strategy

4.2.1 The purpose of the strategy is to identify the components for delivering the policy, and to ensure that risk management arrangements are maintained throughout the organisation. The components of the strategy include:

- Roles and Responsibilities (covered in section 3 of the main report);
- Risk Management Process (section 6);
- Risk Review (section 7);
- Risk Tolerance Acceptance (section 8);
- Risk Recording (section 9);
- Guidance, training and facilitation (section 10);
- Assurance (section 11);

These components are detailed further below.

4.2.2 Whilst the principles and mechanics of risk management remain fairly constant, the environment in which the SYPA operates is changing fast. Where there is change, there is often risk and it is therefore critical that across the organisation, employees, Managers and Elected Members are clear about the risk management framework and its intended benefits to minimise the chance of something going wrong or missing an opportunity.

5. Risk Management Process

5.1 The risk management process provides a systematic and effective method of identifying and managing risk at different levels within the organisation. This process requires every risk to be:

- Identified, described and owned / allocated to a named manager;
- Assessed in terms of the overall 'concern' regarding the risk;
- Mitigated; and,
- Reviewed.

5.2 Risks are contained within the SYPA Corporate risk register. Each risk is reviewed on a regular basis and any new or emerging risks are considered at that time.

5.3 Procedural guidance regarding the management and maintenance of the risk register can be located within Appendix 2.

6. Risk Review

6.1 Each risk register is subject to a formal periodic review by risk owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels should be escalated

and reported to management in accordance with the risk tolerance / acceptance model.

6.2 Procedural guidance regarding the management and maintenance of the risk register can be located within Appendix One.

7. Risk Tolerance / Acceptance

7.1 It is recognised that at times risks which exceed agreed tolerance or acceptance levels will be accepted in the pursuit of an objective. Procedures are in place to ensure these risks are appropriately recognised and reported. Equally, risks which fall within agreed tolerance or acceptance levels can be revised to ascertain whether resources can be safely channelled to other areas that require more urgent mitigation.

7.2 Risk Appetite is the overall level of exposure to risk which is deemed acceptable within the organisation. It is a series of boundaries, authorised by senior management in order to give clear guidance on acceptable limits of risk.

7.3 Risk Appetite is translated into risk tolerance or acceptance levels, which are defined using Current and Target risk assessment scores for individual risks. Risks which fall outside of the agreed risk tolerance or acceptance levels are reported to senior management, using the risk tolerance / acceptance model:

Current Category Score	Target Category Score	Comment
5 – 6 (Green)	5 – 6 (Green)	Monitored and Reviewed via risk register reviews.
3 – 4 (Amber)	5 – 6 (Green)	Managed and Monitored via risk register reviews.
3 – 4 (Amber)	3 – 4 (Amber)	Managed and Monitored via risk register reviews.
1 – 2 (Red)	5 – 6 (Green)	Managed and Mitigated via risk register reviews.
1 – 2 (Red)	3 – 4 (Amber)	Managed and Mitigated via risk register reviews.
1 – 2 (Red)	1 – 2 (Red)	Escalated.

7.4 All decision making reports are required to provide details of any potential significant risks in proposed policy changes, programmes or projects. The report must include a specific section on risk management implications, where an articulation of the significant risks associated with the proposal, along with assurances that appropriate risk mitigation actions are (or will be) in place should be included. This activity will

ensure that report authors are able to provide accurate and appropriate information to interested parties regarding the management of risk.

8. Risk Recording

8.1 Specific templates are in place for the recording of SYPA owned risks. These templates (utilising Microsoft Excel) provide a structured and consistent approach to the recording and categorising of risks, across all risk registers. The benefits of this common approach include the ability to compare risk profiles across areas of the organisation, as well as allowing for the development of an overall risk profile for the SYPA.

8.2 Risk Registers incorporate specific information about individual risks such as:

- Clearly defined risk title / description;
- Risk Owner;
- Control Measures in place;
- Risk Concern Rating; and,
- Risk Mitigation Actions (including Owner, Review Date and progress);

8.3 Procedural guidance regarding the management and maintenance of risk register can be located within Appendix One.

9. Guidance, Training and Facilitation

9.1 Comprehensive information regarding the risk management framework can be found on the Authority's website.

9.2 Periodic training for SYPA Members and officers can be facilitated by contacting the SYPA Pensions Planning Group, or by contacting the Risk and Governance Manager (BMBC).

10. Assurance

10.1 The provision of assurance that risks are identified, understood, and appropriately managed is an essential measure of the adequacy and effectiveness of the organisation's risk management arrangements.

10.2 The SYPA Executive Management Team ensure the development and presentation of the following documents, designed to provide assurances to interested parties, as follows:

- A bi-annual report to the SYPA Corporate Planning and Governance Board regarding the progress made in reducing all significant risks (assessed as being 'red') that are logged in SYPA risk registers;

- All reports to Corporate Planning and Governance Board and the Pensions Authority contain a mandatory section which provides an opportunity to consider risk management implications.

10.3 An annual, independent review of the organisation's risk management arrangements is undertaken by the SYPA Internal Audit function. This is intended to provide independent and objective assurances regarding the adequacy and effectiveness of the organisation's risk management arrangements. The audit focuses on:

- Verifying the existence of risk registers, and risk management action plans;
- Analysing whether risk management is being actively undertaken throughout the organisation; and,
- The provision of appropriate advice and guidance on how to further improve risk management processes and procedures.

10.4 The risk management arrangements of the SYPA are also subject to review as part of the organisation's Annual Governance Review, which is the process that underpins the production of the SYPA Annual Governance Statement.

APPENDIX 2 – Risk Management Process

1. Risk Management Process Overview

1.1 The risk management process provides a systematic and effective method of identifying and managing risk at different levels within the organisation. This process requires every risk to be:

- Identified, described and owned / allocated to a named manager;
- Assessed for in terms of the level of ‘concern’ the risk poses;
- Mitigated; and,
- Reviewed.

1.2 Risks are subject to a formal periodic review by risk owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels should be escalated and reported to management in accordance with the risk tolerance / acceptance model.

2. Risk Management Process – Risk Identification

2.1 Effective risk identification requires that the significant threats, risks and opportunities regarding the achievement of the organisations objectives, priorities and project ambitions are identified.

2.2 In order to ensure the ‘right’ risks are identified, consideration should be given to employing a number of techniques listed below:

- Workshop Events – a facilitated session where interested parties are able to meet and discuss the risk implications of a particular activity or project in detail;
- Checklists – working through a series of listings, which may have been developed from previous risk management experience and knowledge which allows for generic risks to be selected from a list, and then subsequently redrafted and aligned to the specific activity or project in hand (see 2.3);
- Flow Charts – the flow chart is not restricted to the organisational structure of the company. It can be used to describe any form of ‘flow’ within the organisation. In any organisation there will be many different aspects of flow. For example, there will be a service flow as the organisation attempts to satisfy the demands of its customers. There will also be accounting flows, marketing flows, distribution flows and many others; and,
- Process Mapping – By representing processes diagrammatically or mapping them it is possible to see the way to improve things. If this is applied to the

management of risks it is possible to see clearly the potential for losses or the opportunities to maximise potential in the way that risks are dealt with;

- 2.3 Whilst no method of risk identification is guaranteed to ensure all risks will be identified, the following checklists have been developed to assist in the consideration of risk:

Internal Sources of Risk:

- Delivery of Services;
- People / Employees;
- Partnerships;
- Projects; and,
- Change.

External Sources of Risk:

- Regulation;
- The Economy;
- Stakeholders;
- Funders; and,
- Partners.

New and Emerging Risks:

- Changing regulations;
- New Objectives;
- Changing Expectations;
- Technology.

Risk 'Topics':

- Resources;
- Reputation;
- Delivery of services;
- Safeguarding,
- Environment;
- Projects; and,
- Partnerships.

- 2.4 In order to properly express the risk, consideration should be given to articulating the risk in terms of an **event**, which if it manifests will have a **consequence**, which may have a negative **impact** on the organisation's objectives:



2.5 This principle can also be expressed as follows:

Failure to...	Leads to...	Results in...
Catch the train on time...	Me missing the train...	Me being late for a meeting...

It is important to articulate the risk properly, to enable us to properly understand its impacts and consequences, and to ensure our risk mitigation actions are appropriate.

2.6 An appropriate risk owner should also be identified and logged. This is the person or entity best placed to oversee the management of the risk. It is likely the risk, should it manifest will impact upon the risk owners own span of control within the organisation.

2.7 The risk consequences are likely to reflect the articulation of the consequence and impact elements of the risk expression of the risk, detailed in section 2.4.

2.8 The Current Control Measures for each risk should also be noted. These are the policies, processes and procedures that are already in place to control or affect the risk, and / or the risk's consequences and impacts. It is likely that a number of these Current Control Measures will be sourced from the SCRs own Internal Control and Governance Framework.

3. Risk Management Process – Risk Assessment

3.1 It is acknowledged that all of the risks logged in the SYPA Corporate Risk Register are significant.

3.2.2 Whilst risk mitigation actions are in place for all risks, and efforts are being made to ensure the intended benefits of such risk mitigation actions are realised, the actual positive impacts of these risk mitigation actions can be can often be hard to express in terms of the risk assessment itself, and ultimately, what are contextually small positive impacts on such significant risks may simply result in the *maintenance* of the assessment, rather than actually *improving* it.

3.2.3 Each risk logged on the SYPA risk register benefits from an assessment in terms of its *probability* and its overall *impact*. Using the grid detailed in appendix two, risk owners are able to identify the appropriate probability and impact score based on quantitative factors unique to each risk.

3.2.4 Following this assessment, the **overall risk score** can be identified by referencing:

- The probability of the risk occurring; and,
- The higher of the two impacts (Financial or 'Other' Impacts).

Against the following grid:

Impact	VH Very High	5	3	2	1	1
	H High	5	4	2	1	1
	M Medium	5	5	4	2	1
	L Low	6	5	5	3	2
	VL Very Low	6	5	5	5	5
		VL Very Low	L Low	M Medium	H High	VH Very High
		Probability				

(The higher the **overall risk score** is, the 'worse' the risk is.)

3.2.5 Risks are assessed twice – once in terms of the *Current Risk Score*, assuming just the risk control measures are in place, and again, in terms of the *Target Risk Score*, assuming that the risk control measure and the risk mitigation actions (see section 4) are complete, and successful.

4. Risk Management Process – Risk Mitigation

4.1 Risk Mitigations Actions should be identified for each risk. These actions should be designed to either *improve* or *maintain* the current risk assessment. For each mitigation, it is important to ensure they are proportionate to the risk in questions, and that ultimately, the cost or resources required to successfully implement the risk mitigation action are not greater than then potential impact of the risk, should it manifest.

4.2 Each identified risk mitigation action should be SMART:

- S** – Specific
- M** – Measurable
- A** – Achievable
- R** – Resourced
- T** – Time targeted

4.3 An appropriate risk mitigation owner should also be identified and logged. This is the person or entity best placed to oversee the management of the risk mitigation action.

4.4 Each risk mitigation action can have its progress logged in terms of the 'percentage complete'. This provides assurances regarding the progress of each risk mitigation action at each review period.

4.5 A review date for each risk mitigation action should also be logged. This date is the proposed date to review the risk and the risk mitigation action. It is appropriate to ensure that these review dates are set in advance of the next programmed review, to

ensure that the risk mitigation action date has not passed the programmed review date.

5. Risk Management Process – Risk Review

5.1 Regular reviews must be undertaken to ensure risk Control Measures are working effectively and risk mitigation actions to mitigate the effects of risks are progressing. There may be changes to plans, objectives or the proposed delivery of services which bring about new or additional exposures. There may be new risks emerging that may impact upon the organisation. The review process simply involves looking at each risk and reviewing each element:

- i. Is the risk described appropriately? Have circumstances changed that could affect how the risk is currently worded?
- ii. Is the risk owner still the appropriate person to manage and carry the risk forward?
- iii. Are the current controls suitable? Are there any new controls to consider, or have there been any recent control failures that require review in themselves?
- iv. Are the Current and Target risk scores applied to each risk correct? As a consequence of this, is the current risk scoring in terms of probability and impact still correct? Have there been any near misses, or changes to circumstances that may require these scores to be reviewed?
- v. Are the risk mitigation actions identified still relevant?
 - a. Have any risk mitigation action been completed that can now be logged as current control measures? If risk mitigation actions do become complete, can the current risk score be amended?
 - b. Are there risk mitigation actions that remain ongoing, that require a new review date?
 - c. Is the risk mitigation owner still best placed to carry and manage the risk mitigation action?
 - d. Are there any new risk mitigation actions to log, as mitigating actions to existing risks?
- vi. Finally, are there any new or emerging risks to consider, and add to the risk register?

6. Risk Management Process – Risk Registers

6.1 A template corporate risk register is attached as Appendix Three. This includes detail guidance regarding the content and maintenance of the register.

A 5 x 5 risk matrix covering **Probability** (likelihood) and **Impact** (including 'financial' and 'other impacts') is used when assessing the level of risk.

This analysis should be undertaken by managers and supervisors with **experience in the area in question**.

The risk 'score' is identified by considering the probability of the risk event occurring and the impact of the risk, should it manifest:

		Probability		
Very Low (1)	Low(2)	Medium (3)	High (4)	Very High (5)
Less than a 5% chance of circumstances arising OR Has happened rarely / never	5% to 20% chance of circumstances arising OR Only likely to happen once every 3 or more years	20% to 40% chance of circumstances arising OR Likely to happen in the next 2 to 3 years OR Risk seldom encountered	40% to 70% chance of circumstances arising OR Likely to happen at some point in the next 1 to 2 years OR Risk occasionally encountered	More than a 70% chance of circumstances arising OR Potential occurrence OR Risk frequently encountered
		Financial and Other Impacts		
Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
< 1% of budget OR Up to £100,000	1% - 5% of budget OR Up to £250,000	6% - 10% of budget OR Up to £1m	11% - 20% of budget OR Up to £5m	> 20% of budget OR Over £5m
Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Minimal or no effect on the achievement of Authority objectives AND / OR Minimal or no effect on the delivery of Service objectives - Little disruption to the delivery of services - Very confident the risk can be improved AND / OR Very achievable objective Very easily influenced Very tolerable / easy to accept - Insignificant injury AND / OR Near miss, no damage incurred to Authority assets - Insignificant environmental damage - Insignificant Reputational damage AND / OR No internal coverage / no social media attention	Little effect on the achievement of Authority objectives AND / OR Little effect of the delivery of Service objectives - Some disruption to the delivery of services - Confident the risk can be improved AND / OR Achievable objective Easily influenced Tolerable - Minor injury AND / OR Incident occurred, minor damage incurred to Authority assets - Minor damage to the immediate local environment - Minimal damage to Reputation (minimal negative coverage in local press) AND / OR Minimal internal negative coverage / minimal social media attention	Partial failure to achieve Authority objectives AND / OR Partial failure to achieve Service objectives - Significant disruption to the delivery of services - Moderate confident that the risk can be improved AND / OR Possible to achieve objective Able to influence Somewhat tolerable - Threat of violence or serious injury AND / OR Some damage incurred to Authority assets - Moderate damage to the immediate or wider local environment - Significant negative coverage in the local press or minimal negative coverage in regional press AND / OR Some internal negative coverage / some social media attention	Significant impact on achieving Authority objectives AND / OR Significant impact on achieving Services objectives - Loss of critical services for more than 48 hours, but less than 7 days - Little confidence the risk can be improved AND / OR Unachievable objective Difficult to influence Out of tolerance but possible to accept - Extensive multiple injuries AND / OR Significant damage incurred to Authority assets - Major damage to immediate or wider environment - Significant negative coverage in regional press AND / OR Significant internal coverage / significant social media attention	Non-delivery of Authority objectives AND / OR Non-delivery of Service objectives - Loss of critical services for over 7 days - Very little confidence that the risk can be improved AND / OR Totally unachievable objective Very difficult to influence Out of tolerance - Fatality or multiple major injuries AND / OR Total loss of Authority assets - Significant damage to immediate or wider environment - Extensive negative coverage in national press and TV AND / OR Extensive internal coverage / Extensive social media attention

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A numeric value is applied to each of the selections for Probability and Impact. The highest of the two impacts (Financial and 'Other') is referenced against probability in the in the Risk Matrix below to give a 'RAG' rated risk 'score'.

IMPACT	5 Very High	5	3	2	1	1
	4 High	5	4	2	1	1
	3 Medium	5	5	4	2	1
	2 Low	6	5	5	3	2
	1 Very Low	6	6	5	5	5
		1 Very Low	2 Low	3 Medium	4 High	5 Very High
		PROBABILITY				

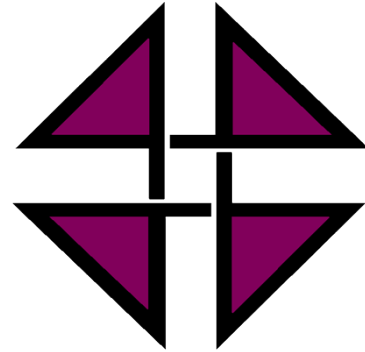
Risk Score	RAG Rating
5 – 6	Green
3 – 4	Amber
1 – 2	Red

SY PENSIONS AUTHORITY RISK REGISTER AS AT 11/11/2016

Priority	Risk No	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability and Impact	Target Score	Probability and Impact	Risk Mitigation Action	Owner	% comp	Review Date	Update Notes
	001	Failure to ensure there are appropriate succession plans in place to ensure employees are given opportunities to demonstrate their capability to 'step-up' to more senior roles	Leading to... Knowledge gaps; Negative impact on existing / remaining employees; Business Continuity and resilience issues; Negative impacts on service delivery; Poor performance and non-delivery of targets; Reputational damage; Potential knock on effects where knowledge gaps could appear in areas where employees have been promoted from; Inappropriate decision making by Members of the Pension Board; Poor scrutiny and challenge by Members of the Joint Local Pensions Board;	Fund Director	Training of employees; Sharing of information; Use of minutes and central resources to ensure employees are well informed; Involvement in all issues of management teams to ensure continuity; No immediate competitors for recruitment in the Pensions industry; Procedures well documented; Currently carrying some vacancies to provide some flexible options; Need to provide full Business Case prior to any recruitment being undertaken; External HR support in place; Authority Management Committee in place; BMBC HR support;	2	P - H F - M OI - M	4	P - H F - L OI - L	Meeting with Pensions recruitment specialists to assist in identifying existing employees who are appropriate for succession planning Delivery of internal Training Programme 16/17	Fund Director Fund Director / Pensions Manager		30/11/2016 30/11/2016	Recruitment specialists not yet engaged. Options re strategic HR being reconsidered. Aug 2016
Page 43	002	Failure to ensure that the Elected Members knowledge and understanding of Pensions related activities is robust, and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004	Leading to... Improper scrutiny and challenge by Elected Members; Mistakes, Errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators;	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; One day internal refresher course in 2013; Periodic awareness presentations delivered to Members; A self assessment framework for Members and Chairs is in operation but needs refining - this should assist in identifying training requirements; Lead Member for training identified; Working to the spirit of the CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance Knowledge and Skills, revised in 2013) - Treasurer is the nominated CIPFA officer; Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training;	5	P - M F - VL OI - L	6	P - L F - VL OI - L	Review of Members self assessments	Treasurer		30/11/2016	Training programmes in place an on target Aug 2016
	003	Failure to ensure that required pay and contributions data from customers is provided in an accurate and timely manner	Leading to... Negative impacts on operational targets; Inaccurate information being given to employees and pensioners resulting in complaints, customer dissatisfaction and reputational damage;	Fund Director	District Group Meetings between officers; Regular reports on progress submitted to Corporate Planning and Governance Board; Standard item on South Yorkshire Treasurers Association meetings; Practitioner officer working group established; Ongoing liaison with External Audit; Pensions regulator responsible for regulating schemes and is able to fine and censure those responsible for inaccurate or late information; Enhanced and more robust Service Level Agreements between customers and Authority; Pension Strategy approved by Authority - reviewed and revised version in place for 01/04/2016 - incorporates SLA's and improves upon them in terms of fines being levied for customers who are non-compliant;	2	P - M F - H OI - M	3	P - L F - H OI - H	Monitor and Review the implementation of the Pensions Strategy 16/17 Investigate move to monthly postings of contributions	Vice Chair (Corporate Governance and Planning Board) Pensions Manager		30/11/2016 30/11/2016	Pensions Admin Strategy successfully implemented. Monthly posting being developed by Civica. Risk remains the same Aug 2016
	004	Failure to ensure that social, environmental and other factors such as the use or endorsement of fossil fuel, obesity and tobacco by companies in which the Fund invests are considered when making investment decisions	Leading to... Non-achievement of investment objectives; Failure to protect and enhance the economic value of the companies the Fund invests in; Reputational damage;	Fund Director	Internal policy documents in place; Awareness information circulated within Investments Team; Membership of various pressure groups; Reports to Members Oversight Board; Awareness of balance between risk (investing in companies that may have an interest in fossil fuel, obesity and tobacco) against reward (high yield investments); Members have embraced the approach exhorted by Professor John Kay in his 2012 'Review of equity markets and long term decision making' and the phrase 'voice over exit'; Pensions Climate Change Policy Document published and feedback received; Statement of Investment Principles in place; Performance reports include information on investments made;	4	P - M F - M OI - M	5	P - L F - L OI - L	Reports to members regarding the performance of investments	Head of Investments		30/11/2016	Quarterly reports continued to be issued to Members Aug 2016
	005	Failure to ensure that the deposits held with banks and other financial institutions is repaid on the agreed due date (Credit Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme;	Fund Director	Treasury Management Strategy requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by the Authority; Maximum sum to be invested identified for each institution; Credit monitoring arrangements in place; Financial references obtained for institutions that the Authority may potentially invest in; Actuarial evaluation undertaken in 2010, and March 2013;	5	P - L F - M OI - L	6	P - L F - L OI - L	Monitor and Review 16/17	Head of Investments		30/11/2016	
	006	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments (Liquidity Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme; Inability to meet pensioner payroll costs and investment commitments;	Fund Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week, and no cash being deposited for more than a month; Actuarial evaluation undertaken in 2010, and March 2013; Assumptions within Actuarial report (mortality and commutation rates) unchanged for previous evaluations; The Authority works to the principle of 'collect, handle, secure and invest';	5	P - L F - M OI - L	6	P - L F - L OI - L	Ensure Actuarial Review in 2016 considers the new contribution rates in place from April 2017	Head of Investments		30/11/2016	

SY PENSIONS AUTHORITY RISK REGISTER AS AT 11/11/2016

Priority	Risk No	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability and Impact	Target Score	Probability and Impact	Risk Mitigation Action	Owner	% comp	Review Date	Update Notes	
	007	Failure to ensure the Authority protects the data it owns, and the data it handles	Leading to... Loss of personal information resulting in reputational damage and censure by Information Commissioner; Loss of trust from partnering organisations; Successful attacks by hackers or third parties; Disruption and delays;	Fund Director	Data back up undertaken daily and backed up information removed from site; Disaster Recovery procedures and Business Continuity Plan in place; External Audit by third party organisations the Authority works with; Security of emails via GSX accounts or the use of Mimecast software; IT Security Policy in place; Reporting of incidents to Information Commissioner; Information Governance training included in training programme; BOLD training available via BMBC; Data Protection Officers no longer in post within SY Pensions; Contract management arrangements regarding the software provided by SY Pensions to third parties includes performance management consideration; Liaison with Landlord regarding improvements to physical security of Regents Street Offices such as lock on doors undertaken;	3	P - L F - H OI - H	5	P - VL F - M OI - H	Bi-Annual review of BCP	IT Manager		30/11/2016	BCP to be reviewed at next or subsequent PSG. All the other IT actions are on schedule. Aug 2016	
										Roll-out of Windows 10 to enable hard drives to be encrypted	IT Manager		30/11/2016		
										Review of where data is stored to ensure is can not be extracted	IT Manager		30/11/2016		
										Provision of online training to employees 16/17	IT Manager		30/11/2016		
	008	Failure to ensure that the reconciliations between SY Pensions and the DWP relating to the end of the contracting out window (31/03/2016) are undertaken within an appropriate timescale	Leading to... SY Pension will have to guarantee minimum pension levels, and essentially have to underwrite the risk of miscalculation or lack of / poor information;	Fund Director	Details from central Government are still emerging; Current lack of resources within SY Pensions makes this a challenging area to comply with; Approval received to outsource arrangements to I.T.M. Ltd;	2	P - H F - M OI - M	4	P - M F - M OI - M	Review of work undertaken by I.T.M. Ltd to ensure members benefits are correct	Pensions Manager		30/11/2016	ITM engaged and project underway and on target. Aug 2016	
	009	Transition to the new investment 'pooling' arrangements is not well managed	Poorer value for money; Negative impact on the staff involved in the transition; Reputational damage for SYPA and the LGPS;	Clerk to the Authority	Member Steering Group in place (MSG); Chair of SYPA fully engaged in MSG; Officer Steering Group with SYPA senior officers involved; Sec151/Monitoring Officer oversight of arrangements; Regular reports to SYPA & LPB;	3	P - L F - H OI - H	3	P - L F - H OI - H	Member and officer participation in pooling arrangements and supports individual workstreams	Fund Director		31/01/2017	Regular reporting in place at SYPA meetings	



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

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

**Performance Snapshot Report
2016/17: Q2**

ISSUED: November 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	13,862 cases of which 84.11% were on target	97%	Performance has improved by just over 5% despite resource being diverted to the annual returns and actuarial valuation processes. The number of cases processed increased by just over 1100

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£7100.3m	N/A	£6630.5m at end June.
Performance Against Benchmarks	Qtr 7.2% YTD 14.7%	Qtr 7.4% YTD 14.3%	Global equity markets held up better than expected post Brexit supported by Central Bank actions. Sterling weakened further against the US Dollar and the Euro. Oil returned to a price above \$50 a barrel as OPEC announced an agreement for modest production cuts.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Renewal of Statement of Investment Principles.		
Shareholder Engagement			

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	1 Leaver 2 New Starters	Annual 4.25%	On target
Staff Training	LGA Residential training for 2 staff LGA Death training for 2 staff.	Plan 100% up to date	No internal training due to concentrating on meeting statutory deadlines for annual statements and the actuarial valuation.
Sickness Monitoring	1.70% total	None	An increase on the previous quarter but still historically low levels of sickness

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	18 new employers registered for EPIC this period	N/A	372 employers now registered for Epic. 16 employers not registered by 9 are very new.

	MyPension registration now open to scheme members		4826 members registered to date. Take-up slow due to unavailability of quote calculator
Face to Face Communication	380 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	26 New Employers (13 Academies 12 Contractors 1 Community Admission Body) 0 Terminations	N/A	There are currently 480 participating employers of which 403 have active members and there are a further 57 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	October - Internal Audit Progress Report considered by CP&GB.	100%	On target
Annual and Quarterly Reports			
External Audit Reports /Plans	October – External Audit Annual Audit Letter considered by CP&GB.	100%	On target
Risk Management Annual and Quarterly Reports	October – CP&GB considered Risk Management arrangements	100%	On target
Constitution Policy /Procedure Revision Dates	October – Investment Mandate considered by CP&GB	100% Up to date	
Financial Reporting	October- Budget Monitoring report considered by	100% achievement of reporting	On target.

Area under Review	Activity During Quarter	Target	Status/Comment
	CP&GB October - Treasury Management update considered by CP&GB	schedule	
Annual Governance Statement Conclusion	No update reported	No Significant Weaknesses	Accuracy of pay and contributions identified previously. Action continuing.
Annual Self-Assessment			No significant issues
Member Training	September – 4 members attended Valuation training October – 1 member attended Fundamentals Day 1	100% Induction & Fundamentals Training & Fundamentals Refresher	66.5% had induction. 83% had Fundamentals Day 1. 83% had Fundamentals Day 2. 91.5% had Fundamentals Day 3. 42% had Fundamentals Refresher Training 1 new Member booked on Fundamentals 2016

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2016

Report of the Treasurer

REVENUE ESTIMATES 2017/18 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

1 Matter for consideration

To consider the Authority's draft revenue estimates for 2017/18 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

2 Recommendations

Members are asked to:

- (i) Approve the revised estimates for 2016/17 in the sum of £6,633,000**
 - (ii) Approve a levy of £479,000 for 2017/18 in accordance with The Levying Bodies (General) Regulations 1992.**
 - (iii) Note the preliminary forecasts for 2017/18, and refer the estimates to the District councils for comment.**
-

STRATEGIC PLANNING

3 Background

- 3.1 The Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the Regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates. (at the 2016 valuation, this has been estimated at 0.4% of Pensionable Pay). This is reassessed at each valuation. Investment expenses are allowed for implicitly in determining the discount rates.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset and liability review. Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

3.5 As Members are aware this report is presented against a background of the requirement from Government for LGPS funds to pool their investment assets. Work is ongoing on this and the timetable set is for those assets to start transitioning to pools by 1st April 2018. It has been recognised by Members that this process is not one that will reduce costs for this fund as so much of the fund is internally managed. Indeed costs will increase, at least in the first few years.

The budget being presented at this stage does not include anything in respect of pooling other than a provision of £350,000 for set up costs which was approved at the Authority meeting on 6th October. This has been split over current and next financial years.

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

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

For 2016/17 an increase in base budget was approved resulting in a small increase to net controllable budget.

The revised figures for 2016/17 actually forecast a small reduction in the controllable budget and eliminate the need to use the reserves.

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

Year	Original Budget £	Revised Budget £	Actual outturn £	Variation £
2012/13	5,340,700	5,242,800	5,102,237 (net of 138,285 actuarial fees charged to the fund)	-140,563
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,237,554 (net of 92,537 actuarial fees charged to the fund) No reserves used	-199,246
2015/16	5,760,900 (using 50,000 of reserves to give a net controllable budget level of 4,630,900)	6,120,000 (not using any reserves to give a net controllable budget level of 4,560,000)	5,907,577 (net of 92,796 actuarial fees charged to the fund) No reserves used	-212,423
2016/17	6,336,800 (using 50,000 of reserves) net controllable budget of 4,676,800			

- 3.7 We have had another challenging year which resulted in the successful production of annual pension forecasts within the statutory deadline but at the expense of non-priority casework which created a backlog and stalled the recovery of our performance standards and built up a sizeable backlog. Total casework was down a shade from 59,182 to 58,811 cases processed however overall performance increased from 61.89% to 83.72% cases completed within target.

There are still busy times ahead. Overtime continues to be worked in order to clear the backlogs and significant effort is being made to have it cleared before the cycle repeats in 17/18. Although we outsourced the analysis and matching part of the GMP reconciliation process we are now bracing ourselves for the number of actual mismatches which will then require us to recalculate members benefits. This will be done in-house. On a positive note the new pensions administration system that has disrupted our performance since implementation is now significantly more stable and reliable.

SYPA continues to participate in the CIPFA LGPS benchmarking club and in 15/16 the total cost per member was £15.87 which compares favourably against the average cost per member across all participants which amounts to £18.58.

The South Yorkshire Local Pension Board continues to meet and develop its role in scrutinising the Fund.

At the same time the Fund has put forward its proposal for pooling of investments. Response from government is expected in the near future. The emphasis from government is for this to reduce Investment Management costs. Of course, as one of the funds with the lowest Investment management costs already, reducing costs is not something that will be achieved in the first few years, indeed costs will rise initially. This is creating extra workload for the Investments team and has introduced a level of uncertainty for how things will develop over the next 18 months or so.

Steve Barrett has been appointed as interim Fund Director from July 2016 following the retirement of John Hattersley. This will provide the necessary senior management leadership and support to protect the Fund's interests, particularly over pooling arrangements and to assist in determining future arrangements.

4 Preliminary financial forecasts

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2017/18 for administration and investment management expenses together with a probable outturn for 2016/17.

The Authority is also asked to approve the levy for 2017/18 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2016/17 estimates and 2017/18 estimates

Appendix B - variation statement showing main changes for 2016/17 probable outturn

Appendix C - variation statement showing main changes for 2017/18 estimate

Appendix D - statement of recharges to District Councils and levy for 2017/18

4.1 Original Budget 2016/17

The original budget for 2016/17 was approved in January 2016 at £6,286,800 net, using £50,000 from reserves.

Last year a review of the management structure was completed and new senior manager grades were implemented. A new external fund manager was appointed for Bonds and these were included in the original budget for 2016/17.

The management of the Fund and the provision of high quality service to members is key to the Authority. As already stated the Authority is amongst the lowest in terms of cost per member for administration and amongst the highest in terms of levels of service. The fund has also outperformed its benchmark consistently.

At 31 March 2016 the Fund was valued at £6.2 billion. Our return for the year at 0.5% was ahead of our expected benchmark return of 0.1%. The following table shows the outperformance for the last 3 years (since the last actuarial valuation) in cash terms.

Period	Actual return	Benchmark return	Extra value added	Extra value in cash terms	Cash value added over 3 years
3 years to March 2016	6.6%	6.4%	0.2%	£11.9m per annum	£35.7m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.2% per annum over the last 3 years. In cash terms this is £35.7million on top of the benchmark return during that period.

This continues a trend of good performance over the long term. Over a 10 year period the Authority is in the 16th percentile of local authority funds ie the total fund return was better than 75 out of the 89 local authority funds.

4.2 Probable Outturn

The revised estimates for 2016/17 show a small bottom line (net controllable budget) reduction of £7,800 after allowing for no use of reserves.

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

The total outturn figure of £6,633,000 includes £99,000 in respect of the GMP exercise which was approved at the meeting on 17th March. There is also an amount of £350,000 in respect of pooling set up costs which was approved on 6th October. This amount is anticipated to be spent over the full period leading to the movement of assets (1st April 2018) and so has been split over the 2 years budget figures as £150,000 in 2016/17 and £200,000 in 2017/18. The investment management costs linked to market value come to £1,715,000. This gives a revised net controllable budget of £4,669,000 without any use of reserves.

The corporate strategy reserve at the moment amounts to £184,751 which is less than 3% of budget. The figures have been presented with no forecast to use this reserve. Given the uncertainties around pooling it would be prudent to maintain this reserve for the next couple of years.

The forecast savings come mainly from turnover, the PIM vacancy, the reduced costs of central services previously provided by SYJS and now provided either directly by the Authority or by BMBC. The SLA from BMBC has been revised in respect of facilities management to provide clarity between services provided specifically to the Authority and services provided to the Authority as a tenant of the building. This has created a reduction on central services of £14,000 and a corresponding increase on premises costs via the service charge. There is also an increase in income for providing IAS19 figures to employers which over the years has become a substantial task due to the number of employers in the Fund. Increased actuarial fees as this is a full valuation year. There are also some increases to costs of investment management services which are charged in US dollars, the movement of exchange rates has made these more expensive at current levels.

There is also an increase in Investment management expenses due to the increase in value of the externally managed bond portfolio and the increase in the value of the property portfolio, these expenses are linked to market values and so are not included in the net controllable budget.

5 Developments during 2016/17

5.1 The Authority is always actively looking for efficiency savings. These are mainly in the areas of postage, printing and IT. The Head of Pensions Administration continues to drive forward the greater use of electronic communication with Fund members and employers where appropriate. This has been a long, steady process and has already helped to cut costs in printing and postage over a number of years.

5.2 As mentioned in 3.7 these are still very busy times with much tighter deadlines for annual benefit statements, work on GMP reconciliations and the actuarial valuation being just a few of the things being dealt with.

5.3 The number of employers within the Fund continues to increase and now stands at almost 500 compared to just under 150 in 2010. The task of informing employers of the contributions due from them and collecting those contributions is becoming a much more complex and time consuming task.

5.4 The prospect of pooling of investments continues to create a vast amount of work for the Authority. This is expected to increase as the proposed deadline of 1st April 2018 gets closer.

5.5 Administration Restructure

Since our last major restructure in 1997 there have been many changes to the LGPS and pensions in general and we currently find ourselves with significantly more members and employers requiring our services, which is impacting on our ability to meet our Statutory and internal performance targets.

Receiving accurate and timely data from employers has always been a tricky proposition and now we have almost 500 employers it is no longer viable to wait until the year-end to analyse and reconcile the data and contributions that they send to us.

The Pensions Regulator's code of practice demands compliance with statutory deadlines and quality of data and is right to do so given the importance of ensuring that scheme

members are paid timely and accurate benefits. The purpose of the current restructure is to shift from annual contribution and data reconciliation to a monthly cycle.

In order to achieve this we need to increase staffing numbers and create a dedicated team with the sole purpose of ensuring our member database is populated with up to date and accurate data at all times. The creation of the team will relieve our pensions officers to concentrate on providing the quality service to our members that they have become accustomed to for many years but which have become a struggle in recent times.

The restructure also has some internal reorganisation to strengthen our performance and technical and compliance output. We also intend to put a dedicated manager in charge of looking after our pensions administration system rather than the shared responsibility it was previously.

This is the subject of a separate report at today's meeting.

The full effect of this restructure has been included in the figures for 2017/18.

5.6 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2016/17 and 2017/18 separately. We have estimated this at £90,000 but it is totally dependent on the number of new academies joining the fund.

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

As this is the year of the actuarial valuation we are expecting higher costs and have revised the figure up by £30,000 at this stage.

6 Budget Assumptions

- 6.1 The initial planning guideline for 2017/18 was a 'continuation of service' budget based on maintaining current levels of service. We have allowed for a 1% increase in pay and have only allowed for inflation on contracts which state that they will increase by inflation. General price increases will be absorbed as much as possible.

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

- 6.2 The budget for 2017/18 to maintain the current level of service is shown in Appendix A at £7,042,600 against the base 2016/17 budget of £6,336,800. When this is adjusted for the investment costs linked to market value and the agreed estimate for pooling of £200,000 the net controllable budget is £5,072,600 against a base of £4,676,800; this represents a net increase of just over 8.4%.

This is an increase of £705,800 on the overall budget and £395,800 on the net controllable budget. It should be noted though that £170,000 of this is for the restructure which is being discussed separately at today's meeting.

Appendix C shows the main variations.

The biggest increase is in employee costs, including the pay award, the revised administration structure, the recruitment of the Interim Fund Director along with the part time role of the property manager. An increase in NI and pension contributions.

Actuary fees are anticipated to reduce next year as it is the first year of a new 3 year cycle following the actuarial valuation. Further reductions have been achieved on the cost of central services (net of the increase in service charges, see 4.2).

As mentioned in 4.2 some investment services are charged in US dollars and the full year effect of the falling exchange rates is included in 2017/18, this is subject to fluctuation as markets change.

Extra income is being generated for the IAS19 work done for employers.

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

As other costs are held and savings are made where possible it leaves over 67% of the Authority controllable budget as employee costs.

- 6.3 As can be seen at paragraph 3.6 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. The budget for 2016/17 was approved including utilisation of this Reserve. The revised position shows that we shouldn't need to use reserves at all in 2016/17. This would leave the Contingency Reserve at a level of around £185,000. As mentioned in 4.2 given the uncertainties around pooling, the reserve may be needed over the next couple of years.

7 Developments over the next few years

- 7.1 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.2 The new LGPS scheme still needs to bed down over the next couple of years, along with the new Pensions Administration system so that we return to our excellent levels of service. The administration team needs to be restructured to provide the resilience needed for future service provision.
- 7.3 The proposals for the pooling of the fund's investments are moving along slowly. Once Government input has been received there will be significant amounts of work needed to establish our part in a new pool and to determine what functions will still be required by the Authority. At the moment these are fairly uncertain times and it is impossible to forecast what may happen over the next couple of years.
- 7.4 The new Local Pensions Board made up of employer and scheme member representatives continues to develop its role.

8 Implications of making reductions in the budget

- 8.1 The budget has been produced on a standstill basis. It includes the costs of managing the Fund as it stands now. It also includes the cost of restructuring the Administration division to create a team to provide a resilient service going forward. It has been accepted for a number of years that this review was needed.
- Any reductions in the budget would have an immediate effect on levels of service and on the performance of the Fund. Members have previously indicated that service and performance are their priority.

Members are asked to indicate whether they wish any specific area to be explored to achieve reductions as part of this budget round.

9 Other Implications

9.1 Legal

There are no legal implications.

9.2 Diversity

There are no specific diversity implications.

9.3 Risk

The Authority is the formal decision-making body for all matters regarding the LGPS and needs to be in a position to monitor and respond to changes that affect the working of the Scheme. There is an unquantifiable reputational risk associated with failing to do so.

F Foster Treasurer

Officer responsible: Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority

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

Other sources and references: none

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION AND INVESTMENT EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

SUMMARY

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
ADMINISTRATION EXPENSES	2,995,100	3,016,400	3,182,500
INVESTMENT EXPENSES	3,341,700	3,616,600	3,860,100
	6,336,800	6,633,000	7,042,600
CONTINGENCIES	-50,000	-0	-0
TOTAL EXPENDITURE REQUIREMENT	6,286,800	6,633,000	7,042,600
SUPPLEMENTARY ESTIMATES ALREADY APPROVED:			
ADMINISTRATION – GMP EXERCISE 17/3/16	0	99,000	0
INVESTMENTS – POOLING 6/10/16	0	150,000	200,000
INVESTMENT COSTS LINKED TO MARKET VALUES	1,610,000	1,715,000	1,770,000
NET CONTROLLABLE BUDGET	4,676,800	4,669,000	5,072,600
RECHARGED TO:			
FUND	6,111,800	6,463,000	6,872,600
SYPT PENSION FUND	175,000	170,000	170,000
	6,286,800	6,633,000	7,042,600
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	100,900	101,700	104,300
Doncaster	111,900	101,400	114,200
Rotherham	84,600	85,200	87,300
Sheffield	117,600	117,600	120,600

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	2,014,000	1,958,300	2,238,900
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	23,800	23,800	23,800
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	146,000	157,000	157,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	3,000	3,000
Car Allowances	7,000	7,000	7,000
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	13,900	13,900	15,900
Publications	200	200	200
Printing and Stationery	75,500	75,500	75,500
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	25,000
Imaging maintenance	2,000	2,000	2,000
AXIS / UPM	67,000	73,000	86,000
Subsistence and Conferences	2,200	2,200	2,200
Subscriptions	9,000	9,000	10,000
Actuarial Fees	90,000	120,000	70,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	149,000	50,000
Miscellaneous Expenses	9,000	9,000	9,000
CENTRAL EXPENSES			
Central Services	250,000	211,000	216,000
IT Network	55,000	53,000	55,000
Insurances	30,000	30,000	32,000
Subscriptions	15,500	15,500	16,000
Audit Fee	45,000	45,000	45,000
Bank Charges	15,000	12,000	15,000
Democratic Representation	14,000	14,000	14,000
Member Training	5,000	5,000	5,000
Disaster Recovery	10,000	10,000	11,000
Local Pension Board	15,000	10,000	15,000
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GROSS EXPENDITURE	3,108,100	3,149,400	3,315,500
MISCELLANEOUS INCOME	113,000	133,000	133,000
<hr/>			
NET EXPENDITURE	2,995,100	3,016,400	3,182,500
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SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES

REVENUE ESTIMATES 2017/18 AT OUTTURN PRICES

	2016-17 ORIGINAL ESTIMATE £	2016-17 PROBABLE OUTTURN £	2017-18 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,104,800	1,089,000	1,201,000
Training Expenses	4,000	4,000	4,000
Other Indirect Expenses	5,000	5,000	5,000
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	45,000	48,000	48,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	8,400	8,400
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	4,400	4,400
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	12,000	12,000	12,000
Subsistence and Conferences	1,500	1,500	1,500
Subscriptions	49,000	49,000	50,000
Actuarial Fees	20,000	20,000	20,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
<hr/>			
INVESTMENT GENERAL EXPENSES	1,305,900	1,293,100	1,406,100
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
Internal Information Systems	325,500	358,500	382,000
Custodian & Other Investment Expenses	261,000	266,000	301,000
Investment Pooling	0	150,000	200,000
External Management Fees	1,449,300	1,549,000	1,571,000
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INVESTMENT MANAGEMENT EXPENSES	2,035,800	2,323,500	2,454,000
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NET EXPENDITURE	3,341,700	3,616,600	3,860,100
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APPENDIX B

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
REVISED ESTIMATE 2016/17

	£	£
1 Original Estimate 2016/17		6,336,800
<i>Main Variations</i>		
2 Supplementaries already approved		
GMP reconciliation work approved 17/3/16	99,000	
Pooling set up costs approved 6/10/16	<u>150,000</u>	249,000
3 Employee Costs		
New Principal Investment manager post not yet recruited	36,000 CR	
Additional overtime requirements	19,000	
Increased turnover including restricted cover for Maternity and working pattern changes	42,000 CR	
NI and super – less increase than anticipated	<u>12,500 CR</u>	71,500 CR
4 Communications and Computing		
Additional services on UPM system	<u>6,000</u>	6,000
5 Professional fees		
Increased actuarial fees for valuation process	<u>30,000</u>	30,000
6 Central Expenses		
Reduction of net cost of central services due to negotiation of costs, some absorption of functions and revised FM SLA	25,000 CR	
Reduced Local Pension Board costs	5,000 CR	
Reduced bank charges	<u>3,000 CR</u>	33,000 CR
7 Miscellaneous Income		
Income generated by IAS19 work.	<u>20,000 CR</u>	20,000 CR
8 Investment Management Expenses		
Increased fee for Bloomberg system and effect of exchange Rate falls on US dollar denominated costs	31,000	
Increased custody fees due to increased market value	5,000	
Increased Bond portfolio fees – linked to market value	90,000	
Increased property advisor fees due to increased property portfolio and market values	<u>10,000</u>	136,000
9 Other Minor Variations		<u>300 CR</u>
10 Revised Estimate 2016/17		<u>6,633,000</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
VARIATION STATEMENT
ESTIMATE 2017/18

		£	£
1	Original Estimate 2016/17		6,336,800
	<i>Main Variations</i>		
2	Supplementary already approved		
	Pooling set up costs approved 6/10/16	<u>200,000</u>	200,000
3	Employee Costs		
	Restructure of Administration division	170,000	
	Increase in NI and super contributions	40,400	
	Increments and career grade progression	19,900	
	Increased Investment manager hours	13,000	
	Cost of revised Fund Director/ Property advisor role	33,000	
	Cost of finance re organisation (covered by IAS19 work Income)	<u>17,000</u>	293,300
4	Communications and Computing		
	Additional services on UPM system	<u>17,000</u>	17,000
5	Professional fees		
	Reduced actuarial fees – 1 st year after valuation	<u>20,000 CR</u>	20,000 CR
6	Central Expenses		
	Reduction of net cost of central services due to negotiation of costs, some absorption of functions and revised FM SLA	20,000 CR	
	Increased insurance costs	<u>3,500</u>	16,500 CR
7	Miscellaneous Income		
	Income generated by IAS19 work.	<u>20,000 CR</u>	20,000 CR
8	Investment Management Expenses		
	Increased fee for Bloomberg system and effect of exchange Rate falls on US dollar denominated costs	46,000	
	Increased exchange fees	4,500	
	Increased custody fees due to increased market value	40,000	
	Increased Bond portfolio fees – linked to market value	100,000	
	Increased property advisor fees due to increased property portfolio and market values	<u>20,000</u>	210,500
9	Other Minor Variations		<u>4,700</u>
10	Inflation		
	Price inflation - contracts	9,000	
	Pay assumed 1%	<u>27,800</u>	<u>36,800</u>
11	Estimate 2017/18		<u>7,042,600</u>

SOUTH YORKSHIRE PENSIONS AUTHORITY
BUDGET 2017/18

ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS

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

1 Probable Outturn 2016/17

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,527	1,918	1,352	6,496	12,293
Levy	<u>90</u>	<u>115</u>	<u>101</u>	<u>198</u>	<u>504</u>
	<u>2,617</u>	<u>2,033</u>	<u>1,453</u>	<u>6,694</u>	<u>12,797</u>

2 Estimates 2017/18

(i) Payments due under 1987 Order (Levy)

Ex SYCC and WYCC Employees	479
Gratuities	<u>-</u>

Levy 2017/18 **479**

(ii) Total payments by District

	Barnsley £'000	Doncaster £'000	Rotherham £'000	Sheffield £'000	Total £'000
Rechargeable Pensions	2,545	1,927	1,364	6,545	12,381
Levy	<u>86</u>	<u>110</u>	<u>95</u>	<u>188</u>	<u>479</u>
	<u>2,631</u>	<u>2,037</u>	<u>1,459</u>	<u>6,733</u>	<u>12,860</u>

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

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

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

24th November 2016

Review of Pensions Administration

1. Purpose of the Report

To present to Members a proposal to reorganise the Pensions Administration Unit to facilitate the shift from annual to monthly pension contribution reconciliation along with other improvement measures.

2. Recommendations

Members are asked to,

(a) agree to increasing the Pensions Administration Unit establishment by the appointment of five additional posts budgeted at £130,000 pa as shown below,

- (i) UPM Manager
- (ii) Data Analysts x 4

(b) approve in principal the restructure of the Pensions Administration Unit and the potential increase in the overall staffing budget estimated at £30,000 pa.

3. Background

- 3.1 Although dating back to the late 1800's the LGPS of the modern era came into being on 1st April 1974. During the intervening forty-two years the scheme has undergone a major overhaul on no less than five occasions together with countless policy reviews and miscellaneous amendments. The scheme has also had to respond and adapt to significant overriding legislation primarily through social security and tax reform. It is fair to say that today's pension scheme does not share a great deal in common with the scheme that was around in 1974.
- 3.2 From a pensions administration perspective, scheme and overriding legislation changes always add to rather than replace the knowledge required to administer the Scheme as deferred and pensioner members generally continue to have the regulations in force at the time they left/retired apply instead of the new legislation. This adds further complexity to a job that already has a great emphasis on rules and regulations.
- 3.3 The Pensions Administration unit has had by contrast relatively few fundamental reviews during the same time period with the last full review taking place almost 20 years ago in 1997. There have been a number of initiatives and limited reorganisations to meet certain demands mostly achieved within existing budgets but no fundamental review of the unit. In the year prior to the last review the fund had undergone the 1995 actuarial valuation with new employer contributions effective from April 1996. Given we are currently in a valuation year the

close proximity of the 1995 valuation to the last review enables us to accurately compare the changes that have taken place during the intervening period as illustrated below,

	1995 Valuation	2016 Valuation	Percentage Change
Active Members	31,815	52,230	+64.17%
Deferred Members	10,410	51,670	+396.35%
Pensioner Members	21,606	47,035	+117.69%
Total Members	63,831	150,935	+136.46%
Fund Assets	£1.2bn	£6.25bn	+420.83%
Funding Level	80%	85%	n/a
Employer Contributions	10.7%	14.8% plus £67m pa	n/a
Active Employers	75	391	+421.33%
Number of Staff in Pensions Administration	51	55	+7.84%

3.4 Although the above table clearly traces the increase in the number of members and employers during the last 20 years it is the joint impact of this increase along with a more complex and demanding scheme that has led us to the point where our method of working has to change

3.5 Members will be aware that the unit has been through some difficult times since the implementation of our new pensions administration system. However it should be noted that proposals being put forward in this report are not as a result of these difficulties and would have occurred if we had been able to remain on our old system. Indeed colleagues in other funds who have not changed system provider are reporting similar difficulties and backlogs as ourselves.

4. Reasons for Change

4.1 Contributions Reconciliation and Posting of Scheme Member Contributions

The traditional method of reconciling the amount paid over by employers in respect of their employees is to work from an annual return delivered sometime after the 31st March year-end. The twelve monthly payments are added up and if they tally with the amount being shown on the annual return we can proceed to upload the amount of contributions collected from each scheme member to their individual pension record. There are a number of problems with this approach,

1. The number of active employers and active members have increased by 421% and 64% respectively since the 1995 valuation meaning there are more annual returns and more members on those returns for whom we have to post contributions.

2. The annual returns don't always balance to payments received and they have to be returned to the employer for investigation and correction
3. The annual returns will include un-notified new starters and leavers and other discrepancies that require investigation.
4. There is a Statutory requirement to provide each contributing member with an annual forecast of their pension benefits and since April 2014 a statement of the actual benefits contained in their pension account. The Statutory deadline is 31st August following the year-end. The deadline used to be 'by the following 31st March' and although we were sending statements at the time there wasn't a Statutory requirement to even issue statements around the time of our last review.
5. Reconciling contributions on an annual basis means that when something goes wrong we don't find out about it for up to 13/14 months. We already know from our employer SLA performance reports that required data is sent to us later than it should be and that some of that data is only ever sent because we have identified it as missing through year-end reconciliation work. In other words doing the job annually means that we storing up all the problems to the year-end and by doing so giving ourselves a maximum of three months to reconcile, clear problems, run processes, submit print-files and deliver 50,000 statements.

Time and resource are the major barriers to the current approach. In 2016 we were able to issue 94% of annual statements by the Statutory deadline and the remainder were issued by the end of October. We did not have to report a breach to the Pensions Regulator as the 6% not issued were not material but the achievement still came at a cost. In order to meet the deadline we had to stockpile non-priority work which has created backlogs that aren't yet cleared despite us having staff working overtime regularly throughout the summer and this is continuing. This cycle repeats from April 2017 when the 16/17 annual returns start to arrive unless there is a change of approach.

The obvious solution is therefore to shift from annual to monthly reconciliation which at a stroke resolves all the time issues explained above. It is so obvious you may wonder why it has taken until now to raise the issue but the fact is that the technology to achieve a monthly reconciliation for over 50,000 member contributions has only recently become available. In achieving change the system needs to be able to take out a lot of the manual processes to be able to compress all the checking we currently perform over a number of months into a regular and efficient monthly cycle. This could not have been achieved under our old system but is already successfully in operation on UPM by our colleagues in West Yorkshire. They commenced rolling out their annual statements in May this year as a result!

To achieve monthly reconciliation employers will be required to upload secure monthly files which will contain significantly more information than we currently require but that is readily available from their payroll systems. That information will alert us to new starters and leavers and provided they are entered on the payroll in a timely manner it will mean that failing their SLA performance targets will become a thing of the past. New Starter forms will no longer be necessary and data received in this way will automatically be uploaded to our database just requiring sense checks instead of manual loading.

4.2 Impact on Member Services

For many years our Pensions Officers have had multi-functional roles whereby, once through career-grade training, they undertake the full range of pensions

administration duties and are therefore capable of dealing with the full range of member and employer enquiries and ensures we always have a selection of fully experienced staff to move into supervisory and managerial roles when they become available. This continues to be effective and well respected by the staff but in recent years their ability to provide the full range of services to scheme members has been compromised by having to be pulled away for project work. Initially this was related to the new system implementation and that was a temporary diversion but this year there was a real temptation to create a permanent internal team to work solely on the annual reconciliation. This would have resulted in the creation of a single purpose team from existing pensions officers. In the end we opted for a different solution that was successful to a point but having backlogs of work is not a healthy place to be and it is only a matter of time before our staff succumb to the stress of a never-ending cycle. As mentioned above this cycle will repeat from April 2017 and it is clear that regardless of whether or not we shift to monthly reconciliations the task has to be undertaken by staff who are focused on that task alone and not responsible for a range of other duties.

For all the reasons explained so far and regardless of which way we approach it additional staff resource is required to enable us to consistently meet the statutory deadlines for annual statements and return to our supremely high levels of customer service and performance results. Simply adding more staff though may not have the desired effect. It currently takes between four to six years for a pensions officer to be fully trained and we simply haven't got the time for this. An alternative approach is available however and the following paragraphs explain the proposed solution along with other restructure options that are necessary at this time.

5. Restructure Proposals

5.1 Data Team (4 additional posts plus internal restructure)

This is the key to the whole restructure. Cracking this particular puzzle unlocks everything that follows. As already described the current way of dealing with contribution posting and reconciliation is not sustainable. Statutory timescales are too demanding, the number of employers are too many and growing and the way we deal with it is archaic.

The plan is therefore to reduce the number of Member Services teams from four to three but to distribute the current Pensions Officer numbers amongst them. This will free up a Team Manager and a Deputy Team Manager to head up a Data Team that will be responsible for all aspects of contribution posting and reconciliation.

The team will include four Data Analysts **additional to existing resources**. These posts will have a single function and will be a fixed grade. They will be trained in this single function only and only require a basic knowledge of pensions. This will result in them being functional and of benefit to the unit within a short period from appointment. Despite the fixed salary I am intending to aim high and wide with this recruitment to get the best staff we possibly can.

For the Manager and Deputy of this team this is a great opportunity to develop working practices and mould a brand new team into an efficient and productive unit. This is something completely new and will not stand still for long. We'll have the annual returns for 16/17, a trial using current monthly returns in 17/18 and then UPM monthly returns from 18/19.

The Contributions Team will be part of Member Services and therefore will report to the Pensions Manager. The team will work closely with colleagues in Finance responsible for ensuring actual payments are received and consistent with the funding plan for each employer. Although there aren't many LGPS Funds currently reconciling contributions on a monthly basis I can confirm that the number of staff that we require to perform the task for a fund our size is consistent with those that are. The remaining Member Services teams will be equalised as near as possible in staff numbers, employer numbers and members served.

Importantly, after the 16/17 returns have been completed, Pensions Officers will no longer have any direct involvement with contribution and reconciliation. However, as always, there still needs to be close cooperation between all teams to ensure the most positive outcome for the scheme members we serve. By removing these duties but keeping Pensions Officer numbers the same the intention is to give them adequate time to complete casework and achieve performance targets whilst still leaving time for member phone calls, difficult cases, visitors, training etc. Once the backlog is cleared there will no longer be a requirement for overtime and further backlog situations will not arise.

5.2 Performance Manager (internal restructure)

This is a new role but not an additional post. It is positioned in Member Services and reports direct to the Pensions Manager. This senior manager role will be responsible for ensuring that we meet our performance targets and that work is processed according to the number of staff available on any given day. This will be achieved by dynamically taking account of sickness, leave and other work commitments of the available staff. This post will also be responsible for ensuring co-operation and consistency of approach across the three Member Services teams and have a pivotal role in engaging with employers to get the best out of them. The post holder will also be directly responsible for providing performance reports and ensuring compliance with the Pensions Regulators code of practice. This is a challenging and demanding role but something we have been in need of for a number of years.

5.3 UPM Team (1 additional plus internal restructure)

Very soon after the implementation of UPM we recognised that we needed to have an internal resource responsible for its upkeep. We specified our requirements using existing resources and moved staff into position within our current Technical Team.

Through no fault of their own the UPM team have had more work than they can cope with. UPM is not a system to quietly sit in the corner and function and unfortunately we didn't know this during procurement as it was not made clear to us by the existing users we spoke to at the time. This issue has been recognised by internal audit who recommended a review of UPM team staffing in their recent UPM post implementation audit report along with their thirteen other recommendations.

Although no reflection on the performance of the staff involved positioning the UPM Team within the Technical Team has not worked out. There has been simply too much to do from both a UPM and a Technical perspective and therefore the effectiveness of both areas of work has been diluted to the point where we are barely getting by on both fronts.

The plan is therefore to transfer responsibility for the UPM team to IT under the management of the IT Manager but bolstered by an additional two posts. The first new post is **additional to the current establishment** and will be the UPM Manager.

The UPM Manager is an important new role that will take charge of the UPM team, oversee the development of our vision of UPM and provide comprehensive staff training. The post holder and the team will be expected to provide a customer service to all UPM users and will hold user meetings and forums to ensure our user experience of UPM meets their expectations. The UPM Manager will also challenge Civica as and when required to ensure they deliver on their responsibilities as the supplier and developer of our system.

The second post, from existing resources, will increase the number of UPM specialists from two to three. The intention is that each member of the team specialises in an area i.e. Process Maps, Bulk Processes and Reporting, Deliveries, Calculations & Training but all will have to learn and deliver aspects of their colleagues' tasks as well. This will ensure they can provide support to each other at busy times but also provide resilience to cover holidays and other absences.

5.4 Technical, Compliance and Internal Training Team (internal restructure)

The Technical Team will give up UPM related duties but will pick up taxation, compliance and internal training and the team will be expanded. During the last few years pensions taxation has become challenging given the complexity and the high profile personnel it tends to affect. This area shows no signs of abating nor does the Pensions Regulators oversight of the scheme and our responsibility to report material breaches of their code of practice. The plan is therefore to add a further post from existing resources and to take the opportunity to move the Senior Training Officer role into the Technical Team from where it currently sits within Communications as it is better situated within the team responsible for putting out technical guidance.

These two roles will share the same amended job description which will include equal measures of Technical, Compliance & training.

5.5 IT (internal restructure)

In order to complement the arrival of the UPM team and respond to the changing external customer base both within and external to the building the remainder of IT will also be reorganised.

The plan is to reduce the number of Assistant IT Managers from two to one with a consequential increase in responsibility for the remaining member of staff. The existing Assistant IT Manager (IT Services) post will be re-designated as Helpdesk & Services Manager and will be a lower graded post. The existing post-holder will have her pay protected until she fully retires towards the end of 2017. The post has been job-share since the current post-holder flexibly retired but we never filled the remaining hours. As we no longer require these hours the post will be re-designated as part-time and the additional hours removed from the establishment. The Helpdesk Manager will ensure all helpdesk logs (inc UPM logs) are managed and progressed in a timely manner.

We are also taking the opportunity to increase the Network Officer's responsibilities to provide additional resilience and support to the assistant IT Manager and to adjust the hierarchy of the Development Officers to better reflect changes in the work they perform.

5.6 The Districts (internal restructure)

Line manager responsibility will transfer from the Head of Pensions Administration to the Pensions Manager. This is the next logical step following a decision I made last year to step back from monthly meetings with the Pensions Services Managers in favour of a joint Pensions Services Manager/Team Manager meetings. This initiative has been a success and having the Pensions Manager responsible for all staff responsible for servicing members makes sense.

As this is a fundamental review I am planning to take the opportunity to amend the job descriptions of the District Managers and their Deputies to include responsibility for all other scheme employers in their geographical area rather than just the district council which they currently serve. However this is to recognise the direction of travel rather than it being an actual possibility for most if not all of the current post-holders at this time. The job description will reflect the future requirements of the role so we can easily switch into it as appropriate and allows for some districts to go ahead of the others without the need for temporary solutions. If we achieve our monthly posting aims I envisage all districts will be working fully to the new job descriptions by April 2020 at the latest. Once fully implemented this would reduce the annual costs for this service currently charged across the four district councils as it would be charged proportionately across all the employers geographically based within South Yorkshire instead.

5.7 Payroll (internal restructure)

Since the implementation of UPM there has been by necessity a closer working relationship between the payroll team and our finance team managed by the Head of Finance. Equally payroll has always had a close relationship with Member Services and the link to Pensions Administration has been in place since payroll was transferred from the Joint Secretariat many years ago.

The dilemma of which way to go has been resolved by agreeing to reducing the Payroll Manager post from five to three days per week and aligns with the current post-holders request to work three days per week and therefore the post becomes part-time not job-share. By implementing this it enables us to split the Payroll and Administration functions as the current post-holders three days will be all payroll related and therefore transfer of line manager responsibility from Pensions Manager to Head of Finance can easily be accommodated.

5.8 Communications, External Training & Administration (internal restructure)

Administration & HR will now report to the Communications Manager and as soon as possible will be situated in the same area. In addition to her existing role which is unchanged the current post-holder will provide pensions and general support to Admin staff and Ill Health process support to the Personnel Officer.

5.9 A proposed structure chart is attached along with the current structure to enable comparison.

6. Implementation

- 6.1 If approved the intention will be to implement the plan as far as possible by 1st April 2017. This is an extremely tight timescale especially since external appointments are required but the timing has been set to ensure the maximum beneficial impact on the 2016/17 contribution reconciliation and the early trials of monthly posting of 2017/18 contributions.
- 6.2 In addition to the new posts all existing posts below senior manager level will be evaluated to take into account any changes that have taken place since the last formal evaluation in 2008. This will take in the new internal posts created by the review and will be a no risk review as no jobs have less scope or responsibility than they had under the previous evaluation. Job descriptions and person specifications are currently being produced for all new posts and are being reviewed for existing post-holders. Hay Group undertook the last evaluation and therefore already have an understanding of our business and the roles and responsibilities within our current structure. Given their history of working with us and the urgency Hay Group have been queued to perform this review during December providing the plan is approved. The cost of the evaluation will be financed from existing budgets.

7. Finance

- 7.1 The estimated cost of the plan is £170,000 per year. This includes the addition of **five** posts to the establishment plus some internal upgrades as indicated. The internal movement of staff to fill the internally created jobs would then release a number of posts that would be required to be recruited externally. This would take us to full establishment. The breakdown of the potential costs is itemised as follows,

Cost of additional establishment posts	£130,000 pa
Potential cost of upgrades	£40,000 pa

- 7.2 The potential increase in staffing costs would increase our overall administration costs charged to the fund. However this would not have a financial impact on the employers within the fund until the 2019 valuation with their new contribution rates from 1st April 2020. The administration charge from the current valuation is 0.4% of pensionable payroll and all things being equal the actuary has estimated that an increase in costs of this magnitude is unlikely to increase this beyond a further 0.01%.
- 7.3 Members will be aware that overtime working has been the norm since January 2015. Initially the overtime was required as a result of the implementation of UPM but latterly it has been as a result of the decision taken to prioritise the production of annual statements which has created a backlog of work. The annual spend on overtime is predicted to be £65,000 but would be eliminated if the plan were to be approved. The target is to clear existing backlogs before the 16/17 annual returns start to be released and if this is achieved no overtime is predicted in 17/18.
- 7.4 If approved the cost of the plan would not jeopardise our 'below average cost' rating on the CIPFA benchmarking survey. Had we added £170,000 to the budget in the 2016 survey our cost per member would have increased from £15.87 to £16.96 which is still comfortably below the club average of £18.58.

7.5 The cost of any system changes in relation to monthly posting is as yet unquantifiable but we are comfortable that it can be financed from IT development reserves when required and so will not add to the costs indicated in this report

8. Implications

1. **Financial** - The staffing budget will increase by approximately £170,000 per annum and has been included in the budget forecasts presented at today's meeting.
2. **Legal** - None
3. **Diversity** - None
4. **Risk** – None

Officer responsible:

Gary Chapman

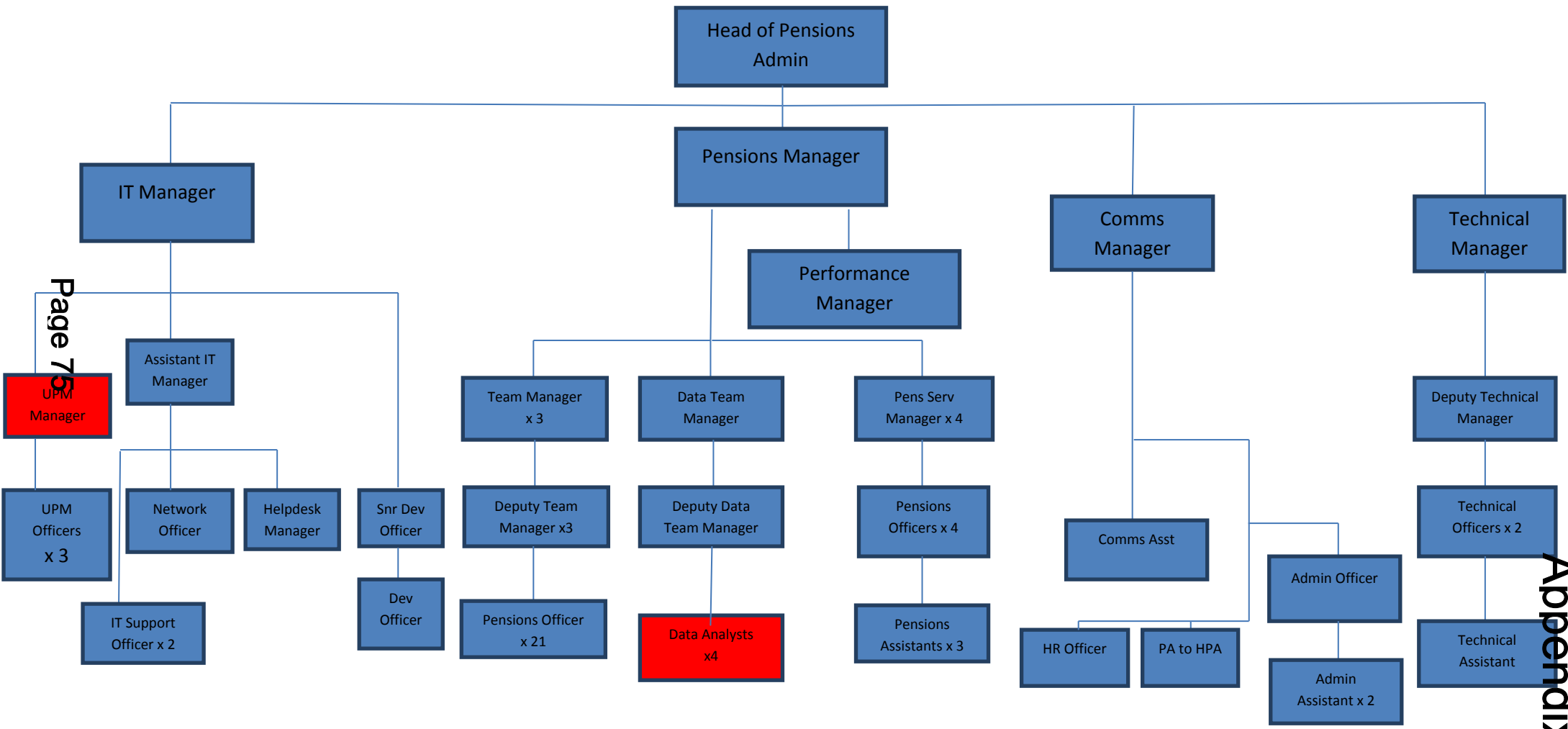
Phone 01226 772954

E-mail: gchapman@sypa.org.uk

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

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SYPA Proposed Organisation Chart November 2016 (additional posts in red)

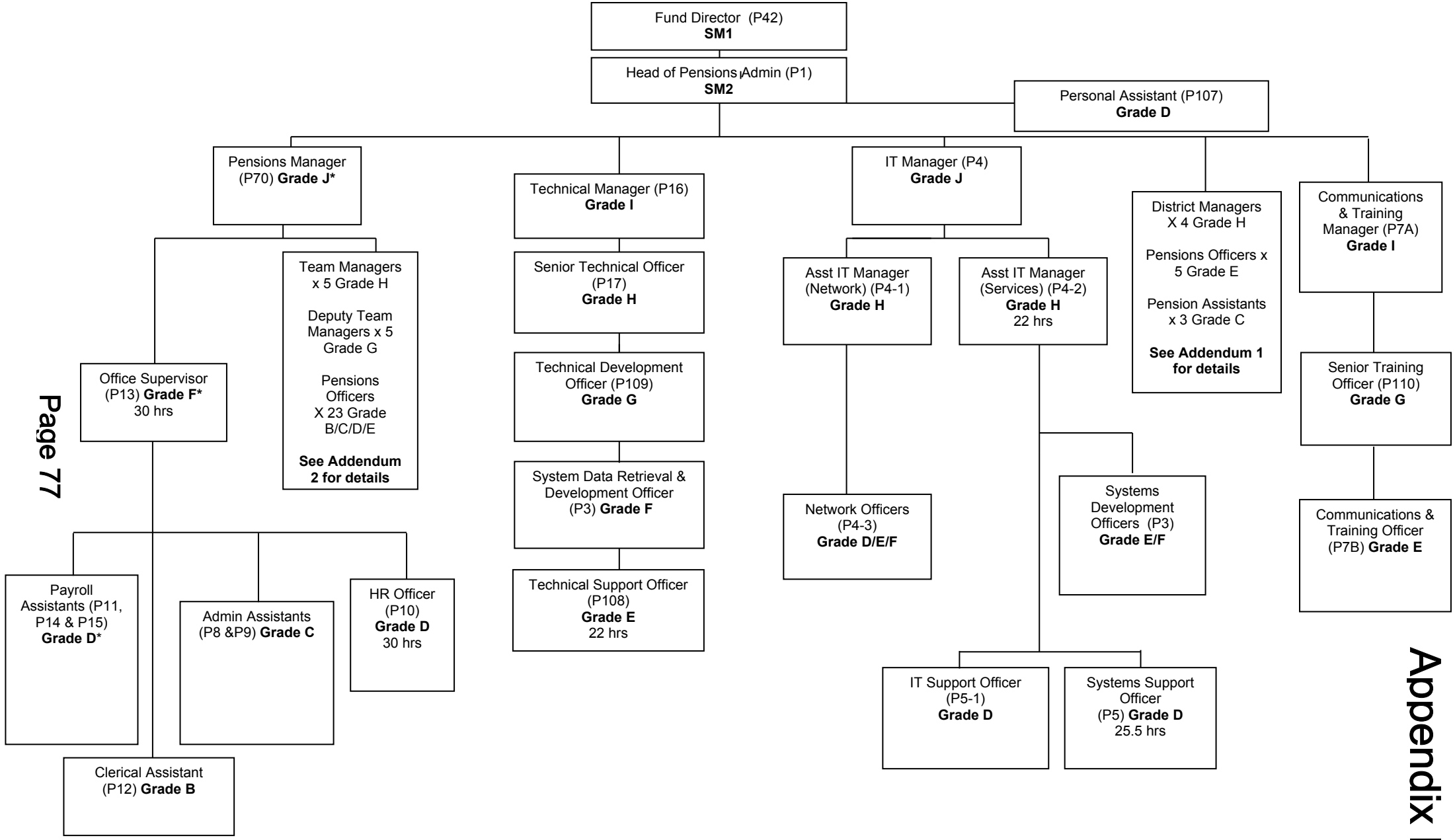


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Appendix A

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**SOUTH YORKSHIRE PENSIONS AUTHORITY
PENSIONS ADMIN**



*honoraria's currently in place to reflect additional responsibilities pending restructure

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SOUTH YORKSHIRE PENSIONS AUTHORITY

24 November 2016

Report of the Clerk

FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

1. Purpose of the Report

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

2. Recommendations

Members are recommended to note the report.

3. Background Information

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

4. Requests received

4.1 Summary of requests

	Investments	Administration	Total
Nov 2015 - Oct 2016	21	0	21
Oct 2014 - Oct 2015	26	1	27
Oct 2013 - Sep 2014	12	1	14
Nov 2012 - Sep 2013	18	2	20
Oct 2011 - Oct 2012	13	2	15
Oct 2010 - Sep 2011	6	6	12
Oct 2009 - Sep 2010	11	6	17
Oct 2008 - Sep 2009	14	2	16
Nov 2007 - Sep 2008	10	5	15
Aug 2006 - Oct 2007	12	2	14
Jan 2005 - July 2006	13	4	17

4.2 Investment requests in the past year relate to information on investment holdings, mainly in respect of private equity holdings or to issues surrounding them.

4.3 The Authority has responded to all requests within the 20 day limit required by the Act.

4.4 All the information applicants have asked for has been provided where it is held.

- 4.5 The Authority has made no charges, either for retrieving information, or for photocopying and postage.
- 4.6 The Authority has received no complaints or requests for internal reviews in relation to any disclosure.
- 4.7 The Authority has spent at least 50 hours of officer time in completing these requests.
- 4.8 Most applicants have been from data collecting commercial organisations; with one from local media.

5. Publication Scheme

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

6. Re-use of public sector information

New regulations came into force in July 2015 entitled “The Re-use of Public Sector Information Regulations 2015”. These require public sector bodies to:
Allow re-use of public sector information by anyone;
Remove copyright restrictions preventing re-use of such information;
Allows anyone the right to aggregate, add value or repackage the information, and make money out of it.

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

7. Implications

- 7.1 There are no significant costs arising out of this report.
- 7.2 There are no legal implications other than those referred to in the report.
- 7.3 There are no diversity implications of this report.
- 7.4 There are risks of a failure to meet the 20 day deadline required by the Act, due to the pressure of work. However, this risk is judged to be minor.

D Terris
Clerk

Officer responsible:
Steve Barrett
Interim Fund Director
Tel 01226 772873

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

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