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SOUTH YORKSHIRE
PENSIONS AUTHORITY

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Financial Conduct Authority

Diana Terris
Clerk

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley on Thursday 12 January 2017 at 10.00 am for the purpose of transacting the business set out in the agenda.

Diana Terris

Diana Terris
Clerk

This matter is being dealt with by: Gill Richards Tel: 01226 772806
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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

12 JANUARY 2017 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSLEY, S70 2HG

Agenda: Reports attached unless stated otherwise

	Item	**Page**
1	Apologies	
2	Announcements	
3	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
5	Declarations of Interest.	
6	Minutes of the Authority meeting held on 24 November 2016	1 - 6
7	Minutes of the Corporate Planning and Governance Board held on 20 October 2016	7 - 14
8	Update on matters arising since the last meeting	Verbal Report
9	Work Programme	15 - 16
10	Section 41 Feedback from District Councils	Verbal Report

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2016

PRESENT: Councillor M Stowe (Vice-Chair)
Councillors: R Wraith, A Sangar, P Wood and K Wyatt

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

Officers: S Barrett (Interim Fund Director), J Bell (Director of Human Resources, Performance and Communications, BMBC), G Chapman (Head of Pensions Administration), B Clarkson (Head of Finance), F Foster (Treasurer), A Hunt (Risk and Governance Manager, BMBC), M McCarthy (Deputy Clerk) and G Richards (Democratic Services Officer)

Observers: G Boyington (Chair, SY Joint Local Pension Board)

Apologies for absence were received from Councillor S Ellis, Councillor E Butler, Councillor J McHale, Councillor H Mirfin-Boukouris and A Frosdick

1 APOLOGIES

The Chair welcomed everyone to the meeting.

M McCarthy informed Members that apologies had been received from the Chair who was in London to meet the Minister, Marcus Jones, with other members of the Border to Coast Pooling Partnership.

Apologies were also received from Councillors E Butler and J McHale who were attending a rearranged meeting of Doncaster MBC.

2 ANNOUNCEMENTS

There were no announcements.

3 URGENT ITEMS

None.

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

RESOLVED: That items 18 and 19, both relating to the release of preserved benefits, be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

There were no declarations of interest.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 6 OCTOBER 2016

With regard to minute 20, Councillor Wraith queried whether CIVICA would be invited to a future Authority meeting.

G Chapman replied that the situation with regard to the new management team at CIVICA was being monitored; they had to be given time to make an impact. If they delivered what they had promised there would be no need for them to attend but the option was open if the situation did not improve.

RESOLVED – That the minutes of the Authority meeting held on 6 October 2016 be signed by the Chair as a correct record.

7 MINUTES OF THE JOINT LOCAL PENSION BOARD HELD ON 20 JULY 2016

RESOLVED – That the minutes of the meeting of the Joint Local Pension Board on 20 July 2016 be noted.

8 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

The Chair reported that all updates on matters arising since the last meeting were covered elsewhere in the agenda.

9 WORK PROGRAMME

Members considered the Work Programme to March 2017.

RESOLVED – That the report be noted.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

There was no Section 41 feedback from the District Councils.

11 BOARD CHAIRS' REPORTS

None – all issues were covered elsewhere on the agenda.

12 RISK MANAGEMENT ARRANGEMENTS

The Chair welcomed A Hunt, Risk and Governance Manager, BMBC, to the meeting.

A Hunt informed the Authority that the Risk Management Framework and Risk Register had been developed during 2016 in liaison with G Chapman, S Barrett and M McCarthy.

The Risk Management Framework comprised:

- Foreword prepared by Councillor Ellis;
- Aims, Objectives, Approach and Benefits;
- Governance – roles and responsibilities;
- Appendices covering definitions and processes.

The Risk Register contained nine risks relating to:

- Succession Planning;
- Members knowledge and experience;
- Data quality issues;
- Social investment;
- 'Credit' risk;
- 'Liquidity' risk;
- Data protection;
- Reconciliations; and
- Pooling arrangements.

With regard to risk numbers one and two, Cllr Sangar commented that these were uncertain times, the administration system, LGPS 2014 and investment pooling were all big issues for the Authority to deal with.

Concerning risk number two, as Lead member for Training and Development, everything possible was being done to ensure Members were kept up to date on ever-changing issues, but there were concerns regarding yearly changes to membership of the Authority; more stability would be preferable.

The Chair agreed, noting that each district had differing ways of selecting members to sit on the Authority, which was out of the Authority's hands. He suggested that the Section 41 spokespersons should request stability from their respective authorities.

RESOLVED – That the Risk Management Framework at Appendix A and the Risk Register at Appendix B are approved.

13 <u>GOVERNMENT CONSULTATION ON INVESTMENT POOLING</u>

S Barrett reported that, as mentioned earlier, representatives of the Border to Coast Pensions Partnership (BCPP) were in London for a meeting with Marcus Jones, MP. It was hoped that the BCPP pooling proposals would be verbally approved and a letter was expected in due course. It was expected that the 1 April 2018 deadline would stand, despite the delays.

Work on developing the pooling arrangements continued, with officer and member steering groups meeting regularly.

In the coming weeks, officers would be meeting the advisors of all Funds with regard to asset management proposals, any issues from these meetings would be reported to the Investment Board.

A meeting of statutory officers (s151 officers/legal officers) and the pooling officer steering group had been arranged for late November to review the overall situation.

Cllr Wraith asked whether office accommodation had been finalised.

S Barrett replied that no firm decision had been taken at the moment. As the internally managed Funds were based in Teesside, the East Riding and South Yorkshire, the preferred location was Leeds.

Cllr Wraith requested that, as pooling would be more expensive for the Authority in the short-term, costs be kept under close scrutiny; this was not a route the Authority would have taken, given the choice.

S Barrett agreed stating that value for money was imperative; there would be an expectation for a high standard of reporting in terms of costs and performance from the new pool.

The Treasurer commented that the need for value for money was clear and the Treasurers of the funds in the pool were aware of the issue which they would be monitoring; investment pooling was not something the Treasurers would have recommended if it was not a government requirement.

RESOLVED – That the update was noted.

14 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

Members considered the Performance Snapshot Report for 2016/17, Quarter 2.

RESOLVED – That the report be noted.

15 REVENUE ESTIMATES 2017/18: ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

A report of the Treasurer was submitted to allow Members 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.

B Clarkson reminded Members that 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 had been estimated at 0.4% of Pensionable Pay).

The Authority strives to operate cost effectively. In-house investment management means that costs in this area are relatively low, and published statistics on administration costs show that the Authority falls below the average for LGPS funds.

Members noted that the total outturn figure included £99,000 in respect of the GMP exercise which was approved at the March meeting of the Authority. There was also an amount of £350,000 in respect of pooling set up costs which was approved at the October meeting of the Authority; this amount split over two years leading to the movement of assets in April 2018.

The budget for 2017/18 was shown at Appendix A at £7,042,600, compared to £6,336,800 for 2016/17. When this was adjusted for the investment costs linked to market value and the agreed estimate for pooling, this represented an increase of just over 8.4%. Appendix C showed the main variations.

RESOLVED:

(i) The revised estimates for 2016/17 in the sum of £6,633,000 are approved.

(ii) The levy of £479,000 for 2017/18 in accordance with The Levying Bodies (General) Regulations 1992 are approved.

(iii) The preliminary forecasts for 2017/18 are noted and the estimates will be referred to the District councils for comment.

16 REVIEW OF PENSIONS ADMINISTRATION

A report of the Head of Pensions Administration was submitted to present a proposal to reorganise the Pensions Administration Unit to facilitate the shift from annual to monthly pension contribution reconciliation along with other improvement measures.

G Chapman informed the Authority that the ‘modern’ LGPS was created in 1974; since then there had been five major overhauls of the Scheme and numerous policy reviews and miscellaneous amendments. By contrast, the Pensions Administration unit has had relatively few reviews; the last full review taking place in 1997.

Members noted that since the 1995 actuarial valuation the total of Scheme members had increased by over 136%, and the number of employers by 421%, by contrast the number of administration staff had increased by just 7.84%.

The report detailed the problems with annual reconciliation which the shift to monthly reconciliation would solve. The technology to allow this had only recently become available and was already successfully in use via UPM in West Yorkshire.

The proposal was to create a data team which was key to the whole restructure. The team would include four Data Analysts, additional to existing resources; the posts would have a single function and would be a fixed grade.

The report set out the proposed restructure of the current Administration team, including one additional post in the UPM team, a review of UPM team staffing had been recommended by Internal Audit in their UPM post-implementation audit report.

Members noted that staff at the District offices would not be affected in the first instance, but it was intended to amend the job descriptions of the District Managers and their Deputies to include responsibility for all other scheme employers in geographical area in the future (by April 2020). Once fully implemented this would reduce the cost of the service to the district councils as it would be charged proportionately across all employers in each geographical region in South Yorkshire.

Members welcomed this as it was currently considered to be a very valuable service.

Members noted that the estimated cost of the plan was £170,000. The report was predicated on there being no changes to the senior management pay bill. Increased costs related to five additional posts and some other potential internal upgrades. Although the proposals would increase overall administration costs to the fund, some of this would be offset by the elimination of the requirement for overtime in 2017/18, which was currently costing £65,000 per annum.

RESOLVED - That the Authority:

(i) Agree to increasing the Pensions Administration Unit establishment by the appointment of five additional posts budgeted at £130,000 pa, to include one UPM Manager and four Data Analysts.

(ii) Approve in principle the restructure of the Pensions Administration Unit and the potential increase in the overall staffing budget estimated at £40,000 pa.

17 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted that provided Members with an update of Freedom of Information requests received.

RESOLVED – That the report be noted.

18 EXCLUSION OF THE PUBLIC AND PRESS

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

19 RELEASE OF PRESERVED BENEFITS - COMPASSIONATE GROUNDS (JE)

A report was submitted to seek a decision in relation to the release of preserved benefits on compassionate grounds from a former Kier Asset Partnership Services employee.

RESOLVED – That, after reviewing the circumstances surrounding the request, the Authority approve the release of preserved benefits on compassionate grounds.

20 RELEASE OF PRESERVED BENEFITS - COMPASSIONATE GROUNDS (PS)

A report was submitted to seek a decision in relation to the release of preserved benefits on compassionate grounds from a former Wilmott Dixon Holdings Ltd employee.

RESOLVED – That, after reviewing the circumstances surrounding the request, the Authority approve the release of preserved benefits on compassionate grounds.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

20 OCTOBER 2016

PRESENT: Councillor M Stowe (Chair)

Councillors: Z Sykes and K Wyatt

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration SYPA), B Clarkson (Head of Finance), M McCarthy (Deputy Clerk), S Bradley (Audit Manager, BMBC), A Hunt (Risk and Governance Manager) and G Richards (Democratic Services Officer)

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

L Booth (KPMG)

Apologies for absence were received from Councillor S Ellis, Councillor E Butler, Councillor H Mirfin-Boukouris, F Foster, A Frosdick, R Winter, A Shirt, R Khangura and E Wharton

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair reminded the Board that the Annual Fund meeting would be held that evening at 5.30pm at the Holiday Inn, Dodworth.

3 URGENT ITEMS.

None.

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

RESOLVED – That item 18 ‘EU Member State Rules: Potential Tax Refunds’ and item 20 ‘Contract Standing Orders: Tender Report’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 20 JULY 2016

RESOLVED – That the minutes of the meeting of the Board held on 20 July 2016 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to June 2017.

RESOLVED – That the Work Programme be noted.

8 REVIEW OF PENSIONS ADMINISTRATION

A report was considered which updated the Board on administration issues for the period 1 July 2016 to 30 September 2016.

G Chapman reported that the work associated with the year-end had been completed; member pension forecasts had been issued for 94% of the membership, the remainder would be issued by the end of October.

The actuarial data had been issued during July; the individual employer results would be available early November. These would be discussed at the Employers Forum at the end of November which would be webcast live.

Overall performance and performance on non-priority work had shown a marked improvement over the period, however priority performance had shown a slight downturn. Discussions with the team were ongoing to try and ascertain the reasons for this.

Given that Senior Management had directed that almost all resource over the period should be focused on the year-end work, the performance figures were very good, although not back to where the Authority would like to see them.

Members were informed that overtime would continue for the foreseeable future in an attempt to clear up outstanding casework.

Members noted that 26 new employers had been admitted, making a total of 388 employers, 371 of whom were registered for EPIC.

G Chapman informed the Board of a trial of the new existence process involving a partnership with Western Union for the Fund's pensioners living in the West Indies; the pensioners are required to verify they are alive by visiting a Western Union office with a valid form of ID, such as a passport or driving licence.

This had already resulted in the Authority receiving a telephone call from the West Indies to report a year old death; this immediately saved the Fund more per year than the cost of the exercise. It was hoped to roll this service out to the rest of the world in due course.

Additionally, life certificates had not been returned for three other West Indies pensioner residents following the life certificate exercise. These pensions are now suspended whilst further checks are carried out.

Members noted that although sickness absence levels had risen slightly they were still less than half what they had been in the corresponding quarter last year.

RESOLVED – That the report be noted.

9 DRAFT BENCHMARKING RESULTS

A report was submitted to advise Members of the draft results of the Authority's participation in the CIPFA Pensions Administration Benchmarking Club 2016.

Members were informed that it was the fifteenth year that the Authority had participated in the survey which continued to be the only detailed method by which to compare pensions administration against other LGPS administering authorities.

Unfortunately the number of participants had been falling steadily over recent years which meant the results did not give a true picture as to where the Authority stood compared to the LGPS as a whole. This year there were only 34 participants compared to 42 the previous year.

G Chapman informed the Board that the Authority's costs continue to be below average for the thirteenth year in succession, and the cost per member had dropped to its lowest ever total of £15.87 per member.

Analysis also showed:

- The number of employers in the fund is significantly higher than average (452 compared to the average of 282).
- 90% of members retiring chose to commute some of their pension to tax free cash which is significantly above the average of 56%.
- Internal appeals and appeals to the Ombudsman are below average.
- Staff turnover continued to be low.

K Wyatt commented that results for costs were pleasing but expressed surprise that 90% of members chose to commute some of their pension to a cash lump sum.

G Chapman agreed, the reasons for this were unclear but it was a positive from a funding perspective.

RESOLVED – That the report be noted.

10 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

The Board considered a report which gave an update on employers' performance and any know levels of outstanding workload for during the quarter 1 July 2016 to 30 September 2016.

Members noted that overall performance was up 3% from last quarter to 72% although poor figures from Sheffield CC was bringing down overall performance.

There had been a positive improvement over the last three review periods; 642 more cases were issued in this quarter.

Retirement continued to be the best performing area which, along with deaths, was the category that results in actual payments to scheme members and therefore of most significance. Rotherham returned 100% performance in both these categories.

In relation to District Council engagement the Board noted:

Barnsley MBC
Live interface files for new starters using the new UPM format were regularly being received. Discussions about early leavers would take place shortly.

Doncaster/Rotherham MBC
Automated processes from Rotherham MBC payroll continue although not in the new UPM format. A meeting would be scheduled in the near future to discuss moving to the UPM format and to agree a plan of action for dealing with the recent payroll successes with a number of 'out of Rotherham' employers.

Sheffield CC
Interfaces from Capita still require intervention and have not yet been moved to the UPM format, there is no indication from Capita as to when this would happen. A meeting would be arranged in the current period to discuss this and reasons for the poor performance in general.

Councillor Sykes informed the Board that she had brought the matter to the attention of the Cabinet Member and would do so again.

RESOLVED – That the report be noted.

11 CONSULTATION PROGRAMME - COMPLAINTS PROCEDURE SURVEY

A report was submitted to inform Members of the results carried out amongst scheme members who had made a formal complaint during the period 1 April 2015 to 31 March 2016.

G Chapman informed the Board that 31 scheme members had made a formal complaint during the period, 7 of whom had returned the survey; the total number of complaints was significantly higher than the last period due to the problems encountered with UPM.

Members commented that most of the criticisms were in relation to the style and content of the response received to their complaint and sought assurance that this was being addressed.

G Chapman confirmed that all issues raised had been, or were being, addressed.

RESOLVED – That the report be noted.

12 RISK MANAGEMENT

A Hunt, Risk and Governance Manager BMBC, reminded Members that following a Risk Management workshop earlier in the year work continued to develop a Risk Management Strategy; it was hoped to present this to the Board at its February meeting.

The Risk Register, which had been presented to the Board in July, was also under development.

A Learning and Development event – The Role of Internal Audit and Risk Management – had been arranged for 12 December 2016 which it was hoped that Members would find useful.

RESOLVED – That the report be noted.

13 KPMG ANNUAL AUDIT LETTER 2015/16

The Board considered KPMG's Annual Audit Letter, noting the following points:

- An unqualified conclusion on the Authority's value for money arrangements (VfM conclusion) for 2015/16 had been issued on 26 July 2016.
- One VfM risk had been identified regarding problems with the introduction of the new administration system; it had been concluded that the Authority had responded appropriately.
- An unqualified opinion on the Authority's financial statements had been issued on 26 July 2016.
- It was concluded that the Authority's Annual Governance Statement was consistent with KPMG's understanding.
- KPMG issued their certificate on 26 July 2016 which confirmed that the audit for 2015/16 had been concluded in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

RESOLVED – That the report be noted.

14 KPMG TECHNICAL UPDATE INCORPORATING THE EXTERNAL AUDIT TECHNICAL UPDATE

The Board considered KPMG's Technical Update which provided an overview of KPMG's progress in delivering their responsibilities as the Authority's external auditors.

Members noted that KPMG deliver a Client Asset Sourcebook (CASS) audit to the Authority for the Financial Conduct Authority. The work focused on the arrangements around the Passenger Transport Pension Fund and was still ongoing.

The Board were informed that the Authority had sought legal advice as to whether the monies and assets of South Yorkshire Pension Fund should also be treated as client assets subject to CASS regulations. The opinion was clear that this should not be the case and the auditor's response to that was awaited.

RESOLVED – That the report be noted.

15 INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Internal Audit was submitted to inform the Board of the work completed and that in progress from 1 July 2016 to 30 September 2016.

The Board noted that 60 days of work had been delivered out of the planned total of 255 planned days. This was in accordance with the agreed schedule of work; most of the planned work is scheduled in the second half of the year.

There were no long-term outstanding recommendations.

S Bradley informed the Board that the UPM post-implementation review had been completed, due to the issues that remain unresolved, the review concluded with a limited assurance opinion. The supplier had still not delivered their contractual obligation and the system remained unfit for purpose; work was continuing by management to resolve all remaining issues with the supplier and management had welcomed the timeliness of the report to support this work.

With regard to the 2017/2018 Annual Audit Plan, S Bradley informed the Board that a meeting with SYPA management had been arranged for November to discuss the items to be include in the Plan, a draft would be brought to the February meeting of the Board. As the Board did not have a meeting before then, Members were requested to inform the Chair or the Internal Audit team of any items they would like to see included. An email would be circulated to all Members to request that the plan requirements for 2017/2018 are considered and for responses to be sent to the Chair/Head of Internal Audit.

RESOLVED – That the report be noted.

16 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

A report of the Treasurer was presented to seek renewal of the internal investment mandate.

Members were reminded that following external audit comment it was the practice for the Authority to formally enter into a written mandate with its internal fund managers; the auditor felt that this would be in the spirit of the Myners' Principles.

The mandate was reviewed annually and was last considered in November 2015, no changes had been made to it since then.

RESOLVED – That Internal Investment Mandate be renewed.

17 BUDGET MONITORING

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

Members were reminded that a supplementary budget of £99,000 was approved by the Authority in March 2016 for the cost of GMP Reconciliation Services. The costs to date were now included in overall expenditure under Administration Other Professional Services.

The Board noted the summary of major variances attached at Appendix C to the report.

RESOLVED – That the report be noted.

18 TREASURY MANAGEMENT: UPDATE

The Board considered a report which provided an update on the treasury management operations of the Authority since the last report in June 2016.

Members noted that the UK had experienced historically low level of interest rates for over seven years.

Following the UK's vote to leave the European Union, the exchange rate had fallen and the outlook for growth in the short to medium term had weakened markedly. A package of measures designed to provide monetary stimulus had been announced by the Bank of England's Monetary Policy Committee in August 2016.

The Board were informed the Authority's Treasury Management Strategy allowed the Authority to lend to other local authorities; this was used three times during the period.

The Board noted that the Fund also had the use of a facility with the Debt Management Office; this was used ten times during the period.

With regard to the Icelandic banks there was only one claim left outstanding. The recovery so far was 98% and there was hope of a small final payment in the next 12 months resulting in a return of roughly 98/99p/£.

RESOLVED – That the report be noted.

19 EU MEMBERS STATE TAX RULES: POTENTIAL TAX REFUNDS

A report was submitted to update Members regarding the progress in pursuing potential claims for refunds of tax arising out of legal challenges to the legality of member state tax rules.

RESOLVED – That the report be noted.

20 CONTRACT STANDING ORDERS: TENDER REPORT

A report upon awarded contracts, as required under the Authority's Contract Standing Orders, was considered.

RESOLVED – That the report be noted.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	**24 November 2016**	**12 January 2017**	**16 March 2017**	**8 June 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	
	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling	Government Consultation on LGPS Pooling
	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report	Qtr 4 Performance Snapshot Report
			Treasury Management Strategy Statement	
Business				Loyal Service Awards
	Budgets and Revised Estimates	Budgets and Revised Estimates	Meeting Dates of Authority and Boards	Members Self-Assessment Report
	FoIA Annual Report Publication Scheme	Members Self-Assessment Report		

	24 November 2016	12 January 2017	16 March 2017	8 June 2017
	Review of Pensions Administration	SYPF Annual Fund Meeting		
	Release of Preserved Benefits			
Training & Development		Asset & Liability Review Mercer Presentation		

SOUTH YORKSHIRE PENSIONS AUTHORITY

12 January 2017

Report of the Treasurer

REVENUE ESTIMATES 2017/18

1 Matter for consideration

Following various consultations, to formally confirm the draft budget proposals considered by the Authority on 24 November 2016 and summarised herewith.

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2 Recommendations

The Authority is asked to formally confirm the budget proposals and approve the budget of £7,042,600 for 2017/18.

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3 Background Information

3.1 At its meeting on 24 November, the Authority considered draft budget proposals for the 2017/18 financial year. The key elements of these proposals were subsequently the subject of consultations with various interested parties and no changes were suggested.

3.2 A summary of the draft budget as considered at the Authority meeting on 24 November is attached at Appendix A. The full report considered by members at that meeting can be accessed on the Pensions website.

4 Implications

4.1 Financial
None additional

4.2 Legal
None

4.3 Diversity
None

4.4 Risk
None

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

APPENDIX A

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
MEMORANDUM ITEM			
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
	415,000	405,900	426,400

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
GROSS EXPENDITURE	**3,108,100**	**3,149,400**	**3,315,500**
MISCELLANEOUS INCOME	113,000	133,000	133,000
NET EXPENDITURE	**2,995,100**	**3,016,400**	**3,182,500**

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
INVESTMENT GENERAL EXPENSES	1,305,900	1,293,100	1,406,100
INVESTMENT MANAGEMENT EXPENSES			
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
INVESTMENT MANAGEMENT EXPENSES	2,035,800	2,323,500	2,454,000
NET EXPENDITURE	**3,341,700**	**3,616,600**	**3,860,100**

SOUTH YORKSHIRE PENSIONS AUTHORITY

12th January 2017

Scheme Members' Annual Fund Meeting

1. Purpose of the Report

To report on the meeting held on 20th October 2016.

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2. Recommendations

Members are recommended to note the contents of the report.

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3. Information

3.1 This year's AFM for scheme members was held at The Holiday Inn Barnsley on the evening of 20 October. There were 62 members present, as follows –

- Pensioners – 47 (including 1 LPB member)
- Contributors – 9 (including 1 LPB member)
- Deferred members - 2
- Councillors – 3 (excluding Chair & Vice)
- Employer Representative - 1

3.2 After introductions and a welcome from Martin McCarthy (Deputy Clerk) and Councillor Ellis, (Chair of the Authority) presentations were given by -

- Steve Barrett – Interim Fund Director
- Gary Chapman – Head of Pensions Administration

Questions were taken in an open forum at the end of each presentation.

3.3 Cllr Ellis – Chair

Cllr Ellis welcomed members to the meeting. She also welcomed Steve Barrett to his first AFM, explaining his position as the Interim Fund Director saying he replaced John Hattersley who retired this year. Cllr Ellis paid tribute to John saying he is man whose skills and knowledge about pensions and the investment world are unsurpassed and we will really miss him. She said he did 42 years in public service and he deserves a long and happy retirement. His skills and knowledge were nationally acknowledged. He has also passed his experience on to his staff and left South Yorkshire Pensions Authority in a very strong position, with staff's loyalty and hard work which has been put to the test this year because the investment team have had all the extra work that pooling has brought about, as well as the admin side who have had their trials and tribulations with the new UPM system.

3.4 Steve Barrett – Interim Fund Director

Steve opened with an overview of what he would be covering during the presentation.

Steve went on to say the fund valuation at March 2016 was £6.22m saying there wasn't a great deal of movement between this and last year. He spoke about how our assets are allocated over different asset classes. 58.2% in equities and 20.8% in fixed interest, the balance being split between private equity 4.8% alternative assets 2.7% and property real estate 11.3%. He went on to say private equity is the asset class which usually provides finance to smaller and growing companies although it can also be used for large management buyouts.

He said the Fund equity split is basically a third in UK and two thirds in overseas companies. This is a higher overseas weighting than most funds have but we must bear in mind that 80% of the earnings of the UK's biggest 100 companies are produced overseas anyway.

Steve moved on to show examples of the properties the Fund is investing in, explaining how much money is invested in properties that are in good locations.

Steve commented that property did quite well up to the end of March 2016 but, for the second year in a row, we didn't do too well on our agricultural portfolio, but overall the property portfolio brought a good return.

Steve then moved onto Fund Valuation saying the slide shows how the Fund has grown over the years; reflecting on the crash of 2009 and how we built it back up again. Saying the graph shows there wasn't much change between 2015 and 2016. Also that the fund continues to grow and between March 2016 and August 2016 the Fund had grown to £7bn. Overall the message is that the Fund is steadily increasing in value.

Actuarial Valuation

Steve went on to cover the actuarial valuation saying every three years we have a valuation exercise to have a look at the assets we have. He said our assets are growing and deficits reducing and recovery is progressing. He said we are well underway with discussing things with the actuary. He said there are positives to take nationally that the LGPS is a success story in so far as it is now holding more assets per pound of liability than it ever held before.

Pooling

Steve said the LGPS is a world class pension scheme. Any of the pooling proposals will not have any impact on people's pensions. What the proposals are talking about are what the Government hopes will be a better way of doing things and making efficiency and substantial savings across the country, saving £200m-£300m per year. What the Government asked for was to create half a dozen British wealth funds and to invest more into infrastructure projects.

Steve went on to say it is about bringing together the investment side not the administration side and that SYPA will still continue to exist with its own identity and own asset allocation. Saying that explains the benefits of bringing together 12 funds which has an overall value of over £35bn rather than our £7bn.

He said we should be able to achieve cost reduction. We should be able to rationalise the number of external managers with less fees by using internal managers. Steve went on to show a slide of the 12 authorities that are in the proposed pooling representing £35.9bn of investment, also the total number of members and total number of employers.

Steve went on to Investment decision making, saying that whilst the funds will be pooled the key asset allocations will stay with the authority.

He said there will still be a need for appropriate local supervision and control over the fund but the pool itself will need to be kept under governance through local elected members so there is likely to be a joint committee with one member representative from each of the 12 individual funds, appropriately supported by officers and other advisors and we expect the pool to have an operating company of officers reporting to the joint committee particularly around issues of performance.

He spoke about holding the pool operator to account with regards Investment reporting and how well the pool is operating on our behalf. Steve said the implementation timetable was 1st April 2018 which is a significant challenge. He said there is a lot of work for staff and elected members so it may take a little longer to get there.

Questions from members

Q Do we have any guarantee that pooling investments is not the first step to combining the funds?

A We've no idea there's nothing been said yet. Having seen an idea of moving towards some sort of pooling then it's not unreasonable to ask that kind of question but at the moment there's nothing coming from Government that lets us know one way or another, what their plans are.

In terms of bringing pension funds together as a complete entity dealing with investments and the administration side this would be an enormous task to do so the answer to question is that we don't know at this point.

Q Brexit- You seem to suggest a decline in business investment and reduction in real incomes. The reverse seems to be the case. Our currency adjustment helps exporters and hence job security in the private sector. Should Local Government stop moaning? Brexit will happen- support it.

A Everyone is entitled to their own view on this but even the economists don't agree on what is going to happen with Brexit but the broad answer is that no one really knows what is going to happen at this stage. There are worries about inflation there are worries about the economy moving in a downward direction and so I don't think it's just about the exports because we import a lot and that costs more if sterling has gone down in value and at the moment I think we have a trade deficit so overall I would think if we have a trade deficit we would probably do worse rather than better through a devalued pound, but that's anybody's view.

Q I understand that the Authority has received the report from its carbon auditors. I would like to know the key points within the report, what recommendations were made by the auditors and what actions will be taken to implement these recommendations?

A A carbon audit of our four main equity portfolios, equivalent to £2.8bn of public equities was commissioned in December 2015. This exercise was undertaken by Trucost, a consultant that specialises in the provision of environmental data and carbon foot printing. The audit compared each to its appropriate benchmarks to explain the effect of stock selection and sector allocation decisions. A substantial report was produced; but due to the conditions of the contract, the full report remains confidential and not for public disclosure. However, the key report findings show that each of the individual equity portfolios were all more carbon efficient than their relevant benchmark indices. Both sector and stock selection effects for each portfolio were positive, which means that managers are investing in lower carbon intensive sectors and picking lower intensive stocks within sectors.

The report identified approaches that the Authority could take to mitigate the future risk of stranded assets within portfolios, which the Authority has taken on board. These included engaging with large emitters, monitoring carbon disclosure of some Asian companies and monitoring carbon footprints. Engagement is continuing with heavy emitters via the Local Authority Pension Fund Forum, collaborations with other investor groups and at individual company meetings.

Q "The Ontario Teachers' Pension Plan ("Teachers") is one of the largest pension funds in the world, and it is making investments from the $171billion it has under management into infrastructure as a deliberate broadening of its interests. One of these investments is a share in Birmingham Airport here in the United Kingdom.

Will the SYPA consider making investments in elements of the public infrastructure improvements here in The North of England that we need so badly to make sure that our Northern economy can stay moving?

If such an SYPA willingness exists in principle, what conditions would need to be satisfied for such investments to take place in such a way that the interests of current and future pensioners were protected?

A Steve answered by saying we invest on an international basis ourselves. We have investments in infrastructure locally through some limited partnership agreements. We are interested in diversification. Saying we would be interested in any goods infrastructure opportunities. Steve went on to say we have for example invested in Newcastle airport. We've also made investments in collaboration with other pension funds.

A member responded to this saying: what conditions would need to be satisfied for such investments to take place in such a way that the interests of current and future pensioners were protected. Saying that hits at the heart about the concerns over pooling arrangements and the concerns about the facility for government to give guidance on the use of it. How do we safeguard ourselves against our fund being pushed into the infrastructure investments the private sector isn't really that interested in. In other words under government guidance that our money goes into funds that we might not otherwise have chosen.

Cllr Ellis picked it up from here saying we were all worried when this was introduced. She said the first thing all pension funds will have to do is make sure our liabilities are covered, i.e. we can pay your pensions. If we felt we were being pushed into something that didn't have a good return we would have to look to legal remedies to stop that because in law it's very clear what pension authorities should be doing which is first and foremost the duty to our members. Cllr Ellis went on to say there would be a big push back if it wasn't guidance but an absolute direction and I don't think they will go there.

Q In view of Brexit have you considered moving away from Government Bonds to real assets in UK & abroad similar to the Canadian Teachers Pension Fund?

A Steve answered by saying our government bond investments are all index linked and therefore these are 'real' assets. Index linked bonds are regarded as the best matching assets for our liabilities so we would not normally consider selling these assets. Every three years we have another look and are working with advisors and the likely liability from this point in time moving forward is discussing how we should spread those between growth, between protection and between income assets so that will all come under review in any event.

Questions from the floor

Q When you invest abroad what sort of assistance and guidance do you get?

A We have three advisors in the main fund who come in at the point of considering asset allocation to determine how much exposure we would have in different asset classes. Then the investment team would always do their very best and research intelligence and analysis in any potential investment and in such instances we might put money in funds that are exposed to parts of the world that we wouldn't want to put a huge investment into but take a share of so we would have monies with funds who might be in emerging markets and so on.

Q The number of members (authorities) that are in the pooling fund and the diversity that there are concerns me that you are going down to Surrey and it seems that you have said that the reason for taking these parties on is because they tend to have internal management of the fund. I cannot understand why we haven't gone to West Yorkshire and to 2 or 3 other funds where you would have had only 4 or 5 parties would surely have been much more sensible and the costs would have surely been less if you had only 4 or 5 parties instead of 12 others. I cannot understand why you have gone down this road with parties that are so diverse.

A The government's criteria were looking for scale; they wanted at least £25bn so you had the whole country trying to work out who was going to work with who to get these issues around scale and what could work together. A lot of funds have no internal managers so people from my understanding wanted to buy into something where there was a good internal management form. I would hope that that would grow over time and be more effective and more efficient than having funds which were largely externally managed. Steve went on to say the specifics of why and who joined and who didn't he couldn't comment on at which point Cllr Ellis come in.

Cllr Ellis explained that when we were looking at partners we did meet up with Manchester and other Funds. I think what you did is what we did, you immediately look to your immediate neighbours thinking that would be easier, that would be regional or we'd worked with in other spheres or it appear that you'd have an easier working relationship with them because you are used to them and you know where they are. What became apparent fairly quickly was that actually where you were in the country wasn't the most important thing, but how you approached things, what you wanted from your fund. So we started calling it 'like-mindedness', people who we thought we would be able to do business with that would have the same approach as us. And Steve's already talked about there are some funds that don't do any internal management, none what so ever. We happen to think that our internal management and investment team have done a really good job for us. We didn't want to go outside all the time, that was very important to all of us.

Things like the FCA we all agreed very quickly that we wanted to have that registration and we wanted to be able to prove to our members that we were quality organisations. I understand that there are still some pools that still haven't decided that. And that's because they didn't match themselves up at the beginning for what kind of pool they were, what they were comfortable with because over the next five years they are going to have some tricky negotiations.

Cllr Ellis went on to say it helped that in the first few months of getting together we are approaching things in a like-minded way. You talked about responsible investment; everybody there was committed to it, exploring that. So that's how we got those people and although there are some pools that geographically put together, Surrey and other people came in because actually during those exploratory talks they liked what we were all saying. But at the end of the day the Government said £25bn so that was our general approach and we will see in the coming months and the coming years how that works out. It's been a good start so far and we've made more progress than a lot of other pools.

3.5 Gary Chapman – Head of Pensions Administration

Gary opened with a slide covering the review of the Annual Report starting with membership numbers saying as always the numbers are going up. He said we get more deferred and more retirements during the year that adds to the numbers. Saying overall membership went up by 4.9%. In terms of active members, effectively the numbers are going up, slightly contrary to what we would expect given that the local authorities staff in the area have reduced in numbers. We do have auto-enrolment which means that members have to be brought into the scheme. They can opt out again if they wish but some stay in so we see the numbers starting to increase a little bit. Gary said that from under 50,000 in 2013 we are starting to gradually creep back up again.

Gary went on to cover scheme employers saying these keep going up and up and have been for a number of years now however he went on to say we are not gathering many more members in terms of that. All members are just transferring from one employer to another and it's mainly due to the academies that are coming out of local authority control to running things themselves at which point they take on employer responsibilities and have their own contribution rates and are responsible for their own administration.

Gary went on to say that numbers have gone from just under 200 in 2012 to 391 now with a further 55 in the pipeline. It is showing no signs of slowing down. We have roughly the same number of members to deal with but we have to deal with more employers and employers have to administer the scheme, they have to deduct and pay over contributions and they have to meet our timescales. We aim to educate and we have various methods to get information across to them, but nevertheless it is a challenge particularly with the numbers that we have got now.

Gary moved onto performance saying a few years ago we were really on top of things performing at 99% against our targets for service delivery. He said that saying you may know from previous years AGM that we've put a new system in, and had to go live before we were ready. Anybody who has experienced IT projects will probably know they tend to run over, however we weren't allowed to because we had to be off our old system and so went live before we were ready. We struggled to get case work out on time and as a result the performance fell through the floor and at our worst we were about 59% which is poor. We have started gradually getting through that. We are now two years since going live. It's been a real struggle but we are starting to ensure that we get our performance back to where it was.

Gary said looking at the statistics now we are at about 85%. It shows that we are gradually getting there. He said that our administration teams have worked amazingly to get us back on track. They have persevered, worked Saturdays and done everything that they needed to.

Gary moved onto complaints saying they have shot up during this period. Formal complaints, where it needs dealing with formally, rather than staff dealing with it over the phone, we had 31. Gary said we would usually have 4 or 5. Putting it into context out of 67,993 cases dealt with we had 31 complaints which is only 0.04% of total workload, which isn't too many, but its 31 too many.

In terms of overall satisfaction members satisfaction has fallen to 89%. Saying we do benchmarking. Benchmarking ourselves with other like-minded authorities. However we were disappointed that only 34 pension funds took part as there are 89 in the country.

Gary went on to say the cost per member is what we spend on each of our members. Gary explained we take the total cost and divide it by the total number of members. Saying essentially we aim to make sure we are below the average cost which is OK but it wouldn't be OK if we didn't deliver the above average service to our members.

Gary then moved onto a slide with statistics saying CIPFA guidelines requires us to publish statistics in the annual report but reviewing them is difficult since not much changes year on year. Gary went on to show statistics instead that compared 1996 and 2016 which showed significant increases in most of the categories reviewed.

Gary then moved on to Pensions Increase saying last year it was bad news as the increase had been zero. This year pensions in payment and deferred pensions will increase by 1% from next April. Gary moved on to a slide showing what PI had been since April 2010.

Gary went on to recap issues that were currently ongoing – Freedom & Choice; saying this has not really taken off in the LGPS. End of Contracting Out has caused some extra work and we have partnered with another organisation and that's still ongoing. Pensions Taxation – the government didn't do what they said they would do and in fact now seem to be going in a different direction. Public Sector Payments Cap – was due from 1st October, however it's been delayed and could be delayed indefinitely which has helped employers who are dealing with restructuring and redundancies.

Gary then moved onto current issues - Actuarial Valuation – saying we are well on the way with the actuarial valuation. We have already had discussions with district councils and we are at the point of getting individual employer contribution rates. Gary went on to say in the New Year we will sign off the valuation setting employer contribution rates for the next three years. Clearing backlogs – Gary said our admin team are clearing backlogs. He said if you are a current member you will have received your Annual Pension Forecast. We need to have these out by the end of August which is an insane timescale however it is statutory and we have to abide by it. Gary went on to say we did but at a cost, as work got left at low priority level. Gary then moved onto reviewing the way we work saying the reason for this is to try and ensure we don't get into issues such as backlogs again. We are looking to using our staff in the most effective way to ensure we continue to provide you with the service you deserve.

Gary went on to do a Q & A session and cover the questions that members had written in with when they applied for a ticket.

Q. Are death benefits for the beneficiaries of female scheme members the same as for the beneficiaries of male scheme members?

A. They are now but only in respect of benefits that have built up since 6th April 1988.

Q. Has the Pension Fund been adversely affected by the Pension Freedom legislation?

A. Minimal impact so far. A few enquiries but low take up. Also the scheme is due to change to make it easier for deferred members to take their benefits early which will further reduce the impact.

Steve and Cllr Ellis went on to do the Quiz

3.7 A full recording of the meeting is available to view at http://www.youtube.com/user/SYPensions

4. Implications

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

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

12 January 2017

Report of the Clerk

COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF-ASSESSMENT

1) Purpose of the report

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

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2) **Recommendations**

a) That the Authority notes the content of the report.
b) That Members confirm their commitment to the self-assessment process until the new Regulations for the Scheme come in to place and to review and update the process at this time.
c) That Members agree to any development needs arising from the results.

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3) Contents

Main Report

Appendix A: Principles for Investment Governance (formerly Myners) and Best Practice Guidance

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4) Background Information

4.1 The Myners Report (2001) looked at institutional investment in the UK and established a best practice approach to investment decision making for pension funds. The principles were announced in 2002 following a review of institutional investment by Paul Myners, which found shortcomings in the expertise of investment decision-making by pension fund trustees. The review recommended that there should be a legal requirement that where trustees are taking a decision, they should be able to take it with the skill and care of someone familiar with the issues concerned. In 2008, following extensive consultation, the ten original Myners principles were updated and consolidated into six new principles. These are attached to the report for information at Appendix A. Local Authorities are required to publish a statement of compliance in the Statement of Investment Principles.

4.2 The government consultation on the Local Government Pension Scheme: Revoking and Replacing the Local Government Pension Scheme (Management and Investment of Funds) 2009 states:

"Regulation 12(3) of the 2009 Regulations requires administering authorities to state the extent to which they comply with the guidance given by the Secretary of State on the Myners principles for investment decision making. As part of the wider deregulation, the draft regulations make no provision to report against these principles, although authorities should still have regard to the guidance." The Authority will no doubt wish to maintain a process whereby they periodically self-assess against a 'checklist', Myners or otherwise, such that in evidencing the principles of good governance they are maintaining high standards in the execution of their statutory responsibilities. The process needs to be transparent, proportionate and promote confidence amongst all stakeholders.

4.3 Members adopted a system of self-assessment in October 2011 and agreed to use a template to gauge compliance. Members received individual copies in January 2016 and were asked to retain them until the end of the financial year (March 2016) and return them, duly completed, to the Clerk.

4.4 The self-assessment process consists of three separate forms:

(i) Assessment of Authority Members.
(ii) Assessment of the Board Chair by Members of the Investment Board.
(iii) Assessment of the Board Chair by the Members of the Corporate Planning and Governance Board.

4.5 In order to benchmark, forms will be personalised to show the scores given in the previous year by individual members.

4.6 Assessment forms will be circulated to all Authority Members immediately after the Authority meeting on 12 January. Members are asked to and complete and return the forms before the end of March 2017.

5. Development Needs

5.1 Any development needs that arise from the self-assessment will be addressed as part of the Member learning and development schedule.

6 Implications

There are no direct financial, legal or diversity implications with this report.

There may be some reputational risk implications in relation to the quality of internal governance if results are not reported and acted on appropriately.

D Terris
Clerk

Officer responsible:
G Richards
Democratic Services Officer
01226 772806

Background papers used in the preparation of this report are available for inspection at the offices of South Yorkshire Joint Secretariat, Barnsley.

Other sources and references:
CIPFA Code of Practice
CIPFA Knowledge and Skills Framework
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Principles for Investment Governance (formerly Myners) and Best Practice Guidance

Principle	Best Practice guidance
Principle 1: Effective decision-making •Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. • Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	•Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. • Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. • The board has appropriate skills for, and is run in a way that facilitates, effective decision-making. • There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions. • It is good practice to have an investment subcommittee, to provide the appropriate focus and skills on investment decision-making. • There is an investment business plan and progress is regularly evaluated. • Consider remuneration of trustees. • Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).
Principle 2: Clear objectives •Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor	•Benchmarks and objectives are in place for the funding and investment of the scheme.

Principle	Best Practice guidance
covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.	• Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation. • Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates. • Consider the strength of the sponsor covenant.
Principle 3: Risk and liabilities • In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. • These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.	• Trustees have a clear policy on willingness to accept underperformance due to market conditions. • Trustees take into account the risks associated with their liabilities valuation and management. • Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. • Trustees have a legal requirement to establish and operate internal controls. • Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.
Principle 4: Performance assessment • Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. • Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.	•There is a formal policy and process for assessing individual performance of trustees and managers. • Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings). • The chairman addresses the results of the performance evaluation. • State how performance evaluations have been conducted. • When selecting external advisers take into account relevant factors, including past performance and price.
Principle 5: Responsible ownership • Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • A statement of the scheme's policy on responsible ownership should be	•Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles. • Trustees consider the potential for engagement to add value when

Principle	Best Practice guidance
included in the Statement of Investment Principles. • Trustees should report periodically to members on the discharge of such responsibilities.	formulating investment strategy and selecting investment managers. • Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company. • Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.
Principle 6: Transparency and reporting • Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Trustees should provide regular communication to members in the form they consider most appropriate.	Reporting ensures that: o the scheme operates transparently and enhances accountability to scheme members; and o best practice provides a basis for the continuing improvement of governance standards.

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