



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Authorised and regulated by the
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 5 October 2017 at 10.00 am for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink that reads "Diana Terris".

**Diana Terris
Clerk**

This matter is being dealt with by: Gill Richards
Email: grichards@syjs.gov.uk

Tel: 01226 772806

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Distribution

Councillors S Ellis (Chair), S Cox, S Durant, K Harpham, T Hussain, J Mounsey, K Richardson, A Sangar, I Saunders, Z Sykes, R Wraith and K Wyatt.

Contact Details

For further information please contact:

<p>Gill Richards Joint Authorities Governance Unit 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772806 g-richards@syjs.gov.uk</p>	<p>Andrew Shirt Joint Authorities Governance Unit 18 Regent Street, Barnsley, South Yorkshire S70 2HG</p> <p>Tel: 01226 772207 a-shirt@syjs.gov.uk</p>
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SOUTH YORKSHIRE PENSIONS AUTHORITY

5 OCTOBER 2017 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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*18	SYPA Staffing Structure Post Pooling and Related Matters (Exemption Paragraph 3)	91 - 102
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SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JUNE 2017

PRESENT: Councillor S Ellis (Chair)

Councillors: T Hussain, K Richardson, A Sangar, I Saunders and R Wraith

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

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration), A Frosdick (Monitoring Officer), N Copley (Treasurer), M McCarthy (Deputy Clerk) and G Richards (Democratic Services Officer)

Observers: G Boyington

Apologies for absence were received from Councillor K Harpham, Councillor J Mounsey, Councillor Z Sykes, Councillor K Wyatt and F Tyas

1 APPOINTMENT OF THE CHAIR FOR THE ENSUING YEAR

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

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

2 APPOINTMENT OF THE VICE-CHAIR FOR THE ENSUING YEAR

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

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

3 MEMBERSHIP OF THE AUTHORITY

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

The current membership of the Authority was noted as:

Barnsley Councillors	Doncaster Councillors	Rotherham Councillors	Sheffield Councillors
K Richardson R Wraith	S Durant J Mounsey J Wood (to 22/6/17) S Cox (from 23/6/17)	S Ellis K Wyatt	K Harpham T Hussain A Sangar I Saunders Z Sykes

RESOLVED – That the report be noted.

4 APPOINTMENT OF BOARDS, COMMITTEE AND CHAIRS

A report was submitted to consider the appointment of Boards, Committees and their Chairs for 2017/18.

Membership was confirmed as follows:

Corporate Planning & Governance Board	Investment Board	Management Committee (Sec 41 Members)
Cllr R Wraith (Chair) Cllr S Ellis (Vice Chair) Cllr S Durant Cllr T Hussain Cllr K Richardson Cllr Z Sykes Cllr K Wyatt	Cllr S Ellis (Chair) Cllr R Wraith (Vice-Chair) Cllr S Cox (from 23/6/17) Cllr K Harpham Cllr J Mounsey Cllr A Sangar Cllr I Saunders	Cllr S Ellis (Chair) Sub: Cllr K Wyatt Cllr R Wraith Sub: Cllr K Richardson Cllr I Saunders Sub: Cllr Z Sykes 2 x vacancies (Doncaster)

RESOLVED – That the report be noted.

5 QUESTIONS IN MEETINGS OF DISTRICT COUNCILS

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

Appointments were confirmed as:

Council	Spokesperson	Substitute
Barnsley MBC	Cllr R Wraith	Cllr K Richardson
Doncaster MBC	Vacancy	Vacancy
Rotherham MBC	Cllr S Ellis	Cllr K Wyatt
Sheffield CC	Cllr I Saunders	Cllr Z Sykes

As not all Doncaster Members were in attendance, it was decided to leave that decision to the next meeting.

RESOLVED –

- (i) To agree the Section 41 appointments as detailed above.
- (ii) To defer the Doncaster MBC appointments to the next meeting of the Authority.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 JUNE 2017

PRESENT: Councillor S Ellis (Chair)

Councillors: S Durant, T Hussain, K Richardson, A Sangar,
I Saunders and R Wraith

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

Officers: S Barrett (Interim Fund Director), G Chapman (Head
of Pensions Administration), A Frosdick (Monitoring Officer),
N Copley (Treasurer), M McCarthy (Deputy Clerk) and
G Richards (Democratic Services Officer)

Observers: G Boyington

Apologies for absence were received from Councillor
K Harpham, Councillor J Mounsey, Councillor Z Sykes,
Councillor K Wyatt and F Tyas

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair welcomed the new Members to the Authority and also welcomed Neil Copley to his first meeting as Treasurer to the Authority.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST.

None.

6 LOYAL SERVICE AWARD SCHEME

A report was submitted to advise Members that there was one officer who was eligible to receive a loyalty award after achieving 25 years of continuous service with the Authority.

The Chair thanked K Roberts for her dedication to the Authority, noting that as manager of UPM her loyalty had been put to the test over the last few years.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 16 MARCH 2017

RESOLVED – That the minutes of the Authority meeting held on 16 March 2017 be signed by the Chair as a true record.

8 MINUTES OF THE INVESTMENT BOARD HELD ON 9 MARCH 2017

RESOLVED – That the minutes of the meeting of the Investment Board held on 9 March 2017 be noted.

9 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED – That the Work Programme be noted.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

11 GOVERNMENT CONSULTATION ON LGPS POOLING

S Barrett gave a position statement on progress made with regard to LGPS pooling for new Members and an update on the current issues since the last meeting.

Following her attendance at the first meeting of the Border to Coast Pooling Partnership Joint Committee, the Chair confirmed that the amendment, supported by the Authority, regarding non-voting co-option had been included in the Constitution.

As agreed previously, the meeting with the Trades Union representatives ahead of each Joint Committee meeting would be arranged for the week before the meeting; the next meeting of the Committee was scheduled for 5 September 2017.

Cllr Sangar commented that a written update, rather than verbal, would be useful. As a lot was happening in such a short time it would be useful to have something to refer to.

Cllr Wraith queried whether premises had been found for BCPP staff.

The Chair responded that a short list of approximately seven potential premises had been drawn up. She, as Vice-Chair of the Joint Committee, would be inspecting the premises to ensure the suitability for any South Yorkshire staff who would be accommodated there.

Cllr Wraith queried whether the investment staff had all agreed to TUPE transfer and what the situation was with regard to staff who wouldn't be transferring.

S Barrett replied that it was expected that the investment staff would decide for themselves; all would have the opportunity to transfer if they so wished.

With regard to the structural issues and what, if anything would need to remain in Barnsley, this was a separate process and had still to be decided. Work was ongoing and would probably be finalised in the autumn.

A Frosdick updated Members on the situation regarding the Passenger Transport Pension Fund which would be transferring to the Greater Manchester Pension Fund in the near future, subject to the agreement of the Secretary of State.

Cllr Ellis confirmed that the Passenger Transport Pension Fund Committee had been involved in the process at all stages and were happy with the proposals.

G Boyington, Chair of the Joint Local Pension Board, commented that as the Board was a Joint Board with the Passenger Transport Pension Fund, the transfer would have implications for the Board's Constitution as there was an employee and employer representative of the SYPTPF on the Local Pension Board. A decision would have to be made as to whether to delete the two posts or substitute them for another employer and employee.

G Warwick queried whether Trades Union representatives were to be co-opted onto the Joint Committee or whether they would just be invited to the local pre-meeting.

S Ellis replied that this issue was being dealt with by one of the sub-committees; no decision had been made as yet.

G Warwick expressed his disappointment that Trades Union representatives were not allowed to participate in the governance of BCPP automatically.

RESOLVED:

- (i) That a written investment pooling report be submitted to each Authority meeting as necessary.
- (ii) That the report be noted.

12 QUARTER 4 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Q4 Performance Snapshot report.

The report was a summary of various information and statistics previously considered by the Authority's Boards.

It was noted that:

- Performance had not improved during the quarter due to the number of backlog cases in the system.
- Investment performance had been strong.
- 17 new employers had joined the Scheme.
- A further 33 new employers had registered for Epic.

With regard to performance, Cllr Wraith queried when performance would get back to where it was before the introduction of the UPM system.

G Chapman replied although he was confident performance would get back to where it was, the timescale was difficult to measure. The reorganisation of the team had taken place and it was hoped there would be a period of continuous improvement over the next 12 months, however the improvement would be incremental.

RESOLVED – That the report be noted.

13 COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF ASSESSMENT

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

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

Members had been issued with individual copies in January 2017, to be completed and returned at the end of the financial year; 10 forms from the 11 issued had been returned (an improvement on the previous year). In the main, the scores were either Very Good or Excellent and no areas of concern or development needs had been identified.

RESOLVED – That the report be noted.

14 TRADES UNION REPRESENTATION ON BOARDS

A report was submitted to inform the Authority of the current position regarding Trades Union seats on the Corporate Planning and Governance Board and the Investment Board.

The Authority noted that three seats on each Board were allocated to Trades Union representatives for a three-year term. The appointments were due for renewal.

The Trades Unions had requested that the Authority approve the following appointments for a term of three years:

GMB – Garry Wareick to the Corporate Planning & Governance Board and the Investment Board.

Unison – Nicola Doolan-Hamer to the Corporate Planning & Governance Board and the Investment Board.

Unite – Frank Tyas to the Corporate Planning & Governance Board and Doug Patterson to the Investment Board.

RESOLVED – That the Authority approve the continued appointment of Trades Union representation on the Authority's Boards as detailed above, for a term of three years.

15 MEMBER LEARNING AND DEVELOPMENT STRATEGY

A report was considered which provided Members with a forward look at learning and development arrangements for 2017/18.

It was noted that pensions was a complex environment and training and development was essential for every Member, especially after the introduction of more demanding governance arrangements over the last few years.

Induction training would be offered to all new Members in the coming weeks together with the opportunity to attend a two-day course in September in York. For those who could not attend this, the three-day LGA Fundamentals training in Leeds would be offered.

In addition, all Members would be invited to generic training offered across the South Yorkshire Joint Authorities which included Risk Management, Audit Committees and Treasury Management.

Members were informed that the Pensions Regulator had developed an e-learning programme for public sector pension schemes. The toolkit was available on the Regulator's website and would be incorporated into the learning and development schedule. A link to this would be provided for Members after the meeting.

G Warwick pointed out that the Strategy made no mention of Trades Union representatives.

Although Trades Union representatives were routinely invited to most training events, M McCarthy agreed to include this in the Strategy.

RESOLVED – That the report be noted.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

CORPORATE PLANNING AND GOVERNANCE BOARD

20 JULY 2017

PRESENT: Councillor R Wraith (Chair)

Councillors: S Durant, Z Sykes, K Richardson and K Wyatt

Officers: L Booth (Audit Manager), G Chapman (Head of Pensions Administration), B Clarkson (Head of Finance), N Copley (Treasurer), A Frosdick (Monitoring Officer), M McCarthy (Deputy Clerk), G Richards (Democratic Services Officer) and S Smith (Head of Investments SYPA)

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

R Khangura (KPMG)

G Boyington, S Ross and J Thompson (Observers)

Apologies for absence were received from Councillor S Ellis, Councillor T Hussain, S Barrett, I Rooth and R Winter

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 1 JUNE 2017

RESOLVED – That the minutes of the meeting of the Board held on 1 June 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

RESOLVED – That the Board’s Work Programme be noted.

8 ANNUAL REVIEW OF ILL HEALTH RETIREMENTS

A report was submitted to inform Members on the number and cost of ill-health retirements during the period 1st April 2016 to 31st March 2017.

Accompanying the report were extracts from databases which recorded ill-health retirement assessments undertaken by the Fund’s medical advisors on behalf of employers and their associated costs.

- Appendix A showed the number of cases submitted to the Medical Advisors split by employer. There were 143 referrals in 2016/17 compared to 152 the previous year.
- Appendix B split the number of cases assessed into the various case types; 85% of cases were first time assessments.
- Appendix C showed the outcome of assessments; 50% of cases met the criteria, which was up from 47% in the previous year.
- Appendix D showed the tier of benefits recommended for ill-health retirements that were supported; 91% were awarded Tier 1 (the highest tier), 26% of the Tier 1 awards were in respect of members who were terminally ill.
- Appendix E showed the outcome of Tier 3 reviews, 67% had their benefits uplifted to Tier 2 at the 18 month review, whilst 33% were continued for a further 18 months.

With regard to Appendix F, this provided analysis of the costs falling to the pension fund as a result of retirements.

Members were informed that the costs were not directly charged against the employer as they occurred. The large employers and transferee admission bodies had an actuarial allowance to pre-fund the cost of such retirements during the valuation period. Direct costs only occur if an employer used up their allowance (there was one of these during the period which was shown at Appendix G).

In answer to a question, G Chapman informed the Board that any unused valuation would be fed back to the employer at the next actuarial valuation.

RESOLVED – That the report be noted.

9 ANNUAL REVIEW OF APPEALS

The Board considered a report which provided an annual review of appeals dealt with through the dispute resolution procedure and customer service complaints.

Members were reminded that the formal dispute resolution procedure consisted of two stages. At the first stage the member submitted an appeal to the organisation that made the decision being disputed. The second stage is intended to review the initial and first stage decisions and must be considered by SYP as administering authority (delegated responsibility of the Fund Director).

In addition to the formal appeals process, a customer service complaints procedure was operated to deal with issues where a member had been disappointed with performance rather than a regulatory decision made by SYPA.

Once the internal dispute route had been exhausted a member may submit an appeal to the Pensions Ombudsman.

During 2016/17 70,584 items of casework were completed, ranging from complex benefit calculations to simple data amendments. From this casework the following appeals and complaints were received:

Appeal Type	2015/16	2016/17
Stage 1	1	3
Stage 2	1	3
Ombudsman	1	0
Complaints	31	10

In addition to appeals against decisions made by SYPA, the Interim Fund Director had also been required to issue Stage 2 determinations regarding decisions made by other employers within the fund on 9 occasions. The vast majority of those were about ill-health retirement.

RESOLVED – That the report be noted.

10 REVIEW OF PENSIONS ADMINISTRATION

The Board considered a report which gave an update on administration issues for the period 1 April 2017 to 30 June 2017.

G Chapman informed Members that the report was now in a new format which would evolve to provide more information, show trends and also enable Members to plot the recovery from the implementation of the UPM system.

It was reported that performance for the quarter had been the lowest for some time, this was largely due to the impact of new staff arriving at different points in the quarter following the implementation of the new structure from 1 April. As the quarter had progressed and the new staff were becoming more productive performance had started to increase.

It was noted that the four new data team members commenced on 27 April. In the two months following they:

- Completed 4,100 data cleansing queries;
- Completed 1,315 supplementary Pensions Increase processes;
- Completed 275 record amendments; and
- Validated and balanced the majority of the annual year-end returns received so far from employers which now numbered over 440.

The work was not included in the performance and productivity figures shown in the performance tables but their contribution at a time when they had been learning about their roles and becoming familiar with the pensions administration system could not be underestimated.

G Chapman reminded the Board that last year management had directed all resources towards the annual return and year-end exercises which had led to a backlog of over 6,000 cases. The restructure and recruitment of new staff had meant that this year resource and effort could be applied to all areas of administration business. Although it was still early days into the restructure, results appeared to be bearing out and it was felt that the new structure would eventually improve the Authority's performance substantially.

Members were informed that UPM was working in a much better way than at any point since implementation. Despite this, management had noted that the way it was designed added to the ever-increasing complexity of LG Pensions Legislation, meant that processing casework was becoming a much slower business than under the old system.

The UPM team would therefore be looking at ways to streamline and make the process more efficient for completing cases. Management would also look at whether the targets were still fair or if they needed adjusting.

The Board noted that overtime continued throughout the period. With the additional staff now in place it was anticipated that overtime would be more specifically and strategically targeted. Although a definite date could not be given when there would not be a need for overtime, it would not continue into the next financial year.

RESOLVED – That the report be noted.

11 CUSTOMER SERVICE EXCELLENCE AWARD

A report was considered which advised Members that the Pensions Administration Unit had retained external recognition of its quality service.

G Chapman informed Members that in April the Administration Unit had retained the Customer Service Excellence Award for another three years. The award was achieved with 100% compliance in all 57 categories; the full assessment report was attached as an appendix. Although there were no partial compliances the report had suggested areas where service could possibly be enhanced and the feasibility of introducing some or all of the suggestions would be looked into.

Members noted that in order to maintain the accreditation, the assessor would undertake an annual surveillance to ensure that standards continued to be met.

RESOLVED:

- i) That the report be noted.
- ii) That staff be congratulated on retaining the Award.

12 EMPLOYERS SLA PERFORMANCE AND OUTSTANDING WORKLOAD

A report was considered which updated the Board on employers' performance and any known levels of outstanding workload during the quarter 1 April 2017 to 30 June 2017.

G Chapman informed the Board that the overall performance across all employers for the quarter was a record breaking 84% which was an increase of 7% on the last quarter. District council performance had increased by 6% due to a significant improvement in all categories by Sheffield CC. The 'other employers' continued their improvement with an increase of 12%.

In answer to a question Cllr Sykes informed the Board that Sheffield CC payroll was in the process of being brought back in-house.

In relation to the district councils the Board noted the following:

Barnsley MBC

Live interface files for new starters using the UPM format were regularly being received which was continuing to have a positive impact on results.

Doncaster/Rotherham MBC

Automated processes from Rotherham MBC continue. The testing phase for files issued in the new UPM format had identified some administrative issues and consideration was been given to the benefit of moving over to the new format with monthly reconciliation on the horizon.

Sheffield CC

There had been no indication of any changes to the files being supplied, however a big improvement in results suggested this was the case.

RESOLVED – That the report be noted.

13 DISTRICT COUNCIL'S SERVICE LEVEL AGREEMENT PERFORMANCE (ANNUAL REVIEW) 2016/17

A report was submitted to provide Members with an annual review of the performance of the district councils against the agreed service level agreement targets.

The report had been designed to include a comparison of performance over time to show the district council's progress toward clearing backlogs and regularly providing data on time. The Board were reminded that report had not been produced for the past few years due to the implementation of the new administration system, therefore the data for 2016/17 could only be compared with the data from 2013/14.

Members noted that overall performance had improved since the last report; Quarter 3 continued to be the busiest period but monthly reconciliation would have a positive impact on this.

Previous annual performance reports had not included the 'other employers' within the fund as the district councils accounted for a high percentage of the active workforce. However, as a result of transfers of schools to become self-determining academies, the 'other employers' now accounted for 45% of active members and therefore it was important to report on their annual performance.

RESOLVED – That the report be noted.

14 RISK MANAGEMENT

The Board considered the strategic Risk Register.

It was noted that there had been no recent changes to the Register.

With regard to risk number three, 'failure to ensure that required pay and contributions data from customers is provided in an accurate and timely manner' it was noted that it was hoped this could be downgraded from red when monthly posting had been implemented.

RESOLVED – That the report be noted.

15 EXTERNAL AUDIT GOVERNANCE REPORT (ISA 260)

R Khangura presented KPMG's annual report to those charged with governance (ISA 260) 2016/17. The report summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31 March 2017 for both the Authority and its pension fund and their assessment of the Authority's arrangements to secure value for money.

R Khangura informed the Board that it was anticipated that an unqualified opinion on the Authority's financial statements and the Fund would be issued by 31 July 2017.

With regard to the implementation of the pensions administration system and the recommendations in last year's report, subject to the outstanding matters detailed in Appendix 1, sufficient progress had been made to allow reliance on the information contained in the system.

There were no issues to report in association with the triennial valuation, KPMG had substantively agreed the figures submitted to the actuary.

KPMG had reviewed the Authority's Annual Governance Statement and confirmed that it complied with the guidance issued by CIPFA/SOLACE (Delivering Good Governance in Local Government).

In accordance with ISA 260 the auditors were required to report uncorrected audit differences and any material misstatements which had been corrected. KPMG did

not identify and material or significant misstatements. A small number of presentational adjustments were required which the Authority would address.

With regard to the Value for Money (VfM) conclusion, KPMG had picked out three areas to consider as part of their work on the VfM Conclusion.

- Implementation of UPM
- Pooling
- Transfer of the South Yorkshire Passenger Transport Pension Fund

In consideration of the above, KPMG concluded that in 2016/17 the Authority had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes.

RESOLVED - That the report be noted.

16 FINANCIAL CONDUCT AUTHORITY: CLIENT ASSET REPORT

The Board considered the Client Assets report prepared by the Authority's external auditor, KPMG, as required under Rule SUP 3.11.2 of the Financial Conduct Authority.

The report confirmed that the Authority did not hold client money or custody assets.

RESOLVED – That the report be noted.

17 INTERNAL AUDIT PROGRESS REPORT

A report was submitted to inform the Board of the work completed and that in progress by the Internal Audit Team from 22 May to 30 June 2017.

The Board noted that 44 days of planned work had been completed, including 14 days since the last report, which included Financial Conduct Authority Monthly Compliance, Financial Conduct Authority Quarterly Compliance, AGS Progress and Local Pension Board Financial Accounts.

There were no new significant control or compliance issues to report.

RESOLVED – That the report be noted.

18 LETTERS OF REPRESENTATION

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

- i) The information in the final accounts for 2016/17 regarding the Authority's liabilities and any outstanding legal issues, and
- ii) The Authority's operations in relation to the Financial Conduct Authority and the fact that the Authority does not hold client money or custody assets.

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

RESOLVED –

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

19 STATEMENT OF ACCOUNTS 2016/17

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

The Statement of Accounts had to be signed off by the external Auditor by 31 July 2017 to meet FCA requirements. The Auditor had completed the audit and their findings had been reported earlier in the meeting in the report to those charged with governance (ISO 260) prior to giving their final opinion.

Minor presentational amendments had been made to the Statements as a result of the audit but there had been no material misstatements. Once again, the Statements had to be produced to a very tight timetable to meet FCA requirements.

The Board noted the Summary Fund Account and Net Assets Statement at Appendix A and the Summary of Administration and Investment Management Expenses together with explanations of major variations attached at Appendix B.

RESOLVED – That the Statement of Accounts for 2016/17 be approved and that the Chair of the Board be authorised to sign them.

20 SOUTH YORKSHIRE PENSION FUND ANNUAL REPORT 2016/17

A report of the Treasurer was submitted to present the draft South Yorkshire Pension Fund Annual Report for 2016/17 for Members' consideration.

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

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

21 BUDGET MONITORING

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

RESOLVED – That the report be noted.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

22 JUNE 2017

PRESENT: Councillor S Ellis (Chair)
Councillors: K Harpham, J Mounsey, A Sangar, I Saunders
and R Wraith

Officers: S Barrett (Interim Fund Director), N Copley
(Treasurer), M McCarthy (Deputy Clerk), S Smith (Head of
Investments SYPA), F Bourne (Administration Officer SYPA)
and G Richards (Democratic Services Officer)

Trade Union Members: N Doolan-Hamer (Unison),
D Patterson (UNITE) and G Warwick (GMB)

Investment Advisors: T Gardener, N MacKinnon and L Robb

Observer: Councillor Z Sykes

1 APOLOGIES

None.

2 ANNOUNCEMENTS.

None.

3 URGENT ITEMS.

None.

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

None.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE MEETING HELD ON 9 MARCH 2017

Further to minute 5, T Gardener clarified that he was employed by AON Investment Consultants.

RESOLVED – That the minutes of the Investment Board held on 9 March 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme.

It was noted that the item entitled 'Government Consultation on LGPS Pooling' would be amended to 'LGPS Pooling Update' and would be a standing item on each agenda.

'Investment Beliefs' would be an item on the December agenda.

The annual review of longer-term performance would be arranged for the September meeting.

It was agreed to review the Terms of Reference and then ensure the Work Programme was consistent with the Terms of Reference.

It was noted that, moving forward, the Work Programme would evolve to take pooling matters into consideration; performance would still be important but it would be BCPP investment performance as well as residual legacy assets under consideration.

RESOLVED – That, subject to the amendments above, the Work Programme be noted.

8 WORKFORCE DISCLOSURE INITIATIVE

A report was considered which sought Members' approval to become signatories to the Workforce Disclosure Initiative.

Members were informed that the Workforce Disclosure Initiative was a new project focusing on human capital management (HCM) reporting by companies and would comprise of an annual survey covering issues such as governance, workforce composition, training, health and safety and wage levels.

Members were reminded that there were high profile examples of companies where poor HCM had led to financial and reputational risk, for example Sports Direct.

Signatories would have access to the data generated, along with detailed analysis and sector comparatives. There would be no charge to the Authority as funding for the first two and half years was provided by the Department for International Development, there would be no obligation to remain as a signatory after this period.

RESOLVED – That the Authority agree to become a signatory to the Workforce Disclosure Initiative.

9 PROPERTY PORTFOLIO: MANAGEMENT ISSUES UPDATE

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

For the benefit of new Members, S Barrett informed the Board that Standard Life Investments were the company contracted to advise on property matters; of the circa £7bn fund, 10% was held in direct property.

Members noted that the sum spent on empty property rates had fallen but that the Warrington property continued to be a drain.

Cllr Wraith expressed concern that Warrington was a long-standing issue and queried what action was going to be taken.

S Barrett informed Members that there was a meeting arranged for the following week with Standard Life Investments and the matter would be discussed there.

Cllr Mounsey queried whether there was an option to sell the property and reinvest.

T Gardener commented that the value would be greatly reduced because the property was unoccupied; he would expect Standard Life Investments to continue trying to secure a tenant before considering selling the property.

In response to a question from Cllr Saunders regarding property investment in South Yorkshire, S Barrett replied that the strategic aims and requirements of any Local Government Pension Scheme was to meet their liabilities through an appropriate investment strategy; this was about the sustainability of the Fund and the ability of the assets to pay future liabilities. Local issues were not part of that decision framework. Any proposals involving local investment would need to meet sound investment criteria.

T Gardener commented that the point of investing in a mixture of properties was to diversify and at any one time it was likely that some properties would be empty. What was more worrying was the increase in the void rate to 7.4% as this was the proportion of rental not being received; as long as the prospective lettings were finalised this would be nothing to worry about.

S Barrett confirmed that a number of leases had been completed and the void figure should now be within the control parameters.

RESOLVED – That the report be noted.

10 AGRICULTURAL LAND PORTFOLIO

A report was submitted that commented upon the role and performance of the agricultural land portfolio as agreed at the last Investment Board meeting.

Members were reminded that the Fund had an agricultural land portfolio independently valued at c£170m in December 2016.

As the data extract contained within the report showed, long term performance had been strong although more recently it had disappointed; in the short term the decline had to be viewed in the context of the change that Brexit would have on UK farming. In the longer term it was felt that a case could be argued for a likely increase in value for what was a precious and finite resource.

The independent valuer (Savills) in an earlier report referred to a stagnant market and limited sales evidence. The Authority's own advisor (Bidwells), whilst agreeing the market had declined and that evidence was scarce, did not agree with the overall valuation arrived at by Savills and thought it was unduly harsh.

Standard Life forecast a total return for commercial property over the next five years of 4.7%. Savills' forecast for agriculture was 5.5%.

It was also worth noting that in their asset and liability report Mercers cited agricultural land as an alternative asset class which the Fund should consider investing in to obtain access to greater income security and inflationary protection.

L Robb commented that the report stated that the land was 'some of the richest arable land in the UK' and queried how this statement was vindicated. S Smith replied that the Authority's agricultural advisors provided the Authority with such information.

With regard to the charts at Appendix A to the report, T Gardener commented that information in the future would be more useful. The charts provided no signal as to whether to buy, sell or hold. The report seemed to be saying hold for the short term, but not necessarily for the next five years.

L Robb commented that the quality of knowledge on agricultural property in the UK was poorer than for other asset classes; predictions would not be as accurate as for other types of property. The Board need to be sure that it was really first class land and property. Although the assets had not performed well in the short term, the argument was probably for staying with them at the moment.

The report submitted today clearly recommended a holding position in that there was no clear case to dispose of the assets for the moment; this position would be reviewed in due course and would take account of the management arrangements. The Board had agreed in March to increase its strategic allocation to real assets; the recommendation to hold was entirely consistent with that decision.

RESOLVED: - That the Authority agreed to continue to invest in agricultural land.

11 OVERSEAS EQUITY ALLOCATION

A report was submitted to determine an overseas equity benchmark and consider a change to the emerging market benchmark.

S Barrett reminded Members that the decision to reduce the Fund's investment in equities from 60% to 50% had been taken in March to take a more protective approach; a proportion of these were overseas equities.

S Smith informed Members that since 2000 the Fund had moved away from using the global index as a benchmark. This was partly because the US was a large part of the global index, approximately 60%, and it was felt at the time there would be more growth in Asia Pacific. The benchmark was moved to a regional basis with fixed weights attached to each region and was based on a broad view of the three main trading blocks' Gross Domestic Product.

The last time these weights were changed was 2009. Last year, after the Advisors questioned the position, a paper was brought to the Investment Board to review the process of setting the overseas benchmark.

Broadly, Officers and Advisors agreed GDP was the way forward to use as a basis for setting the benchmark. A decision on the benchmark was not made at that time and it was decided that the matter should be considered again after the investment strategy review of Fund Assets which would follow the March 2016 triennial valuation. This had now been done and reported to the March 2017 Board.

T Gardener informed Members that there were two ways of deciding where to allocate overseas equities, the first being market cap weighting, i.e. 60% in the US. The alternative way was to set a fixed weight benchmark which decided where to allocate between various regions. A fixed benchmark was something that Officers could work against and would be comfortable with.

The recommended change to the benchmark was not a massive change but it was a pragmatic change, it had been distributed across the world in a sensible way using GDP.

L Robb commented that there had been the Strategy Review that was put to the Board in March which recommended a reduction in equities to 50% over time. The change to the benchmark would also be implemented over time and he suggested it would be a worthwhile exercise to map the two in terms of implementation so that it would be clear what would be implemented over the next 6-12 months and which parts of it might wait until pooling had taken place; there needed to be a clear plan to avoid unnecessary costs.

S Smith confirmed that the portfolio would not be churned and the changes would be done in conjunction with any changes to the allocation. A timeline would be produced for the Board.

T Gardener suggested that the Overseas Equity benchmark should be reviewed every three years after the triennial valuation.

RESOLVED:

1. That the medium term strategic allocation for overseas equities is approved.
2. Agreed that the benchmark for the Other International Portfolio becomes FTSE Emerging Markets Index.
3. That the Overseas Equity benchmark be reviewed every three years after the triennial valuation.

12 GOVERNMENT CONSULTATION ON LGPS POOLING

S Barrett informed the Board that in future the pooling update would be a written report.

For new Members, briefings would be circulated to explain the background behind pooling and information on the Border to Coast Pension Partnership (BCPP).

S Barrett explained that SYPA were one of 12 Funds that formed the BCPP; the first meeting of the newly formed Joint Committee had been held on 5 June 2107, prior to that there had been informal Member Steering Group meetings.

The legal process had involved the creation of a new company of which there would be 12 shareholders. The property search was underway as was work on an IT solution and other support services.

Members were informed that the important issues in the next few months would be the appointment of the Chair of BCPP followed by its Chief Executive Officer.

Of the 12 member Funds, three were internally managed. The savings that were expected to be achieved through the operation of BCPP would be mainly through the driving down of external management costs' and for that reason SYPA, as an internally managed fund, would not achieve immediate savings.

The Chair explained that pooling arrangements were entirely driven by government, it was not something that SYPA would have chosen to do.

In answer to a question from a Member, S Barrett explained that the Authority consisted of two divisions, the Administration side, headed by Gary Chapman, which would not be affected by the pooling arrangements and the Investment division. Pooling would affect the Head of Investments and her Investment Managers who, if they so wished, would be TUPE transferred to BCPP. This would be somewhere around June 2018, subject to transitional issues.

What was still under consideration was what resource base needed to remain in South Yorkshire.

The Authority would still have responsibility for the asset allocation strategy and there would also be a need to challenge BCPP's performance. There would also be legacy assets to manage which could not be immediately transferred into the pool for a variety of reasons. New posts may be created to manage the post-pooling structure.

There were concerns for some back office staff who were potentially at risk. S Barrett would be discussing the matter with the Chair and Vice Chair and the Authority intended to work with Barnsley MBC for opportunities on a wider front. All these issues would be considered in a report to the October meeting of the Authority.

Cllr Saunders queried how the Authority could ensure the Authority had enough assets to meet its pension liabilities if the investment was being taken out of the Authority's hands and what sanctions would be available if BCPP didn't perform satisfactorily.

S Barrett replied that the Authority were moving to a position in which some of the other Funds were at the moment (i.e. externally managed). Those Funds would have a wide range of external fund managers, any one of whom could be changed if they didn't perform satisfactorily.

Although BCPP couldn't be replaced in the same way, governance arrangements were in place to hold BCPP to account and there was an exit strategy in place should a Fund determine to leave in extreme circumstances.

T Gardener commented that the Authority's control was as a shareholder. If BCPP was not performing well, all 12 Funds would be unhappy; the ultimate mechanism would be to fire the Chief Investment Officer but as BCPP would be monitored by 12 different groups there would be early warning signals of poor performance.

L Robb commented that the Chair, Chief Executive and Chief Investment Officer would have the opportunity to be leading players in a new Fund Management company and would want to deliver great results and a first class service but it would also be mindful to remember that good performance didn't happen overnight and not to exert too much pressure in the first 12 months.

In answer to a query from Cllr Wraith, S Barrett reported that as a consequence of pooling, 7 investment posts would be transferred to BCPP at this stage, although some new posts would be needed creating an opportunity for some resource to remain.

He reassured Members that there was a well-defined TUPE process in place in terms of BCPP and the Authority also had HR support from Barnsley MBC. Staff had been made aware of the risk issues and strategies were being developed to handle that. The Trades Union would be involved at all stages.

T Gardner queried what decisions would be taken by the Pool between now and the next meeting that would affect the Fund and to what extent officers would need the Board to aid these decisions. Equally, were there any decisions required between the next meeting and the meeting after that which the Board need to be prepared for, i.e. which pools does the Fund invest in. As the Board meets quarterly there was a concern that a decision would be needed between meetings.

S Barrett informed the Board that a meeting with the Advisors and the actuary had been arranged for immediately after the meeting at which they would run through technical issues. Any issues arising from this would be brought back to the Board.

T Gardener commented that the Authority needed to guard against getting bounced into a decision where Members had not had time to discuss and consider the issues carefully.

The Chair agreed; the tight timescale imposed by the government could cause problems. As happened previously extra meetings could be called if required so the whole Authority would take the decision. The point was well made about ensuring the Authority had time to consider decisions carefully.

S Smith commented that originally it was envisaged that most of the internal assets would transfer from day one. At a recent meeting, officers had been informed that this would not be the case as it could not be done, this meant that there would be a phased-in period. A timetable had been requested to ensure that the management implications of this change could be considered.

T Gardener commented that originally there were 13 Funds in the pool, including the South Yorkshire Passenger Transport Pension Fund and, although acknowledging the Fund was too small to be a shareholder from a value for money point of view, questioned whether their assets were still being transferred.

S Barrett replied that First Group had decided to request the merger of all their pension funds into the Greater Manchester Pension Fund. There was a transition plan in place and the assets would be transferred before pooling went live. It was hoped the assets would be as well managed as they had been while in South Yorkshire's care.

The Chair commented that the Passenger Transport Pension Fund Committee had been involved at all stages and were happy with the arrangements.

RESOLVED – That the update be noted.

13 QUARTERLY REPORT TO 31 MARCH 2017

The Board reviewed the performance of the Fund during the quarter ended 31 March 2017.

For the quarter the Fund had returned 4.6% against the expected return of 4.5% with the Fund valuation rising from £7.3m to £7.6m.

Generally, the global economic data was strong and provided momentum for the global equity market.

UK equities were supported by strong corporate results. In March, Article 50 was triggered which started the formal process for the UK to leave the EU. Since then, things had moved on and since the election result there was more uncertainty not less.

In the US equities were strongly influenced by the election result. Since then the infrastructure projects that had been expected to support the market had not come through and the market had dropped back somewhat; this was also due to the fact that the Federal Reserve had raised interest rates.

Eurozone equities fared well on receding political concerns regarding the result of the Dutch elections and the result of the recent French elections had improved the situation further.

The weakest results of the quarter were from Japan which were not helped by the Yen strengthening over the quarter.

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

D Patterson commented that while, realising the report was an executive summary, he would prefer a more comprehensive report that also detailed liabilities.

S Smith replied that a full Quarterly Report was still produced and could be circulated to Members electronically if they so wished.

With regard to higher cash levels, Members noted that this was due in part to some advance deficit contributions and the recent sale of a property in London; the Authority was currently looking for investment opportunities in property.

RESOLVED – That the report be noted.

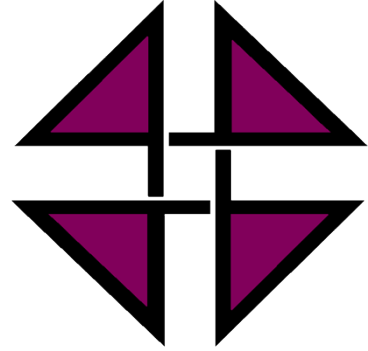
CHAIR

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**South Yorkshire Pensions Authority – cycle of future meetings
Authority Meetings**

Agendas	5 October 2017	30 November 2017	18 January 2018	15 March 2018
Strategic Overview of Business	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins	Call-Ins	Call-Ins
Review of Strategies	Qtr 1 Performance Snapshot Report	Qtr 2 Performance Snapshot Report		Qtr 3 Performance Snapshot Report
	CP&GB Audit Committee Functions Annual Report	Annual Review of Risk Management Policy		Treasury Management Statement
Business	SYPF Annual Fund Meeting	Budgets and Revised Estimates	Budgets and Revised Estimates	Meeting Dates of Authority and Boards
	Pooling Update	Pooling Update	Pooling Update	Pooling Update
	Post Pooling Structure	FoIA Annual Report	Annual Fund Meeting	Write Offs
	LPB Annual Report	GDPR Data Protection	Members Self-Assessment Report	
	LGPS Current Issues	Living Wage Report		
Training & Development				

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**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Business Planning and
Performance Framework 2017/18
for the Pensions Service
and Pensions Authority

**Performance Snapshot Report
2017/18: Q1**

ISSUED: October 2017

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	13,772 cases of which 75% were on target	97%	Performance dipped in the early part of the quarter as the reorganisation was implemented and waited for new staff to arrive during late April and May. By June performance had increased to 79.2% and production in June was double that in April. We are now confident that incremental improvement will be achieved.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£7823.1m	N/A	£7614.4m at end March.
Performance Against Benchmarks	Qtr 1.1% YTD 1.1%	Qtr 0.7% YTD 0.7%	Positive global economic data continued to provide momentum for global equity markets. Government bond markets were initially supported by accommodative monetary policy but sold off in the final week of the quarter as Central Banks appeared to become more hawkish. Crude oil prices fell as inventories and production in the US increased at a faster rate than expected and OPEC members extended production cuts

but these were not as deep as the markets had been anticipating.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Signed up to the Workforce Disclosure Initiative which is a new project focusing on human capital management		
Shareholder Engagement			

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	0 Leaver 14 New Starters	Annual 4.25%	One off large influx due to the reorganisation and filling of vacant posts.
Staff Training	Basic Training for all new staff. First Aid	Plan 100% up to date	Mostly internal training this quarter.

Sickness Monitoring	2.7% total	None	A reduction from the previous quarter.
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5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	5 new employers registered for EPIC this period MyPension	N/A	426 employers now registered for Epic. Just 5 members not covered by an EPIC registered employer 7480 members registered to date. Registration is on the increase with 1320 new logins this quarter.
Face to Face Communication	510 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	23 New Employers (19 Academies 4 Contractors) 0 Terminations	N/A	There are currently 546 participating employers of which 462 have active members and there are a further 39 in the pipeline.

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	June - Internal Audit Progress Report considered by CP&GB.	100%	On target

Area under Review	Activity During Quarter	Target	Status/Comment
Annual and Quarterly Reports	June - Internal Audit Annual Report and Charter considered by CP&GB		
External Audit Reports /Plans	July – External Audit Governance Report (ISA 260) considered by CP&GB.	100%	On target
Risk Management Annual and Quarterly Reports	June & July – Risk Register considered by CP&GB	100%	On target
Constitution Policy /Procedure Revision Dates		100% Up to date	
Financial Reporting	June & July - Budget Monitoring report considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion	June – Annual Governance Statement considered by CP&GB	No Significant Weaknesses	Recovery of performance following implementation of UPM identified. Issues arising from the implementation of government proposals to pool investment assets identified. Issues arising out of the restructuring of the SYTPF. Actions continuing.
Annual Self-Assessment			No significant issues
Member Training	July – 6 members attended Induction Training	100% Induction & Fundamentals Training & Fundamentals Refresher	92% had induction. 83% had Fundamentals Day 1.

Area under Review	Activity During Quarter	Target	Status/Comment
			83% had Fundamentals Day 2.
			91.5% had Fundamentals Day 3.
			42% had Fundamentals Refresher Training

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**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

**CORPORATE PLANNING AND
GOVERNANCE BOARD**

AUDIT COMMITTEE FUNCTION

ANNUAL REPORT 2016/17

**Draft for agreement by the Corporate Planning and Governance Board on
1 June 2017**

Final version to be presented to the full Authority on 5 October 2017

Foreword

I am pleased to present the Committee's annual report for the period 2016/17 which provides evidence of the arrangements the Authority has in place to monitor, challenge and hold to account those responsible for managing its governance arrangements and the production and approval of its Annual Governance Statement.

Mick Stowe
Chair
Corporate Planning and Governance Board

AUDIT COMMITTEE ANNUAL REPORT 2016/17

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1. INTRODUCTION

This report is prepared for the full Authority and covers the Board's work during the financial year 2016/17 in relation to its audit committee function. It outlines the Board's:

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

2. BOARD INFORMATION

Audit Committee Role and Responsibilities

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

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

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

Board Membership

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

Councillor M Stowe (Chair)
Councillor E Butler
Councillor S Ellis (Vice-Chair)
Councillor Z Sykes
Councillor H Mirfin-Boukouris
Councillor J Wood
Councillor K Wyatt

Membership changes occurring during the year were as follows:

- Councillor M Stowe replaced Councillor R Wraith
- Councillor Z Sykes replaced Councillor B Lodge

Board Meetings and Attendance

The Board held four meetings in the year (June 2016, July 2016, October 2016 and February 2017). The business conducted was in accordance with the work programme which was reviewed at each meeting.

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

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

3. COMMITTEE WORK PROGRAMME AND OUTCOMES

The Board maintains a work programme for its main areas of activity which is considered at each meeting. The reports received during 2016-17 relating to its audit committee functions are shown in Appendix 3; the outcomes of the Board's work in relation to these are summarised below. The "boxed" bullet points in *italics* are the core functions from the CIPFA guidance; the details below each box identify how the Board has achieved its responsibilities.

3.1 Risk Management and Internal Control

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

The Board has:

- Considered regular reports on the corporate risk register and considered the movements in individual risks and their categorisation;
- Received progress reports from the Head of Internal Audit on internal audit matters and from KPMG on external audit issues;
- Considered the results of the review of internal control and internal audit for 2015/16;
- Approved, the Annual Governance Statement 2015/16 including the improvements required in 2016/17;
- Received regular update reports on the Authority's treasury management position;
- Received regular Budget Monitoring reports.

3.2 Internal Audit and External Audit

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

Internal Audit:

The Board has:

- Agreed the Internal Audit Strategy and Annual Plan for 2016/17;
- Received and considered Head of Internal Audit's Annual Report for 2015/16, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

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

The Board has:

- Received reports from KPMG on their Audit Plans for the Authority;
- Received regular progress reports from KPMG
- Approved KPMG's fee for the financial year 2016/17.

3.3 Accounts

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

The Board has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2015-16;
- Reviewed and approved the Authority's Statement of Accounts 2015/16;
- Received and approved the Audit Commission's Annual Governance Report 2015/16 and agreed the responses to the recommendations made.

3.4 Working Arrangements

Members considered and agreed the Board's Annual Report for 2015/16 which was presented to the full Authority and published on the Authority's website.

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

CORPORATE PLANNING & GOVERNANCE BOARD

TERMS OF REFERENCE (extract)

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

APPENDIX 2

MEMBER/OFFICER ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Member / Officer	June 2016	July 2016	Oct 2016	Feb 2017
Members				
Councillor R Wraith (Chair to 9/6)	✓			
Councillor M Stowe (Chair from 9/6)		r/a	✓	✓
Councillor S Ellis (Vice-Chair)	✓	✓	r/a	✓
Councillor E Butler	r/a	r/a	r/a	r/a
Councillor H Mirfin-Boukouris	✓	r/a	r/a	✓
Councillor Z Sykes		✓	✓	r/a
Councillor J Wood	✓	r/a	r/a	r/a
Councillor K Wyatt	✓	✓	✓	r/a
Representative Bodies				
Unison – N Doolan	✓	r/a	✓	✓
GMB – G Warwick	✓	✓	✓	✓
UCATT – F Tyas	r/a	✓	✓	✓
Officers				
Fund Director (JNH) (to 7/6)	✓			
Interim Fund Director (SB) (from 7/6)		✓	✓	✓
Head of Pensions Admin (GC)	✓	✓	✓	✓
Treasurer (FF)	✓	r/a	r/a	✓
Monitoring Officer (AF)	✓	r/a	r/a	✓
Deputy Clerk (MM)	✓	✓	✓	r/a
Head of Internal Audit (RW)	✓	rep	rep	✓
Democratic Services Representative	✓	✓	✓	✓
KPMG Appointed External Auditor)				
District Auditor (KPMG)	r/a	✓	r/a	✓
Audit Manager (KPMG)	✓	✓	✓	✓

Notes:

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

APPENDIX 3

BOARD ACTIVITY – AUDIT COMMITTEE FUNCTION

Function / Issue	June 2016	July 2016	Oct 2016	Feb 2016
Risk Management				
Risk Register		Noted	Noted	
Governance and Internal Control				
Review of Internal Control 2016/17: Internal Investment Mandate			Approved	
Annual Governance Statement (AGS) 2015/16	Approved			
AGS Improvements Action Plan 2015/16	Agreed			
Treasury Management Update	Noted		Noted	
Internal Audit				
Audit Strategy & Plan 2017/18				Agreed
Annual Report 2015/16	Noted			
Progress report & outstanding recommendations		Noted	Noted	Noted
External Audit				
Audit Fee 2016/17				
Annual Audit Letter			Noted	
External Audit Plan 2016/17				Noted
Report to those charged with governance (ISA 260)		Noted		
Accounts				
Audited Statement of Accounts 2015/16		Approved		
Letter of Representation		Noted		
Budget Monitoring	Noted	Noted	Noted	Noted
Board Working Arrangements				
Work Programme	Noted	Noted	Noted	Noted
Annual Report 2015/16	Approved			

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

5th October 2017

SYPF - Annual Fund Meeting 2017

1. Purpose of the Report

To advise members about the 2017 Annual Fund Meeting (AFM).

2. Recommendations

Members are recommended to note Thursday 19th October for this year's AFM.

3. Information

- 3.1 The 2017 Annual Fund Meeting (AFM) will be held at The Source Skills Academy, Meadowhall, on Thursday 19th October.
- 3.2 Following the format of previous meetings the AFM will be held during the evening with a 5.30pm start time to allow maximum attendance. A light buffet will be served after the meeting has concluded and transport for Fund members will be arranged to and from the meeting.
- 3.3 The style and format of the meeting will follow last year's event. Questions will be invited from the floor after each presentation.
- 3.4 The meeting will again be available to view in near real time. The link which enables members with internet access to watch the event is publicised in our newsletters and on the website. In addition we will email a reminder about the event on the day. However, with all venues, this facility will be subject to testing the mobile phone service at the venue prior to the event.
- 3.5 Members will have also received an email from the Communications Team, inviting those who wish to attend the meeting to complete an application form, confirming attendance.

4. Implications and risks

Implications

- Financial

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

- Legal

There are no legal implications

- Diversity

There are no diversity implications

Officer Responsible: Joanne Webster Communications Manager

Telephone contact 01226 772915

Gary Chapman

Head of Pensions Administration

Phone 01226 772954

E-mail gchapman@sypa.org.uk

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

Other sources and references:

SOUTH YORKSHIRE PENSIONS AUTHORITY

5 OCTOBER 2017

Report of the Interim Fund Director

POOLING UPDATE

1) Purpose of the paper

To update on the progress of pooling in the Border to Coast Pensions Partnership (BCPP Ltd).

2) Recommendation

That Members note the report.

3) Background information

The attached update was reported to the Investment Board 14 September 2017. A separate report on today's agenda addresses the post pooling staffing structure and related matters.

Members are also reminded that SYPA agreed policy, at the Authority's March 2017 meeting, is to promote Trade Union representation on behalf of scheme members at Pool level in a non-voting, observer capacity.

The Chair and Vice Chair will hold meetings with the Chair of the LPB and Trade Union representatives, ahead of BCPP Joint Committee meetings, to consult on the agenda. The next Joint Committee is scheduled for 20th October 2017.

4) Implications

4.1 Financial

As previously reported the transition to pooling will incur additional set up costs and increased ongoing costs over at least the medium term. Monitoring the performance of BCPP and the costs of the service will be a key issue moving forward.

4.2 Legal

SYPA is in a contractual relationship with 11 other partners who form the shareholders of BCPP Ltd. Governance arrangements have been separately reported to the Authority (March 2016) when seeking approval to formalise arrangements with BCPP Ltd.

4.3 Diversity

There are no particular diversity implications.

4.4 Risk

There are a range of risks involved in setting up new arrangements which are being managed by the project team. There is an unquantifiable risk that the Fund might not perform as well under new arrangements.

Steve Barrett
Interim Fund Director

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

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

14 SEPTEMBER 2017

Report of the Interim Fund Director

POOLING UPDATE

1) Purpose of the Report

To update on the progress of pooling in the Border to Coast Pension Partnership (BCPP Ltd).

2) Recommendation

That Members note the report.

3) Background information

- 3.1 An extract from the latest available project team progress report to the Joint Committee is attached for information. A further report will be made to the next Joint Committee meeting, scheduled for 20 October 2017.

Joint Committee papers are available on the following link:

<http://meetings.southyorks.gov.uk/ieListMeetings.aspx?CId=441&Year=0&zTS=C>

- 3.2 Verbal updates were given by project team members at the last Officer Operations Group meeting (22 August 2017) covering the following items.

Overall project timeline/progress

No movement reported on the project plan go-live date of June 2018, although slippage was noted in the senior appointments timeline and pressures were noted on workload.

Operating Model Workstream

- Procurement timetable - Depositary/Third Party Administrator, ICT investment platform
- Advice permission level to be sought from FCA
- Transition timeline
- Asset allocation template
- FCA authorisation process
- Integration of Responsible Investment/ESG

People Workstream

- Executive/ Director recruitment progress

- Staff structure proposal
- Property update
- LGPS admission and guarantee

Governance Workstream

- Current procurements – corporate ICT, bank, payroll provider
- Future procurement timetable
- Joint Committee: next meeting, Friday 20th October

MiFID II - Template for opting up to elective professional status

- See below for update.

4. Commentary on some of the specific items from above

There is significant information in the attached appendix on progress reported earlier to the Joint Committee. Below gives some relevant updates.

4.1 Advice permission and Transition timetable: staff and asset transition management for internally managed funds.

This relates to the level of FCA permission BCPP obtains to manage assets pending full transfer and the consequential staff and asset transitional change plan. The BCPP project team propose to apply for FCA approval to provide an advisory service from June 2018 to enable business as usual for internal funds from that date and that internal investments teams TUPE transfer on that date. Assets will transition in a phased manner so that BCPP will action SYPA investments from June 2018 in an advisory capacity with SYPA retaining a final 'execution' authority over those decisions until all relevant assets are transferred. Once relevant assets are legally transferred to BCPP Ltd, they will undertake all aspects of day to day management thereon.

4.2 Asset allocation template

Work is progressing to agree the range of investment sub-funds that BCPP will offer to meet the differing investment requirements of the 12 partner funds. These are largely agreed with some areas still under discussion. SYPA and at least one other Fund are seeking a specific sub-fund to meet strategic investments in private debt funds. These are essentially illiquid investments aimed at delivering a higher contribution in line with our recently agreed investment strategy.

4.3 Integration of Responsible Investment/ESG

A separate report on the agenda addresses the above.

4.4 Executive Recruitment.

The Interview process for the Chairman and CEO of BCPP Ltd have now been completed with candidates appointed. Chris Hitchin was appointed as Chairman in July 2017 and a press release was circulated earlier. At time of writing the outcome of the August 2 recruitment process for the CEO in August 2017 was awaited. A verbal update will be given at the meeting.

4.5 Staff structure proposal for BCPP

A draft staffing structure has been developed for consideration. This is expected to be reported to the Joint Committee 20 October 2017. Budgetary implications will need to be considered. The Shareholder body is responsible for agreeing the budget for BCPP and this would form a significant element of that budget.

4.6 Property update: BCPP Ltd Office Accommodation

A range of properties in central Leeds have been reviewed by the project team and members. A proposal will be considered by the Joint Committee on 20 October.

4.7 LGPS admission and guarantee

SYPA has agreed to host the employees of BCPP Ltd who are given access to the LGPS as part of their terms and conditions; subject to appropriate arrangements being in place. This is intended to include a guarantee, currently being drawn up by the project team, so that SYPA is not placed in a disadvantageous position. Should BCPP Ltd cease operations for any reason any pension liabilities are intended to be underwritten by all partners.

4.8 MiFID II - Template for opting up to elective professional status

Steps necessary to respond to the implementation of this directive are set out in a separate report on the Investment Board agenda 14 September 2017. MiFID II is cited on the Authority's risk register and refers to the Markets in Financial Instrument Directive 2014/65/EU. The major issue for all LGPS funds is arranging to opt up to 'professional' client status with relevant counterparties so that business can be conducted as usual. Without opt up local authorities/LGPS funds would default to 'retail' client status involving higher (undesired) protection levels aimed at ensuring investment products are suitable and fully explained for retail customer's needs. This isn't relevant to our business and protections risk coming at a price of limited access to investments and many institutions potentially reluctant to deal with 'retail' clients. The report explains a common process now established which we will adopt to gain 'opt up' status as required to manage and mitigate risks.

5. SYPA post pooling structure and related matters

A separate report on the Authority's agenda 5 October 2017 will address post pooling issues and related staffing matters. The ability to transfer investment staff outlined at 4.3 above is subject to resources being in place to manage the transition implications for SYPA. The report will propose the post pooling structure and should enable posts to be filled consistent with this timeframe.

6. Implications

6.1 Financial

As previously reported the transition to pooling will incur additional set up costs and increased ongoing costs over at least the medium term. Monitoring the performance of BCPP and the costs of the service will be a key issue moving forward.

6.2 Legal

SYPA is in a contractual relationship with 11 other partners who form the shareholders of BCPP Ltd. Governance arrangements have been separately reported to the Authority (March 2016) when seeking approval to formalise arrangements with BCPP Ltd.

6.3 Diversity

There are no particular diversity implications.

6.4 Risk

There are a range of risks involved in setting up new arrangements which are being managed by the project team. There is an unquantifiable risk that the Fund might not perform as well under new arrangements. A separate report to the Authority, 5 October 2017, will address the post pooling staffing structure and related matters.

Steve Barrett
Interim Fund Director
Telephone contact 01226 772887

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



BCPP Joint Committee

Date of Meeting: 6th June 2017

Report Title: Update on Project Delivery and Implementation Budget

Report Sponsor: Programme Lead – Fiona Miller

1.0 Executive Summary:

- 1.1 This report updates Members on the high level activities undertaken since the last meeting towards the delivery of phase three of the BCPP implementation plan, i.e. to establish a fully regulated asset management company that is ready to accept the transition of assets.
- 1.2 The paper outlines the high level activity across the three key work streams, i.e. the three member sub-groups. A more detailed analysis of activity is provided where appropriate through the individual work-stream update reports elsewhere on today's agenda.
- 1.3 As agreed at the last meeting, the spring update (copy attached at Appendix 1) was submitted to DCLG on 21st April. A follow up call between Officers from DCLG and BCPP workstream leads is scheduled for the 1st June, due to report publication timings a verbal update will be given as to the content and any outcomes from that call at today's meeting.
- 1.4 The current project implementation focus is on key deliverables over the next 12 weeks through to September 2017, including the procurement and initial engagement with the asset service adviser around the target operator modelling, executive recruitment, procurement of banking services, appointment of auditors and property/ICT requisition.
- 1.5 In addition, the paper provides the Joint Committee with the current high level Risk Register, highlighting by exception any key areas for consideration by Members. The changes since the last report to Members being the

appointment Operator and Property Advisory Services, and revised timescales for executive recruitment.

- 1.6 There are no changes to the projected implementation budgetary outturn as reported at the last meeting. As per the last meeting, currently the only area where it is anticipated there may be a budgetary overspend is for the Executive / Non-Executive recruitment. Once there is greater line of sight as to when individuals may commence their roles this will be revised accordingly.

2.0 Recommendation:

2.1 That Members:-

- 2.1.1 approve the attached high level BCPP Project Implementation Risk Register and mitigating actions proposed by the Project Team.
- 2.1.2 note the increase in the projected implementation budgetary outturn.
- 2.1.3 following the changes to the Joint Committee Membership following the Local Government elections, confirm the proposed allocation of Members to each work streams or agree a realignment of positions.
- 2.1.4 note the high level project activity during this period, and
- 2.1.5 approve the proposed activities to be completed by the project team and sub-groups over the next period.

3.0 Background:

PROJECT PLAN – ACTIVITY DURING THE PERIOD (FEBRUARY TO MAY 2017)

- 3.1 As agreed at the last meeting, the spring update (copy attached at Appendix 1) was submitted to DCLG on 21st April.
- 3.2 As agreed at the last meeting of the Member Steering Group, the BCPP spring update informed DCLG that the implications of the late receipt of confirmation of the BCPP proposal from the Minister have now been fully worked through. Working with our implementation advisors (Eversheds, Alpha and Deloitte) the key activities and inter-dependencies have been realigned and the project implementation timetable has now been revised to reflect the resultant rescheduled operational “go-live” of June 2018.

- 3.3 Officers at DCLG with GAD, Treasury and Cabinet Office have reviewed the submissions.
- 3.4 Whilst Officers were informed that we should not expect a response from the Minister, Officers at DCLG have made a general comment on all the submissions that “It has been good to see that senior appointments are beginning to be made and it is encouraging developments on infrastructure investment continue”.
- 3.5 Officers at DCLG have requested a follow up call with Officers of each pool in order to enable them to provide “an up to date briefing to new Ministers following the outcome of the national elections”. Specifically DCLG have requested that the call cover any changes following the local elections. Due to timing of this call a verbal update will be given at today’s meeting as to the content and any outcomes.
- 3.6 A number of key activities have been completed since the last meeting, and good progress has been made by the work teams on agreed tasks.
- 3.7 As reported at the last meeting some activity was delayed due to receipt of Government support to ensure effective control of project risks and costs, i.e. procurement of advisory services. All advisory services are now in place so the pace of the work has significantly increased during the current period. The High Level Project Plan is shown in Appendix 2.

<i>Agreed Activity to be undertaken in the period to the 19th May 2017</i>	<i>Progress of Activity Against Project Plan</i>
Target Operating Model (TOM)	Following the appointment of the final advisor, Alpha Financial Advisory Consultants, detailed scoping and analysis is underway to define the high level TOM and FCA requirements. Paper at item 8 on today’s agenda provides the detail of the work progressed during the period in this area.
Set up of the BCPP Ltd company	This will proceed immediately following the receipt of all authorised establishment documentation from the Partner Funds. As agreed four statutory officers are to be appointed as interim directors to facilitate the company being incorporated, these are :- <ul style="list-style-type: none"> • Gary Fielding – North Yorkshire • Julie Crellin – Cumbria • Caroline Lacey – East Riding • Mike Harding – Tyne and Wear Further detail on this is included at item 5 on today’s agenda.
Premises Search	A property agent has been appointed to assist in securing the required premises for BCPP Ltd. operations.

	<p>Further work has been undertaken during the period to refine both short and medium term staffing and operational requirements which will be used to further inform the property design and fit out now a shortlist of properties has been established.</p> <p>A shortlist of potential properties in the Leeds area against this BCPP Ltd operational specification has been formulated and full details of the work undertaken and the shortlisted properties are given at item 7 on today's agenda for Members consideration.</p>
Member appointment of the senior company Executive and Non-Executive Director (Chairman and Chief Executive Officer).	<p>Job roles; responsibilities; remuneration and contracts have all been finalised during the period.</p> <p>Adverts for the Chair and CEO have been placed in the FT with a closing date for applications of the 2nd June with expected interview dates of:-</p> <ul style="list-style-type: none"> • Chair June, • CEO July <p>Appointed recruitment advisors have progressed with the initial shortlisting activities for both roles. Paper at item 12 on today's agenda gives greater detail on progress against this Workstream activity.</p>

UPDATE ON MEMBERSHIP OF BCPP JOINT COMMITTEE (JC) AND SUB-GROUPS FOLLOWING MAY LOCAL COUNCIL ELECTIONS

- 3.8 Due to local elections in May, in seven of the twelve Authorities, there are some changes to the membership of the MSG / Joint Committee (JC) and therefore its sub groups.
- 3.9 The Membership of the BCPP JC is shown below (para 3.10), with proposed allocations to sub-groups (para 3.11) based on those in place prior to the elections. Members are asked to consider these and agree any changes they wish to make.

AUTHORITIES REPRESENTATION ON THE BCPP JOINT COMMITTEE

3.10

- Bedfordshire - Doug McMurdo
- Cumbria - TBC
- Durham – Mark Davidson
- East Riding – John Holtby
- Lincolnshire - Eddie Strengiel
- North Yorkshire - John Weighell
- Northumberland – Jeff Watson

- South Yorkshire - Sue Ellis
- Surrey – Tim Evans
- Teesside – Steve Bloudelle
- Tyne & Wear – Eileen Leask
- Warwickshire – Bob Stevens

3.11

GOVERNANCE SUB-GROUP		
Members	North Yorkshire	John Weighell
	Tyne & Wear	Eileen Leask
	South Yorkshire	Sue Ellis
	Cumbria	TBC
Officers	Tyne & Wear	David Hayward
	Cumbria	Fiona Miller
PEOPLE		
Members	Bedfordshire	Doug McMurdo
	Durham	Mark Davidson
	East Riding	John Holtby
	Northumberland	Jeff Watson
Officers	Durham	Nick Orton
	South Yorkshire	Steve Barrett
OPERATING MODEL		
Members	Teesside	Steven Bloudelle
	Warwickshire	Bob Stevens
	Surrey	Tim Evans
	Lincolnshire	Eddie Strengiel
Officers	East Riding	Mark Lyon
	Lincolnshire	Jo Ray
	Tyne & Wear	Tom Morrison

KEY PROJECT IMPLEMENTATION ACTIVITIES UPDATE

3.12 The table below shows the key activities being progressed and the updated high level timeline for the project implementation identifying any time critical dates / key milestones.

Outcome	Current Status	Risks / mitigations to project implementation	Revised Timeline (March 2017)
Overall Project Delivery "Go Live"	<p>MSG agreed go-live revised date of June 2018.</p> <p>All project plans re-profiled to new date.</p> <p>Reported to DCLG 21st April in spring up-date report, feedback expected 1st June.</p>	<p>All project time contingency removed.</p> <p>Minimal impact on implementation budget.</p> <p>Risk of adverse comment from DCLG.</p>	June 2018
Establish Joint Committee (JC)	<p>All documentation being sealed.</p> <p>First JC scheduled for 6th June 2017.</p>	<p>One authority fails to meet signing date.</p> <p>Project proceeds under MSG guidance.</p> <p>Company formation proceeds.</p>	6 th June 2017
Design TOM and Appoint Asset Servicing Provider	<p>On-going full update at item 8 on today's agenda.</p> <p>Template TOM and associated documents.</p>	<p>This is the core project requirement to establish BCPP Ltd as a functioning FCA asset manager – as such any slippage will have implications to overall go-live date.</p> <p>Successful appointment and implementation of the asset servicing provider will be the core driver of future operating cost base for the business and as such all decisions are</p>	<p>Design TOM July 2017</p> <p>Tender for asset servicer published July 2017</p> <p>Appoint Asset Servicer - Sept 2017.</p> <p>Complete implementation and data population of systems - March 2017</p>

		<p>being taken with full support of the appointed advisors.</p> <p>Mitigation – tight project management with extensive external professional support to ensure BCPP can position itself as an educated client in procurement and implementation activities.</p>	
FCA regulatory approval process.	<p>Work commenced in April following the appointment of Alpha.</p> <p>Initial contact with FCA undertaken by Alpha on our behalf.</p> <p>Submission pack to FCA in initial stages of being populated.</p>	<p>Resourcing issues at FCA due to Mifid II opt up processes hamper FCA approval processes.</p> <p>Mitigation early engagement and delivery of proposal in Sept 2017 to FCA.</p>	<p>Agreement by JC of FCA submission pack Sept 2017.</p> <p>Submission of proposals to FCA Sept 2017.</p> <p>Receipt of FCA Approval Dec 2017</p>
Remuneration and recruitment process for Senior Exec. and Non-Exec.'s	<p>Knock on of government delays in approval have hampered securing Members to fill recruitment panels due to Local elections.</p>	<p>If revised timetable not met FCA application will be delayed.</p> <p>In the absence of the executives, decisions need to be made by the project team that will be prohibitively expensive to revise at a later date should the execs wish to do so.</p> <p>Mitigation – decisions taken are on receipt of advice from advisors and confirmed by input from sub-groups and OOG</p>	<p>Anticipated start date September 2017 (Chair / CEO)</p> <p>NEDS Sept 2017</p> <p>October 2017 (CIO / COO / Compliance)</p>

	<p>Terms and conditions agreed.</p> <p>Revised schedule shown in paper 12</p>		
<p>Agree Asset Template Offering</p>	<p>Proceeding per plan.</p> <p>Outline template in paper 8 on today's agenda.</p> <p>OOG meeting scheduled for 20th June to finalise detail in initial offering.</p>	<p>Initial template offering required to inform asset servicing procurement – delays will prevent FCA application.</p> <p>Mitigation – involvement by OOG and Fund Advisors to ensure initial offering meets Fund's needs.</p>	<p>Outline template agreed by JC. June 2017.</p> <p>Detailed template required July 2017 to inform asset servicing tender.</p>
<p>Acquire BCPP Premises</p>	<p>BCPP project Leads and external property agent have undertaken an initial shortlisting listing process.</p> <p>Further refinement of operational requirements to enable spatial planning at shortlisted premises on going.</p> <p>Paper 7 on today's Agenda.</p>	<p>Delays to securing appropriate accommodation space will delay project implementation.</p> <p>Too much space is acquired, incur unnecessary cost.</p> <p>Too little space is acquired, does not allow for planned expansion & results in additional costs to move.</p>	<p>JC agree premise (plus alternative) Sept 2017.</p> <p>Contract negotiations, leading to signing of lease agreement Nov 2017.</p> <p>Premises available for fit out Dec 2017</p> <p>Occupation for testing and team integration from April 2018.</p>

<p>Establish Corporate Services Functions</p>	<p>Ongoing Procurement Exercises in this period :-</p> <ul style="list-style-type: none"> • Banking Services • External Auditors • Payroll / HR • Web provider • Interim Corporate ICT <p>Future Periods:-</p> <ul style="list-style-type: none"> • Operational ICT • premises servicing (utilities; cleaning; catering; confidential waste; • Office supplies, • Photocopiers/M FD, • Investment research • Brokers • Office furniture / fit out • Recruitment Services 	<p>All these are corporate enabling services and delays will inhibit core interdependencies elsewhere in the project delivery.</p> <p>Mitigation – detailed project planning to ensure all independencies are tracked and realigned as required.</p>	<p>April 2018</p>
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Acquire Corporate ICT	<p>Scoping and specification for interim executive requirements underway.</p> <p>Specification for permanent solution to commence in July/Aug 2017.</p>	<p>Execs. will be hampered from working effectively due to limited IT. Mitigation council resource would be used as a short term measure.</p> <p>Company cannot go-live without full corporate ICT. Mitigation - early work being undertaken with regular updates to Workstream of any potential slippage or blockages.</p>	<p>Interim solution for Execs Aug 2017.</p> <p>Full solution March 2018</p>
Complete Asset Transition Planning	<p>Work currently progressing ahead of schedule.</p> <p>OOG scheduled for June 20th to progress build of the more complex asset classes.</p>	Ahead of plan.	Dec 2017
Start TUPE transfer of staff from existing Funds	<p>Initial information and legal advice received.</p> <p>Initial written communications with staff & information sessions undertaken.</p> <p>Funds affected undertaking work</p>	On schedule	June 2018

	<p>required to ensure their processes / legal requirements are met.</p> <p>Work undertaken to collate all T&C's from each Fund.</p>		
Recruit additional investment and operational staff	Discussions on going re terms and conditions prior to initiating recruitment processes. Paper 9 on today's agenda	Proceeding per revised plan	<p>Members agree company ethos of content of general staff T&C's to enable officers to progress detailed costings etc. June 2017</p> <p>Approve final T&C;s Sept 2017</p> <p>Start additional recruitment from September 2017</p>

PROJECT IMPLEMENTATION – ACTIVITY IN THE NEXT PERIOD

3.13 There are a number of key activities during the next period, with the main focus being on building the Target Operator Model which will shape the Depository/Custodian and ICT investment systems procurement process, and feed the FCA submission. Key work stream activity planned in the next period:

- Registration of Company following the first Joint Committee on 6th June 2017.
- Continuation of the BCPP Executive and Non-Director Appointment processes and remuneration as per revised project plan.
- Working with Operator Advisers to accelerate work to define the high level Target Operating Model and FCA submission requirements.
- Build the Asset Servicer and Depository specification in readiness for procurement.
- Working with the Premises Advisers to refine operational requirements and shortlist potential properties against a detailed specification which will allow Member to consider final property options.
- Development and delivery of interim corporate ICT solution to allow BCPP executives to function once appointed.
- Development of draft corporate ICT specification document.
- Continue activity on general T's and C's for workforce, specifically decide on pensions offering for new staff.
- Continue to engage with transferring staff as the project continues.
- Procure corporate banking services; external auditors; interim corporate ICT solutions and payroll / HR service providers.

HIGH-LEVEL PROJECT IMPLEMENTATION TIMETABLE

3.14 As agreed at the last MSG and SOG the project implementation target “go-live” date has been delayed to June 2018.

3.15 All project implementation activities and inter-dependencies have now been realigned to this date and the revised high level project plan is attached at appendix 2.

PROJECT RISKS

3.16 Appendix 2 provides the high level project Risk Register for the BCPP, Members input is welcomed on items they would like added or expanded on. Key risks surrounding current milestones are:

- Impact of proposed changes to MiFID across both the Pool and Funds.
- Risk that company infrastructure is not established within launch timeline, e.g. ICT, Premises.
- Impact on key deliverables if executive recruitment process encounters delays.
- Impact of revised operational live date of June 18.

Mitigating controls in place by Officers are detailed in Appendix 3.

PROJECT EXPENDITURE

- 3.17 The project budget including any predicted overspends is shown below. As reported to the last meeting, current planning expectations to deliver the project up to the proposed go-live date of June 2018 are showing a predicted overspend of £0.175m on the total agreed implementation budget of £4.2m (£0.350m per Partner Fund). The increase from the last report to MSG is to accommodate the increase in the salaries approved by Members for the NED's, the appointment of an advisor to assist with the interviews and the additional national advert costs for the Chief Risk Officer. However, due to the level of uncertainty regarding appointment dates of the executives and other areas of the budget where there is potential underspends it is not proposed at this stage to seek additional budgetary provision from the Partner Funds. If required this will amount to £14.5k per Fund.
- 3.18 A full update on projected spend will be presented to the next meeting and to the monthly SOG update calls scheduled to start from June onwards.

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LGPS CURRENT ISSUES



NEWS IN BRIEF

EQUITY PROTECTION

Whilst there have been significant gains in equity markets over the past year or so, the economic outlook remains uncertain. We have been actively engaged with a number of Funds in order to implement “Equity Protection” strategies to protect these gains and to ensure current contributions can at least be maintained at the next actuarial valuation. We’d be happy to discuss such strategies further with Funds requiring more details on the options available.

LANDMARK RULINGS ON SURVIVORS’ PENSIONS

Ruling on Same Sex Pension: On 12 July, the Supreme Court overturned a decision of the Court of Appeal in the case of Walker vs Innospec. The ruling has important implications for defined benefit schemes that have not fully equalised survivors’ pensions for civil partners or same-sex spouses. The Government is currently considering the impact on the public sector pension schemes but we do not expect any material impact on the LGPS.

Brewster Ruling On Survivor’s Pension: Following the Brewster ruling on survivor pensions earlier this year by the Supreme Court, we understand that LGPS funds in England and Wales will be reviewing cases during the relevant period mentioned to ascertain whether any potential claims may arise as a result of the judgement. For Mercer clients, our funding assumptions for proportions partnered used in the 2016 round of valuations included an allowance for ‘cohabiting spouses’ so results will be unaffected by the judgement. There may be one or two past cases that need to be reinstated, although we do not expect this to be material.

For the Scottish LGPS, it has been decided that this change should be applied to any case from 1 April 2009, and those potentially affected have been advised to contact their administering authority.

IN THIS ISSUE

- News in Brief
- Scheme Advisory Board and the Pensions Regulator Updates
- Other Developments on Regulations and Consultation
- Taxation Round Up
- LGPS Survey Results
- Dates To Remember
- Contacts



In August, a letter was sent to pension managers by DCLG setting out the implications on pension funds and the approach that they consider to be reasonable and this is set out here:

<http://lgpslibrary.org/assets/bulletins/2017/161App1.pdf>.

NATIONAL INITIATIVES

- **Section 13** – The section 13 data for LGPS Funds has been provided to the GAD and we will update funds once we hear anything further.
- **Cost Management 2016** - The GAD is also using the section 13 data to do their cost management calculations and we await their findings in anticipation of potential action with effect from 1 April 2019. Funds should be mindful that current expectations are that the costs of the scheme will have increased (not least due to lack of 50:50 take-up), although we await more information.
- **Academies** - Prompted by the DfE, GAD are collecting some further information from actuaries under the umbrella of their s13 work. It is expected that the results will be reported on separately and prior to the main s13 report.

ARE YOU UP TO SPEED WITH MiFID II

As you will most likely be aware, under the EU Markets in Financial Instruments Directive (MiFID II) Local Authorities are automatically classed as a Retail investor. To allow continued access to the full range of vehicles and managers needed for investment strategies, local authorities should consider making use of the “opt-up” process to Professional investor status. The opt-up applies to relationships with all investment service providers. The SAB website (www.lgpsboard.org/index.php/mifidii-lgps) contains useful material setting out the background together with detail on the “opt-up” process (including documentation). This has been compiled following the FCA’s policy statement issued in July on the implementation MiFID II (www.fca.org.uk/publication/policy/ps17-14.pdf).

ADDITIONAL VOLUNTARY CONTRIBUTIONS - A TIME TO REVIEW?

- **A time to review** - In accordance with its codes of practice, The Pensions Regulator requires an assessment against its 2016 DC Code in respect of money purchase AVCs. This also applies to LGPS AVCs and it can be surprising how different LGPS AVC arrangements are, even within the main provider’s product. At the PLSA Local Authority conference earlier this year, the need to regularly review AVCs was frequently mentioned. Given this and the changes to legislation on money purchase AVCs (i.e. Freedom and Choice), Administering Authorities should consider whether it is now appropriate to conduct a review. Your usual Mercer consultant would be pleased to discuss this further with you.
- **Prudential** – on 31 May 2017, Prudential closed their Deposit fund to new AVC members (this will not impact on existing members). Whilst an alternative fund is available (M&G cash fund), this will impact on what LGPS funds currently offer as AVC arrangements to members and highlights the importance of regular reviews as mentioned above.

PUBLIC SECTOR PAY CAP

It is understood that Theresa May and Philip Hammond are drawing up plans to raise the public sector pay cap, which has limited pay rises to 1% per year since 2010. The initial indication is that they may prioritise areas such as nursing initially and that the increases may be staggered. However, if there are changes to the cap that is applied to LGPS staff, this will impact on pensionable salaries and ultimately will impact on the liabilities for LGPS Funds. In particular there will be an impact for those Funds where an allowance for the current cap (to 31 March 2020) has been allowed for in the latest funding valuation (and thus contribution outcomes). We will provide further comment on this in due course once further details are known.

EARLY RETIREMENT STRAIN COSTS

Given the delays to the Public Sector exit payment regulations being effected (as referenced below), it is unlikely that a standardised set of factors to calculate Early Retirement Costs (ERCs) across all LGPS Funds will be in place in the near future. This is, and always has been our preference for such calculations.

As a result of the delays, it is therefore appropriate for the factors currently underlying the calculation of Early Retirement Costs (ERCs) to be reviewed in light of the assumptions adopted at the 2016 actuarial valuation (for our English and Welsh clients). The factors were last reviewed in July 2014. We will shortly be communicating the results of our analysis to administering authorities, although it is likely that there will be a small increase to the cost factors, and thus early retirement costs emerging.

DCLG GUIDANCE IN RELATION TO INVESTMENT STRATEGY STATEMENTS

The guidance governs the investment strategy for the local government and permits ethical and social objections to a particular investment to be taken into account. However, the High Court has ruled that the original guidance from DCLG "Guidance on preparing and maintaining an investment strategy statement" was unlawful when it stated that administering authorities must not:

".... [use] pension policies to pursue boycotts, divestment and sanctions ["BDS"] against foreign nations and UK defence industries...other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government" or "pursue policies that are contrary to UK foreign policy or UK defence policy".

This restriction operates even if an investment strategy with an element of boycott, divestment and sanction would not involve significant financial risk to the scheme and irrespective of member support. The guidance has since been updated to remove this statement; however, we understand that DCLG are planning to appeal this decision and we will provide an update on this in due course once the outcomes of any appeal are known.

CLIMATE CHANGE

Back in February, ClientEarth and ShareAction submitted a referral to the Pensions Regulator (TPR) highlighting varying standards across the LGPS in how funds were assessing and managing climate risk in investment decision-making. This was due to more than 80% of LGPS funds making no mention of climate risk in their latest Investment Strategy Statements. ClientEarth and ShareAction will continue to monitor funds and, where appropriate, may make further representations. We would therefore recommend that Funds review and update their Investment Strategy Statements as required.



OMBUDSMAN RULING

In March, the Pension Ombudsman ruled ([PO-7277](#)) that an LGPS could not withhold a convicted fraudster's pension rights under the regulations at the time (Regulation 74 of the 2008 Regulations). This ruling was on the basis that the reasons for leaving the original employment were wholly unconnected with the previous criminal conduct. The person did not leave employment in consequence of their criminal, negligent or fraudulent act and so the conditions of regulation 74 had not been satisfied.

SCHEME ADVISORY BOARD AND THE PENSIONS REGULATOR UPDATES

SCHEME ADVISORY BOARD

2016 Annual Report - The SAB issued its 4th Annual Report to coincide with Cllr Roger Phillips' address to the PLSA Local Authority Conference on 16th May. Key statistics emerging are; the scheme now has 5.3 million members, over 14,000 employers, assets of £217bn, and remains cashflow positive (including investment income).

Code of Transparency - The SAB has also launched its voluntary Code of Transparency for LGPS asset managers in order to help move towards investment fee transparency and consistency. Compliance will require managers to complete and submit a template to their LGPS Funds.

Local Pension Board Survey - The SAB recently issued a survey to all LGPS stakeholders in order to gather feedback on their experiences/views of their Local Pension Fund boards. This was provided to administering authorities and the closing date for survey responses is the **29th September 2017**.

Tier 3 employers - Following its work on academies, the Scheme Advisory Board is beginning a project on Tier 3 employers. This stream of work will be conducted in two concurrent phases; 1) The Board will be working with LGPS administering authorities to gather data regarding the number, membership, liabilities and covenants of these employers; and 2) separately the Board has commissioned further analysis to be carried out in this area. In order to facilitate the project, the Board is asking the actuarial advisers to provide details of each of these employers' funding positions and relevant supporting information, in a standardised format. The details of this are currently under discussion.

Consultation on Academies Objectives – Following the publication of PWC's report, the SAB is investigating the options available to LGPS funds to address issues associated with the policy objective to convert all schools to academies. The SAB has issued a very short consultation for Funds about the underlying principles for any review in this area. It will run from 17 July 2017 to **29 September 2017** and we would recommend funds respond to this if they have not already done so.

Consultation on a Cross Pool Information Forum – The SAB has agreed in principle that an elected member led Cross Pool Information Forum should be established to share and disseminate information on the pooling of LGPS assets. A consultation has been issued on the remit, membership and frequency of the proposed Forum and also seeks views on whether a one-off open session on progress towards pooling should be organised. The consultation is aimed at Chairs of LGPS pension committees and runs from 17 July 2017 to **29 September 2017** and we would recommend all LGPS funds respond to this, if they have not done so already.

NEWS FROM THE PENSIONS REGULATOR (TPR)

DATA SECURITY

The Pensions Regulator has again urged pension schemes to check their internal controls and the safety of scheme data in the wake of recent global ransomware attacks.

Ransomware attacks, which have targeted the UK's National Health Service among other organisations, can cripple IT systems and lead to demands for payment for access to be restored. The Regulator itself has admitted to being subject to a partially successful ransomware attack in December 2015, although it stresses that no data was compromised and it has successfully blocked over 40,000 attacks in the last three financial years. Even where attacks are unsuccessful, the increasing number of attempts to breach computer systems emphasises the scale of the problem being faced by organisations, including pension schemes.

Administering Authorities are responsible for the security of their scheme data, they are expected to ensure that their administrators and other providers have sufficient controls in place to keep data safe, and have plans in place for dealing with security breaches should they occur. In addition, the Regulator expects cyber security to be a key item on scheme risk registers.

As well as ensuring that their scheme data is protected against cyber attacks, Administering Authorities should also be taking a broader look at their data processes and procedures in light of the European Union's General Data Protection Regulation (GDPR). The GDPR will apply directly to all member states from 25 May 2018 and, as the UK is still expected to be part of the EU on this date, it must comply with the requirements.

The GDPR introduces more stringent requirements than the existing UK data protection legislation. For example, individuals will need to give clear and affirmative consent for their personal data to be processed, and there will be direct compliance obligations for data processors (such as scheme administrators), who will be liable for fines for non-compliance. The GDPR also emphasises accountability and transparency, and so those responsible for personal data will need to ensure that processes around data protection are explicit and documented.

If not already done so, Administering Authorities should, in conjunction with their legal advisers, begin reviewing current data protection processes and service provider contracts in order to be prepared for the changes.



PUBLICATIONS

The Pensions Regulator has recently released a number of publications, perhaps providing a taste of its new approach to regulation. There are already indications that the Regulator is acting faster and more robustly in cases that might previously have expected little attention. The regulatory regime is changing and attention to regulatory risk will need to increase.

THE REGULATOR'S FUTURE - The Regulator has been assessing the way in which it works and is considering medium to long-term changes in a project called "TPR Future". A

short report on the first phase was published in July. The Regulator's priorities for change are summarised as follows:

1. **Clarifying its identity** – including its relationship with other regulators and improving how it engages
2. **Setting clear expectations** – the Regulator believes standards will be improved if its expectations and the results of non-compliance are clearer to all
3. **Improving regulatory oversight** – better use of data and intelligence to monitor compliance with the Regulator's clearer expectations, enabling it to undertake better-targeted and risk-based interventions

4. **Broadening the range of regulatory interventions** – the Regulator plans to draw from its full spectrum of powers, look for swifter and more frequent use of powers and, more publicly, to demonstrate “visible policing” that creates a deterrent to poor behaviour
5. **Being more efficient and effective** – including better management of casework and enhanced ability to adapt to fluctuating challenges.

The report provides a good indication that the Regulator will be seeking to demonstrate a more robust approach overall, including more use of its powers. To some extent, it plans for the current “educate, enable, enforce” regime to evolve into a “comply or explain” regime. An update on progress is expected in spring 2018.

FIRST FINE ISSUED TO AN LGPS FUND - TPR has fined an LGPS fund £1,000 for failing to submit basic information required by law. TPR issued the fine for failure to submit its 2016 scheme return. [A regulatory intervention report](#) published on 27 July 2017 outlines the case and action taken by TPR.

Scheme managers of public service schemes are expected to complete a scheme return which provides TPR with basic information about a scheme such as number of members and participating employers, contact details and information about its pension board. Depending on the nature and size of the scheme, trustees and managers are sent a scheme return notice at least once every three years.

PUBLIC SERVICE SURVEY 2016 - TPR has published the results of its public service governance and administration survey 2016. The survey covers a broad range of topics including but not limited to data quality, key processes, managing risk, the reporting of breaches, and many others. More focus will be given to record-keeping, internal controls and communications as part of this survey. We recommend that all Funds review this survey and consider whether it is appropriate to take further or different steps given its findings.

<http://tpr.gov.uk/docs/public-service-research-summary-2017.pdf>



OTHER DEVELOPMENTS ON REGULATIONS AND CONSULTATION

PENSION SCAMS CONSULTATION

The Government has published a [response](#) to its pension scams consultation, confirming that it intends to legislate for a ban on pensions cold calling "when Parliamentary time allows". The ban will extend to electronic communications, including emails and text messages. The Government also plans to introduce legislation - although not until late 2018 - to limit the circumstances in which an individual will have a statutory right to transfer their pension benefits. It will also make it harder for fraudsters to open pension schemes likely to be used for scam purposes. The Information Commissioner's Office will be responsible for enforcing the ban.

Mercer supports the Government's proposal to ban pension cold calling, albeit we believe that the ban is not a solution on its own. We also welcome the extension to cover other means of contacting an individual and hope the proposals will be wide enough to anticipate the evolution of scamming practices.

INDEXATION AND EQUALISATION OF GMPS

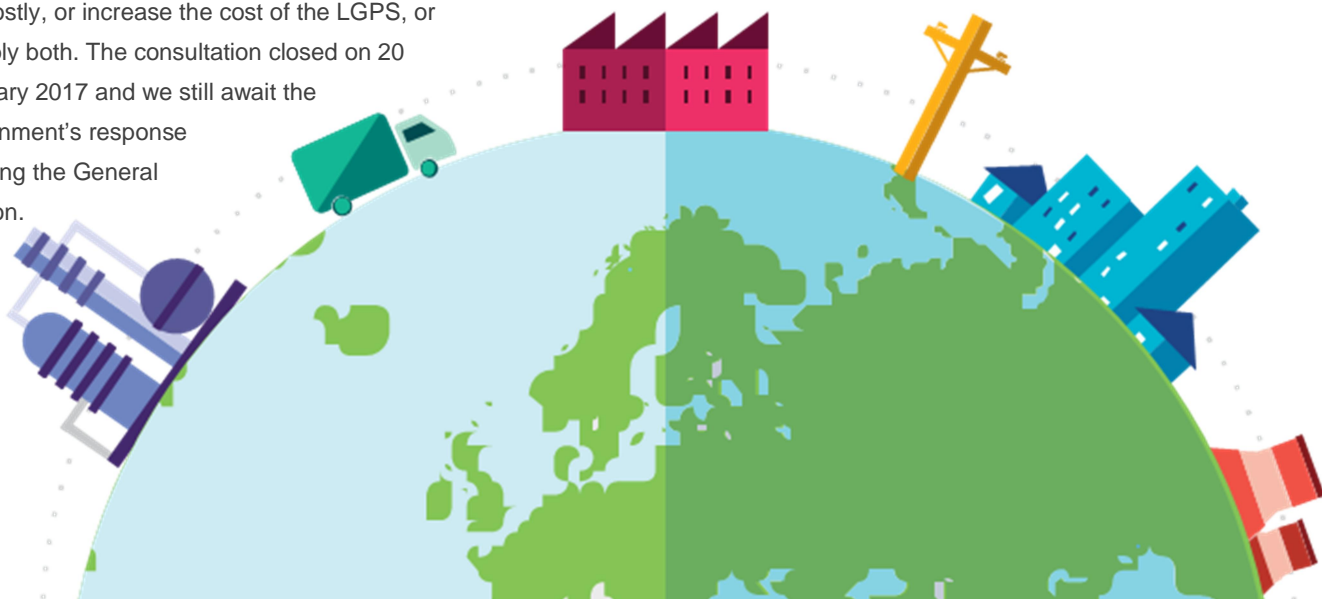
As reported in a previous current issues, the Government has consulted about equalisation and indexation of Guaranteed Minimum Pensions (GMPs) for public service scheme members who reach State Pension Age (SPA) after 5 December 2018.

The consultation addressed two issues simultaneously, namely:

- The equalisation of male and female GMPs accrued after 17 May 1990
- Historic commitments by previous Governments that all public sector workers will receive full indexation on their pensions (including GMPs)

Under all the consultation options, it seems that the burden of providing indexation on GMPs will now fall on the public service schemes themselves and all the associated employers in those schemes, whether public sector or not. This is because these increases will no longer be provided through the Additional State Pension (ASP) following recent changes to state pension provision.

The proposals are either administratively complex and costly, or increase the cost of the LGPS, or possibly both. The consultation closed on 20 February 2017 and we still await the Government's response following the General Election.



OTHER DEVELOPMENTS ON REGULATIONS AND CONSULTATION

- **New Fair Deal** - following the consultation carried out last year, further details and clarifications needed have been identified. We believe that a further consultation may be needed on an updated set of provisions to apply the principles of New Fair Deal to the LGPS, and expect to hear more in the near future.
- **Exit payments and claw back provisions** - Following on from our update in the previous edition, the General Election put a number of timetables on hold. We are expecting to hear more about both the cap and clawback regulations from the Government in due course.
- **Plans for Single Financial Guidance Body** - Free and impartial financial guidance to individuals is currently provided by three public services: The Money Advice Service, The Pensions Advisory Service and Pension Wise. However, the Government has consulted on plans to change this model with the creation of a single financial guidance body (SFGB).

The Government is of the view that there are gaps, as well as duplication, in the guidance currently available, and that a SFGB would be better suited to respond to the different financial needs of consumers.

TAXATION ROUND UP

UPDATE ON AUTO-ENROLMENT EXEMPTIONS FOR MEMBERS WITH LIFETIME ALLOWANCE PROTECTION

Where an employee has a form of Lifetime Allowance protection, often this protection is lost if the employee continues accruing pension benefits. Therefore it is necessary to ensure that the employee who has opted out is not automatically re-enrolled into a pension scheme.

There is already a clear exemption for any of the 'pre-2016' protections (i.e. Enhanced Protection, Primary Protection, Fixed Protection 2012, Fixed Protection 2014 and/or Individual Protection 2014). That is the employer can already choose whether or not to automatically enrol (or re-enrol) those Jobholders who have one or more of these "pre-2016" LTA protections. However, the employer must have "reasonable grounds" to believe an employee has a tax protected status and any such employee retains the right to opt-in or request to join a pension scheme.

After the introduction of the 2016 LTA Protections, the DWP indicated that it was working with HMRC to extend the auto-enrolment exemptions to cover the new protections but the timescale was unclear. This exemption has now been introduced via regulations coming into force on 6 March 2017. Again, the employer must have "reasonable grounds" to believe an employee has a tax-protected status, such as a print out from the online HMRC protection system.

VOLUNTARY SCHEME PAYS – INDIVIDUALS WITH A TAPERED OR MONEY PURCHASE ANNUAL ALLOWANCE

Where an individual's Pension Input Amount ('PIA') for a tax year exceeds the Annual Allowance ('AA') for that tax year, the individual will be liable for an AA tax charge, unless they have sufficient unused AA that they can carry-forward from the previous three tax years. Where a member has pension savings of more than the standard AA (i.e. £40,000) in a scheme and has an AA tax charge in excess of £2,000, the member can require the pension scheme to pay the AA tax charge on their behalf: a process known as Mandatory Scheme Pays. Where the individual does not meet all of the conditions for Mandatory Scheme Pays to apply, the scheme can still pay any Annual Allowance charge on the individual's behalf, if the scheme and member agree to do so. This is a process known as Voluntary Scheme Pays.

If the member has an AA tax charge to pay as a result of them being impacted by the Money Purchase Annual Allowance ('MPAA') or the Tapered AA then the member may not qualify in full for Mandatory Scheme Pays. They might therefore want to fall back on the Voluntary Scheme Pays process to meet some/all of their 2016/17 tax charge, although in practice they may not be aware of all the details especially if their PIA is under £40,000.

Therefore, given that Funds are only required to issue pension savings statements to members after the end of a tax year (by 5 October) when pension savings exceed the standard AA of £40,000, it is possible that members with a PIA of between £10,000 and £40,000 and also are subject to the Tapered AA (likely to only be the top earning members) will need to request details of the PIA from Funds themselves.

Whilst Voluntary Scheme Pays operates in a similar way to Mandatory Scheme Pays (i.e. the scheme pays the AA tax on behalf of the member and benefits are reduced), there are some crucial differences that members (and Funds) should be aware of.

- **Timing** – For the members, the deadlines for Voluntary Scheme Pays tie in with the Self-Assessment Tax Return deadlines. Hence the Voluntary Scheme Pays process must be completed by 31 January following the end of the tax year (i.e. 31 January 2018 for the 2016/17 tax year). In order to avoid any interest charged on the AA tax charge due by the member, this must also be paid to HMRC on behalf of the member by the 31 January.

- **Liability for the tax** – The sole responsibility for the tax payment with Voluntary Scheme Pays is the member's, and there is no joint and several liability with the Scheme (unlike with Mandatory Scheme Pays).

ACTION

If Fund's have not done so already therefore, they should be looking to communicate the above to those members who may think they are eligible for Mandatory Scheme Pays for this tax year when in fact they may not be, if are subject to the Tapered AA. Funds should also look to review who receives an annual pension savings statement automatically and also ensure that current processes and timings are fit for purpose.

Should you wish to discuss any of the above further, Mercer's tax specialists would be happy to provide assistance and support in this area as required.



LGPS SURVEY RESULTS

LGPS SUMMER SURVEY - THE RESULTS ARE IN!

Over the summer we conducted a survey of those within the LGPS to obtain views on the current issues faced by Funds and also various holiday preferences. The results are now in and are summarised in this section along with supporting comments on what action Funds may look to take in certain areas.

ADMINISTRATION CHALLENGES

Case backlogs, increasing employer numbers, GDPR requirements, GMP reconciliations and of course, the day-to-day administration of the Fund. These are just some of the challenges currently facing administration teams at present. The majority of respondents to the survey confirmed that whilst all of the above do present challenges at present, dealing with case backlogs was the biggest challenge faced.

Mercer has, and continues to, assist Administering Authorities with meeting case backlogs and we would be happy to provide further details to Funds/administrators wanting to explore such options further.

RISK MANAGEMENT

It was no surprise that Data Quality, Managing Employers, Covenant Risk and Investment Risks all scored consistently (4 on average for each risk) when those surveyed were asked to rank them on a scale of 1-5 in terms of how critical they saw each risk over the next few years.

We would recommend that administering authorities look to consider and implement risk management policies in each of these areas and we'd be happy to liaise with authorities to consider the options available as required.

POOLING

The general expectation (65% of replies) is that there will be further compulsory pooling over the next 3 years now that the investment pools have been established.

ALTERNATIVE DELIVERY MODELS

Given the increasingly complex nature of outsourcings, 50% of respondents believe that it will be useful for managers and officers (and employer representatives) involved in commissioning services to benefit from additional information on all aspects of the process (rather than individual elements). Mercer can provide training to various stakeholders to assist their understanding in this area should Fund's wish to offer this.

MARKET OUTLOOK

The current uncertainties regarding the market outlook were evident in the responses provided to the survey with a 50/50 split between those who were very concerned and those who weren't really concerned about the impact of market movements (in particular the potential impact of Brexit) on funding positions and contribution outcomes.

Given the recent gains in equity markets, we have been actively engaged with a number of Funds in order to implement strategies to protect these gains to ensure current contributions can at least be maintained at the next actuarial valuation. We'd be happy to discuss such strategies further with other Funds that might wish to explore the options available.

CHANGES TO THE LGPS

Over the past few years, the one constant within the LGPS has been *change*, with the introduction of the new CARE Scheme, investment pooling etc. Such changes would seem to have influenced the responses provided to the survey. If they could change one thing about the LGPS, 60% of respondents would request that the Scheme be changed again to be made simpler, in particular from a regulatory perspective. A sample of the responses provided is shown below.

- “remove historical protections - after I've retired though.”
- “simplify into a single set of regulations applying to all members”
- “Simplification of regulations to ease admin workload”
- “Less Government interference”

EMPLOYER CONCERNS

Of all the various employer types participating in the LGPS, the group causing most concern at the moment would be Historic Admitted Bodies according to the survey with nearly 50% of the responses. One of the key drivers behind this outcome is likely to be the fact that the liabilities of such employers are not guaranteed by any other employer in the Fund and therefore pose risks to all other employers in the Fund should unfunded liabilities emerge on termination.

Although contribution outcomes from the 2016 actuarial valuations in England and Wales have only been recently agreed (and outcomes emerging from the Scottish 2017 valuations will be agreed in the coming months), we would urge administering authorities to continue to monitor certain employers during the inter-valuation periods in order that any issues regarding employer covenant can be identified and actioned prior to the next actuarial valuation. Mercer has specialist covenant advisors who are able to assist Funds in carrying out covenant assessments where required.

HOLIDAYS

Whether Brexit has an impact on holiday destinations going forwards remains to be seen but for the moment, the preferred destination this summer of those within the LGPS (over 50%) has been mainland Europe.

Whilst enjoying the sun (when it decides to appear in this country), 40% of respondents confirmed they would opt for a Magnum from the ice cream van, closely followed by 30% opting for a 99.

And finally, if money was no object then nearly 50% of those taking part in the survey chose New Zealand as their preferred destination (the Galapagos Islands being the other stand-out response to this question). It's not clear though whether the favoured destination was due to a love of Rugby, the breathtaking scenery, family connections or simply being over 11,000 miles away from the LGPS!



Thanks to all those who took part in the survey.

As referred to above, we would be happy to assist Funds further with dealing with the issues commented on and so please speak to your usual Mercer consultant if you would like to discuss how we can help you.

DATES TO REMEMBER

DATE	ISSUE	THE LATEST
29 September 2017	SAB Consultations	Deadline for response to the Consultation on Academies Objectives and the Consultation on a Cross Pool Information Forum
1 October 2017	Auto Enrolment	From this date, employers of defined benefit pension schemes will no longer be able to postpone auto-enrolment of certain members.
November/December 2017 (date tbc)	Autumn Statement	The Chancellor is set to give the Autumn Budget 2017 at the end of November or the beginning of December, as the update on country's finances is switched from the Spring
3 January 2018	MiFID II	MiFID II becomes effective from this date.
31 March 2018	Actuarial Valuation	Deadline for the 2017 Scottish actuarial valuation exercises to have been formally signed off by the fund actuary.



CONTACTS



Paul Middleman
paul.middleman@mercer.com
0151 242 7402



Leanne Johnston
leanne.johnston@mercer.com
0161 837 6649



Ian Kirk
ian.kirk@mercer.com
0151 242 7141



Nigel Thomas
nigel.thomas@mercer.com
0151 242 7309



John Livesey
john.livesey@mercer.com
0151 242 7324



Clive Lewis
clive.lewis@mercer.com
0151 242 7297



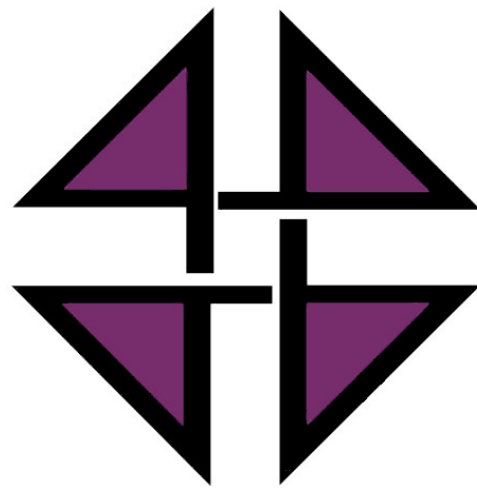
Charlotte Dalton
charlotte.dalton@mercer.com
0161 837 6660

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**South Yorkshire Pensions Authority and the
South Yorkshire Passenger Transport Fund**



SOUTH YORKSHIRE
LOCAL PENSION BOARD

ANNUAL REPORT 2016/17

Foreword

Welcome to the second annual report of the South Yorkshire Joint Local Pension Board (LPB).

The Board seeks to assist the South Yorkshire Pensions Authority and the South Yorkshire Passenger Transport Fund to maintain effective and efficient administration and governance. Members of the scheme can now have direct influence on how the fund is managed. The LPB comprises both scheme members, retired and active, together with employer representatives. Employer representation is not restricted to the four large local Councils.

Throughout the year we have discharged our duties by seeking information from our scheme management and have offered advice as necessary. Members have continued to equip themselves to fulfil their duties by undertaking training, as set out elsewhere in this report, and have a work programme that enables us to meet our obligations ensuring that the two funds comply with the relevant codes of practice and current legislation.

As I indicated last year, your pension funds face times of change and challenge as a result of the Governments decision that Local Government Pension Scheme (LGPS) funds should establish large pooled investment organisations. The two South Yorkshire funds have joined the Borders to Coast Pool. Throughout the process of establishing the Pool your LPB has been involved in the discussions with the aim of seeking to ensure that the best interests of the South Yorkshire Funds are safeguarded. In addition to discharging our duties at a local level we have engaged with several of the Local Pension Boards at other funds within the new pool.

I would like, on behalf of the Joint Local Pension Board, to thank the Officers of South Yorkshire Pensions Authority and South Yorkshire Passenger Transport Fund, and the Chairs and Members of our two local pension funds for their help, cooperation and continued commitment. Looking towards the coming year we aim to build on the foundations set and assist the Authority to move forward, integrating together South Yorkshire and the other members of the newly established Border to Coast investment pool.

Glyn Boyington, Chair



A handwritten signature in black ink, appearing to be 'Glyn Boyington', written in a cursive style.

Membership

Employee Representatives

Glyn Boyington - LGPS Member (Chairman)

Garry Warwick (GMB) - Trades Union

Kevin Morgan (UCATT) - Trades Union

Nicola Doolan (Unison) - Trades Union

Susan Ross - LGPS Member

Steve Carnell - SYPTPF Member

Employer Representatives

Jill Thompson (Action Housing) - Admitted Body (Vice-Chair)

Geoff Berrett (South Yorkshire Police) - 'Other Large Employer'

Vacancy – Academy

Councillor Phillip Lofts - Local Authority Member (Barnsley)

Vacancy - Local Authority Member (Rotherham)

Vacancy – (South Yorkshire Passenger Transport Pension Fund)

Member Attendance

Attendance at the LPB meetings has been positive with members and employer representatives freely giving their time and commitment. Indeed 6 members have achieved 100% attendance over the year.

	20 July 2016	6 Oct 2016	16 Mar 2017
Geoff Berrett	✓	✓	✓
Glyn Boyington	✓	✓	✓
Steve Carnell	✓	✓	✓
Cllr Tony Corden	x	✓	x
Cllr Ben Curran	x	x	N/A
Nicola Doolan	x	x	✓
Cllr Adam Hurst	N/A	N/A	✓
Kevin Morgan	✓	✓	✓
Melanie Priestley	x	N/A	N/A
Sue Ross	✓	✓	✓
Jill Thompson	x	✓	✓
Garry Warwick	✓	✓	✓

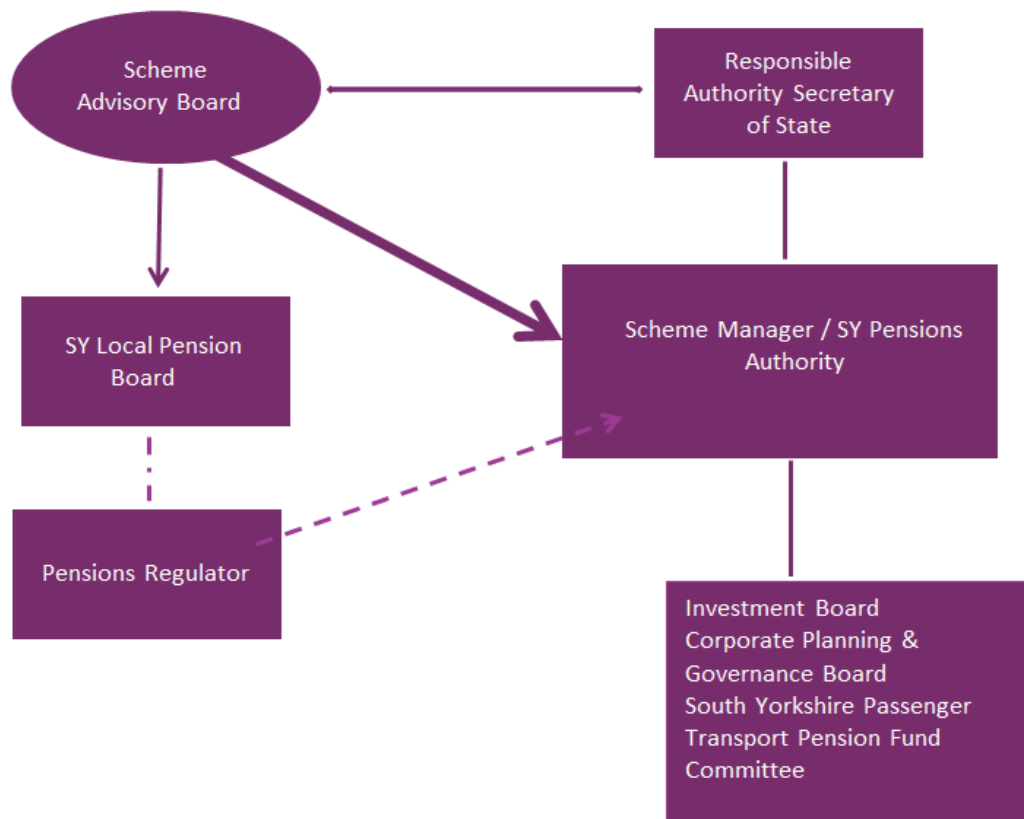
Members have also attended Pension Authority Meetings as observers

Role of the LPB

The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to:

- Secure the effective and efficient governance and administration of the LGPS for the South Yorkshire Pension Fund and South Yorkshire Passenger Transport Pension Fund
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest
- Ensure the South Yorkshire Pension Fund and South Yorkshire Passenger Transport Pension Fund effectively complies with the Code of Practice on the Governance and Administration of Public Service Pensions Schemes issued by the Pensions Regulator and is effectively managed and administered in compliance with the Code.

Governance Structure



Work of the Board 2016/7

The Board held three meetings during the year.

The Board continued to develop their **Work Programme** which evolves as Members knowledge and understanding of their role evolve. Agreement has been reached to ensure specific issues set out in Government Guidance were cross referenced and any gaps included in the Work Programme. Members of the Board receive all **agenda papers** issued to Members of the Pensions Authority.

In considering all agenda papers presented to the Authority, the Board has in particular sought clarification on the following:

- **Annual Fund Member Survey** – Additionally Members of the Board were invited to the Annual Fund Member Event held at The Holiday Inn Barnsley
- **2016 Actuarial Valuation** – The Board have been kept informed on progress in compiling relevant data in support of the valuation
- **Risk Management Strategy** – The Board were kept up to date on the development and adoption of the Risk Management Strategy and reviewed the Authority's Risk Register
- **Internal Audit** – The Board received a presentation on the work of Internal Audit from BMBC's Audit Manager
- **Work Programmes** – The Board considered the Work Programmes of the Authority and its Boards
- **Investment Pooling** – The Board were invited to all meetings regarding the process involved in the intention to join the Border to Coast Pensions Partnership
- **Budget** – the Board regularly reviewed their budget
- **External Audit Arrangements** – The Board, through the receipt of all Authority papers was kept fully briefed on the work of the Authority's External Auditors KPMG.

Training and Development

The Board has in place a Training and Development Strategy similar to that of the Authority and both bodies have acknowledged the requirement to undertake training and development in tandem for mutual benefit and to provide value for money in training delivery.

During the year, Board Members have received the following training/development support:

- The Effective Audit Committee – Head of Audit, Barnsley MBC
- Treasury Management Training - Associate Director, Capita Asset Solutions
- LGA Fundamentals Days 1, 2 & 3

- Internal Audit & Risk Management – Head of Audit & Risk Manager, Barnsley MBC
- Asset & Liability Information Session
- CIPFA/Barnett Waddingham Local Pension Board Spring Seminar

In addition, the Chair and Vice-Chair attended the CIPFA/Barnett Waddingham event – Local Pension Boards One Year on.

Future Plans

We aim to:

- Continue to work with the Officers and Members of the Authority and Transport Fund with a view to becoming more integrated into their decision making forums in order to be able to have influence on the outcome of events
- Marketing the work of the LPB through articles within the news letters issued by the Pensions Authority and participation at the annual fund meetings
- Undertake training/workshop style events for members of the LPB as appropriate
- Seek to establish a working relationship with Local Pension Boards in other Funds within Border to Coast pool.

**SOUTH YORKSHIRE PENSIONS AUTHORITY
LOCAL PENSION BOARD EXPENDITURE TO
31/3/17**

	ORIGINAL OUTTURN	ACTUAL OUTTURN	2016-17 VARIANCE	Note
LOCAL PENSION BOARD				
Travel, Accommodation and Subsistence	3,000	1,987	1,013	1
Training	5,000	3,550	1,450	1
Professional Advice	2,000	-	2,000	1
	-	-	-	
	10,000	5,537	4,463	

1. Expenditure is within budget expectations as the Local Pension Board has incurred travel expense claims, subsistence and training expenses at the end of Qtr4

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