



**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](http://www.southyorks.gov.uk)

**NOTICE OF AUTHORITY MEETING**

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley on Thursday 30 November 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](mailto:grichards@syjs.gov.uk)

Tel: 01226 772806

**WEBCASTING NOTICE**

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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**

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## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**30 NOVEMBER 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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## SOUTH YORKSHIRE PENSIONS AUTHORITY

5 OCTOBER 2017

PRESENT: Councillor S Ellis (Chair)  
Councillor R Wraith (Vice-Chair)  
Councillors: S Cox, T Hussain, J Mounsey, K Richardson,  
A Sangar, I Saunders and Z Sykes

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),  
B Clarkson (Head of Finance), N Copley (Treasurer),  
M McCarthy (Deputy Clerk) and G Richards (Democratic  
Services Officer)

Observers: G Berrett, G Boyington and J Thompson

Apologies for absence were received from Councillor S Durant,  
Councillor K Harpham, Councillor K Wyatt and D Patterson

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair announced that Deloitte had been appointed as the Authority's external auditor with effect from 2018/19 to replace KPMG.

3 URGENT ITEMS

None.

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

RESOLVED – That item 18 'SYPA Staffing Structure Post Pooling and Related Matters' and item 19 'Release of Preserved Benefits' be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 15 JUNE 2017

RESOLVED – That the minutes of the Authority's Annual meeting held on 15 June 2017 be agreed and signed by the Chair as a true record.

7 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 15 JUNE 2017

RESOLVED – That the minutes of the Authority’s Ordinary meeting held on 15 June 2017 be agreed and signed by the Chair as a true record.

8 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 20 JULY 2017

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on 20 July 2017 be noted.

9 MINUTES OF THE INVESTMENT BOARD HELD ON 22 JUNE 2017

RESOLVED – That the minutes of the meeting of the Investment Board held on 22 June 2017 be noted.

10 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED – That the Work Programme be noted.

11 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

The Chair informed Members that the district Treasurers were being kept up to date with all BCPP developments.

12 QUARTER 1 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Q1 Performance Snapshot report which was a summary of various information and statistics previously considered by the Authority’s Boards.

RESOLVED – That the report be noted.

13 CORPORATE PLANNING & GOVERNANCE BOARD AUDIT COMMITTEE FUNCTIONS ANNUAL REPORT

The Authority considered the Corporate Planning and Governance Board’s Audit Committee Function Annual Report 2016/17.

The report covered the Board’s work during the financial year 2016/17 in relation to its audit committee function; it outlined the Board’s:

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

It was suggested that attendance should be monitored and any concerns be raised with the authority concerned.

RESOLVED – That the report be noted.

14 SYPF ANNUAL FUND MEETING 2017

A report was submitted to advise Members of the 2017 Annual Fund Meeting.

The event was to be held at the Source Skills Academy, Meadowhall on Thursday 19<sup>th</sup> October at 5.30pm. All members were welcome to attend.

The format of previous meetings would be followed; questions would be invited from the floor after each presentation.

The meeting would again be available to view in near real-time allowing members with internet access to watch the event, this was publicised in newsletters and on the website.

RESOLVED – That the report be noted.

15 POOLING UPDATE

A report was submitted to update on the progress of pooling in the Border to Coast Pensions Partnership (BCPP).

Members were informed that the steps necessary to respond to the implementation of MiFID II were ongoing.

Rachel Elwell had recently been appointed as Chief Executive Officer; the position of Chief Operations Officer had been determined but not yet signed off by all shareholders.

At the request of Members it was agreed to send out a brief biography of each senior appointment.

The Chair informed the Authority that two premises for BCPP staff in Leeds had been shortlisted; negotiations were continuing and it was expected that a decision would be made at the meeting of the Joint Committee on 20 October 2017.

RESOLVED: That the report be noted.

16 LGPS CURRENT ISSUES - FOR NOTING

Members considered a LGPS current issues paper prepared by Mercer noting in particular the items regarding early retirement strain costs and the tax implications for high earners where an individual's Pension Input Amount exceeded the annual allowance for that tax year. G Chapman informed the Authority that a tax seminar in November had been arranged to give advice to anyone affected.

RESOLVED – That the report be noted.

17 SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD ANNUAL REPORT

G Boyington and J Thompson, the Chair and Vice-Chair of the Joint Local Pension Board, presented the Board's annual report.

The Authority were reminded that the Board's remit was to 'assist South Yorkshire Pensions Authority and South Yorkshire Passenger Transport Pension Fund (until November 2017) to maintain effective and efficient administration and governance'.

The Board had met three times during the year and attendance was generally good although there was concern that the Local Authorities consistently failed to fill their vacancies and their attendance had been poor.

Following the transfer of the South Yorkshire Passenger Transport Pension Fund to Greater Manchester Pension Fund in November the Board would be recruiting for a new employer and employee representative. G Boyington thanked S Carnell for his involvement with the Board as the employee representative of SYPTPF and asked that a letter of thanks be sent to him from the Authority.

The Chair and Vice-Chair of the Board had attended national Pension Board events throughout the year and all members had attended various training events.

The Authority's Chair suggested that it would be useful to invite all members of the Board to the next two-day BCPP training event which had been very successful. She thanked the Board for all their hard work and their attendance at Authority meetings.

RESOLVED: That the report be noted.

**18 SYPA STAFFING STRUCTURE POST POOLING AND RELATED MATTERS**

A report was submitted to seek Members' agreement to the proposed staffing structure post pooling and to consider related matters including the recruitment of a permanent Fund Director, succession planning for the Head of Pensions Administration, the net reduction in posts as a result of transfer of functions to BCPP and consequential new posts required to meet the Authority's ongoing strategic investment management responsibilities.

RESOLVED – That the Authority:

- a) Agreed to the recruitment of a permanent Fund Director as set out in the report, allowing time for the new appointee to consider the resilience of the new structure and engage in the recruitment of the Investment Performance Manager.
- b) Noted the succession plan for the post of Head of Pensions Administration.
- c) Noted the proposed changes in the Finance Team as set out in the report.
- d) Noted the deletion of the 7 f.t.e. investment management posts consequent upon the transfer of functions to BCPP and the creation of 2 new f.t.e. posts as set out in the report.
- e) Noted that the new roles would require a level of qualification or a commitment to train and qualify to that level within a reasonable timeframe and noted that appropriate HR advice had been followed, the proposed structure had been shared with staff and the process had been agreed with the Trade Union representative.

- f) Noted the existing and proposed staffing structure for the SYPS finance and investment teams.
- g) Noted the budgetary impact of the changes as set out in the report.
- h) Noted the requirement for further review as set out in the report.

19 RELEASE OF PRESERVED BENEFITS

A report was submitted to seek a decision from Members in relation to a request from a former South Yorkshire Magistrates Courts Committee employee for the release of preserved benefits on compassionate grounds.

RESOLVED – That the Authority agree to the release of preserved benefits on compassionate grounds as detailed in the report.

CHAIR

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# Agenda Item 7

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### INVESTMENT BOARD

14 SEPTEMBER 2017

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

Officers: S Barrett (Interim Fund Director), F Bourne (Administration Officer), N Copley (Treasurer), M McCarthy (Deputy Clerk), J Hattersley (Property Consultant), S Smith (Head of Investments), J Firth (Principal Investment Manager) and M McCoole (Senior Democratic Services Officer) (BMBC)

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

Investment Advisors: T Gardener and L Robb

An apology for absence was received from N MacKinnon

1 APOLOGIES

An apology for absence was noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

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

Item 11 Corporate Class Action Law Suits: Shareholder Rights, Class Actions and Portfolio Monitoring.

Item 12 Standard Life Presentation.

Item 18 Equity Protection Strategy.

Item 19 Mercer Presentation.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 22 JUNE 2017

RESOLVED – That the minutes of the Investment Board held on 22 June 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Board considered its Work Programme to March 2018.

M McCarthy stated that future meeting dates would be included onto the Work Programme.

RESOLVED – That Members noted:-

- i) The Work Programme.
- ii) The Work Programme would be updated to include future meeting dates.

8 LOCAL AUTHORITY PENSION FUND FORUM: UPDATE ON BUSINESS MEETING; ANNUAL CONFERENCE DECEMBER 2017

A report of the Interim Fund Director was submitted to inform Members that the minutes of the April 2017 business meeting had been issued, and to confirm the dates of the next Annual Conference in December 2017.

Members noted that the Forum's Annual Conference would be held in Bournemouth on 6, 7 and 8 December 2017. Member Funds were entitled to two free places, with accommodation and travel paid by the Authority; J Firth would also attend the Forum's Annual Conference in her capacity as a member of the executive.

S Barrett stated that the Border to Coast Pensions Partnership (BCPP) Member training event held in York on 11 and 12 September 2017 had been a good training session. Topics had included responsible investment and LAPFF, the latter providing a voice for local government to collectively increase its influence on such issues.

Councillor Sangar commented that LAPFF had proved very useful to the Board over the years, together with the reports presented; he queried the Fund's position following the commencement of BCPP.

J Firth commented that LAPFF was a member led organisation. Discussions were underway with the Forum to determine the membership of the pools moving forward. A report would be presented to the Business Meeting to suggest that the pools had the same membership rights as the funds, to have access to all of the same information and be able to attend meetings.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Approved attendance for two Members at the next Annual Conference in December 2017.

9 CARBON AUDIT REPORT

A report of the Interim Fund Director was presented to request Members to authorise the biennial carbon audit specified in the Authority's Climate Change Policy.

Members noted that the Board had previously agreed, as part of the policy, that a carbon audit of the Fund's portfolios would be commissioned every two years to establish exposure to climate change and carbon risk. A carbon audit was due on the September 2017 data, subject to authorisation.

Councillor Mounsey referred to a number of possible implications for the Authority, and raised related issues on climate change.

Councillor Ellis highlighted the need to refine the carbon audit over time.

S Barrett commented that the Climate Change Policy would be presented to the next Board meeting, and he suggested that any concerns should be raised at that time.

J Firth stated that carbon foot printing was not an exact science or a complete tool. Carbon foot printing enabled the Fund and BCPP moving forward to identify any issues within the portfolio where engagement with companies could be considered to influence their business strategy. She suggested that the Fund should undertake a carbon footprint of those portfolios previously undertaken to facilitate comparability.

Councillor Sangar suggested a full discussion on the matter at the next Board meeting in December 2017. He was interested to compare results with those of 2 years ago, whether the policies implemented had made any difference in terms of the investment made, the implications of pooling and what decisions could be taken to influence the pool's decision making in this area.

RESOLVED – That Members:-

- i) Agreed to commission a carbon audit on the four main equity portfolios.
- ii) Noted that there would be a report on the climate change policy at the next Board meeting in December 2017.

10 RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

A report of the Interim Fund Director was submitted to review the current Responsible Investment Policy and Shareholder Engagement Statement ahead of LGPS pooling and to redraft the policies in line with best practise, which would

support the Border to Coast Pensions Partnership (BCPP) developing their respective policies on a basis consistent with those of partner funds.

J Firth stated that the Shareholder Engagement Statement had been substantially reworked and renamed as the Corporate Governance & Voting Guidelines, to align with the work undertaken for the Fund and BCPP.

L Robb queried what differed in the context of the report compared to that previously presented to the Board.

J Firth stated that the current Responsible Investment Policy was a broader statement rather than a particular policy. The Responsible Investment Policy presented to the Board highlighted the work and how it was undertaken within specific headings.

Councillor Ellis queried whether the new layout of the Responsible Investment Policy aligned with how it had been set out by other authorities, and whether this would aid Members when viewing the Responsible Investment Policy as a pool.

J Firth commented that she was acting as the Responsible Investment lead for BCPP and was developing the policies alongside those presented today. By undertaking a similar exercise for the BCPP this had allowed her to influence the policy at the pool level. Other partner funds within the pool would be provided with a draft Responsible Investment Policy to be presented to their funds, to ensure alignment before entering into the pool, and to enable the policy at pool level to be acceptable to the underlying funds.

J Firth highlighted that all partner funds were now LAPFF members; the various funds within the pool had shown differing degrees of appetite for the Responsible Investment Policy. She was very hopeful to achieve alignment.

RESOLVED – That Members agreed:-

- i) The revised Responsible Investment Policy.
- ii) The Corporate Governance & Voting Guidelines, replacing the former Shareholder Engagement Strategy.

## 11 EXCLUSION OF THE PUBLIC AND PRESS

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

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

A report of the Interim Fund Director was presented to keep Members informed of the progress on securities class actions.

RESOLVED – That Members noted the report.

13 STANDARD LIFE PRESENTATION

Members received a presentation from Richard Marshall, James Britton and Simon Kinnie of Standard Life Investments on the Real Estate Performance Review, together with an update on the UK Market.

In summary; the Fund has outperformed its benchmark over all time periods between 3 months and 5 years. Indirect holding have dragged performance but steps have been taken to reduce this weighting. Lettings of new south east industrial units have been positive and the Funds void rate is expected to fall to 3.2%. A number of leases expire in 2018 and a focus will be on maximising tenant retention.

There was discussion over the merits of indirect property holdings and Tim Gardner asked for a timeline for the planned exit from indirect holdings.

Leslie Robb queried the merger with Aberdeen and requested that clients be kept appropriately briefed.

J Hattersley advised Members that there was a contractual requirement on SLI to alert on e.g. any 'key man' changes. Richard Marshall responded that SLI / Aberdeen would have a keen interest in assisting the new pool given that they were supporting three Funds with property mandates therein.

Councillor Ellis gave thanks for an interesting and informative presentation, and she requested that the Board be appropriately informed of any developments.

RESOLVED – That Members noted the contents of the presentation.

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

14 HEALTH & SAFETY AT WORK ACT 1974: COMMERCIAL PROPERTY PORTFOLIO ANNUAL AUDIT

A report of the Interim Fund Director informed Members of the outcome of the annual health and safety audit of the Fund's multi-let commercial property investment portfolio. Standard Life Investments monitor and report upon the managing agent's (Cushman and Wakefield) health and safety performance. The S2 Partnership provided the statutory health and safety compliance systems in each of the multi-let properties.

Members noted that the audit of the whole portfolio had identified a total of 1,795 risks of which 98.55% were now controlled, 26 outstanding uncontrolled risks had been identified and were being addressed by the managing agents, and no risks had been classified as intolerable.

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

15 POOLING UPDATE

A report of the Interim Fund Director was submitted to update Members on the progress of pooling in the Border to Coast Pension Partnership (BCPP Ltd).

Information from the BCPP Joint Committee meetings would be available on the Authority's website, S Barrett highlighted the sensitivities around the transition timetable for the transfer of staff and assets. Members noted that Chris Hitchin had been appointed as Chairman in July 2017, and that the appointment of the CEO would be shortly announced. The Chairman and CEO and others as a panel would be involved in the appointment of the next level of senior appointments of Chief Operating Officer, Chief Investment Officer and Chief Risk Officer by November 2017.

T Gardener highlighted a potential problem in relation to asset allocation, that the new Chairman, CEO and in particular the CIO could potentially raise differing views from those being pursued currently.

S Barrett stated that the planned commencement of BCPP was still from June 2018.

S Smith added that the transition was expected to be undertaken over an 18 month period. Following discussions between BCPP and external advisers, it had been determined that they could not take the quantum of assets in one move. A timeline had been devised to transfer UK equities and bonds from the internal funds to be transferred on Day 1, and commence the transfer of external funds during the following 3 month period. This would enable the Fund to transfer its UK equities and bonds in June 2018, US and European equities to be transferred in December 2018 and other Far East and emerging market equities to be transferred in June 2019.

There was a general discussion over the wisdom of operating from two locations. S Barrett and S Smith stated that the assets would continue to remain at Fund level. BCPP was proposing to apply for advisory services from the FCA, BCPP would manage the assets, have full sight of the portfolio and make decisions, which would be brought back to the Fund to execute those deals.

S Barrett added that the preferred BCPP plan was that staff would be TUPE transferred across from June 2018, with the above advisory status under the FCA to manage assets and make decisions, which would be referred back to an individual based in Barnsley to execute such matters over the transitional period of 18 months.

T Gardener queried whether the individual responsible for the execution could be physically placed in Leeds, although they were still part of the South Yorkshire Fund.

S Smith commented that legal advice had been sought on the matter, which had concluded on a preference for both groups to not be located together.

T Gardener suggested that further questioning of the proposed approach might be worthwhile to encourage more flexible thinking to resolve the problem. L Robb

suggested that the issue and the residual assets should be kept as simple as possible.

T Gardener queried how much contact the Board had with BCPP. He suggested that it would be interesting to invite Chris Hitchin; Chairman of BCPP to a future Board meeting.

Gary Warwick raised matters in relation to scheme member representation and Councillor Ellis suggested a meeting be arranged with the trade union members, prior to the next BCPP Joint Committee Meeting on 20 October 2017.

Councillor Sangar commented that he had been surprised to learn at the recent BCPP Member training, how different each pool was. He queried how the pool had met the demands made by the Secretary of State.

Councillor Ellis informed Members that all BCPP meetings would be held within the public domain, in order to provide transparency.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Noted that the Advisors would be provided with a copy of the staffing structure.
- iii) Agreed that a briefing meeting be arranged with the trade unions prior to the BCPP Joint Committee Meeting on 20 October 2017.
- iv) Noted that the Advisors would be provided with the analysis received in relation to undertaking advisory functions at Leeds and local execution.
- v) Noted that Chris Hitchin would be invited to attend a future Board meeting.

## 16 MIFID II

A report of the Interim Fund Director was submitted to outline the impact of the implementation of the second Markets in Financial Instruments Directive (MiFID II). This framework of European legislation governs investment firms providing certain investment services to clients and the organised trading of financial instruments. MiFID II would take effect from 3 January 2018 and would have significant implications for LGPS administering authorities.

S Smith stated that MiFID II governed how investment firms categorised their clients. Pension Funds and local government was currently categorised as per se professional, but under the new ruling would be classified as retail investors. This provided certain undesired protections, restricting investment in certain asset classes or products in which MiFID II considered too complex for retail investors. Therefore administering authorities wanted to be able to opt up. A process has been put in place by the LGA together with input from others; qualitative and quantitative tests would be undertaken.

Members were advised of 6 pooled vehicles that the Fund wished to maintain i.e. Marathon, Royal London, Aberdeen Standard Life, Ashmore, Coronation and BMO; a number of which had already contacted the Fund to request the basic information. The Fund also had direct investments, of which correspondence had commenced to be received from the brokers, who had indicated that they would classify the Fund as a professional client; the Fund had approximately 20 broker relationships that it wished to maintain.

The Fund would need to demonstrate that Members received an induction upon commencement as a Member onto the Authority and undertook general training; MiFID II would consider Members' responses as an entirety and would take into account experience as a whole including Advisors and officer support.

S Barrett and Martin McCarthy highlighted the need to improve the way that the information was documented. Information requested from Members each year would be refined to capture additional detail.

Councillor Sangar stated that he was the Member lead on training and development. He was keen that a method be established to document the information together with a training schedule, to ensure that the training needs were met year on year.

L Robb envisaged that it was very likely that the documentation would prove that the Fund had professional status, but he highlighted the need to look ahead beyond pooling.

S Smith stated that the assessment for MiFID 11 would be submitted to the managers and that the groups would be informed of the substantial changes incurred following commencement of the pooling arrangements.

Councillor Saunders queried whether the Member turnover would present a fundamental weakness for the Fund.

S Barrett did not consider this to be a fundamental weakness for the Fund, as Member turnover could be an issue for every administering authority. All new Members received a handbook and would undertake the fundamentals training, which would provide a level of reassurance.

Councillor Ellis stated that the recent BCPP Member training event had been very timely. She suggested that BCPP Member training be aligned for July each year, to ensure that the incoming Members onto the Authority undertook the training.

T Gardener commented that the fund managers would want to classify the Fund as professional status, and that they required enough evidence to enable them to do so; he did not foresee a problem.

RESOLVED – That Members:-

- i) Noted the report and potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.

- ii) Agreed to approve delegated responsibility to officers to undertake the opting up to elective professional status when the proposed Regulations came into force in order to ensure it could continue to implement an effective investment strategy.
- iii) Noted that in electing for professional client status Members acknowledged and agreed to forgo the protections available to retail clients.
- iv) Noted the need to develop existing Member self-assessment arrangements with regard to knowledge of investments and risk.

17 EXCLUSION OF THE PUBLIC AND PRESS

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

18 EQUITY PROTECTION STRATEGY

A report of the Interim Fund Director was presented for Members to consider the merits of equity protection options given the increase in the Fund's valuation and improved funding position.

RESOLVED – That the Board:-

- i) Considered the reported position.
- ii) Noted that officers would progress proposals subject to the views of the Board.
- iii) Agreed an initial figure of £50k to carry out further work on the viability of this option.

19 MERCER PRESENTATION

Members received a presentation from Mercer in relation to protecting the contribution plan.

Councillor Ellis gave thanks for an informative presentation.

RESOLVED – That Members noted the contents of the presentation.

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

20 QUARTERLY REPORT TO 30 JUNE 2017

The Board reviewed the performance of the Fund during the quarter ended 30 June 2017.

For the quarter the Fund had outperformed the benchmark with a return of 1.1% against the expected return of 0.7% with the Fund valuation rising from £7614.4m to £7823.1m; the Fund had been above £8bm at the end of August 2017.

In relation to global economic data, a little pull back had been encountered during the last few weeks in relation to the geopolitical issues; there was still an expectation that the central banks would support the markets.

The Fund had come back into line with its benchmark performance over 1, 3 and 5 years. Members noted that generally there had not been a great deal of change in the outlook since the last quarter.

Over the last quarter a total of £140m had been paid to the Fund for the deficit contributions. The Fund had this year committed £400m to new alternative investments, on a draw down basis. The Fund had been underweight in property and bonds, and overweight in equities.

Councillor Ellis commented on the good performance of the Fund during the quarter.

RESOLVED – That the report be noted.

## 21 ANNUAL PERFORMANCE

A report of the Interim Fund Director was submitted to report on the annual performance of the Fund for the period to the end of March 2017.

Members noted that Portfolio Evaluation Ltd independently measured the performance of the Fund against its benchmark. The Authority subscribed to the Local Authority Pension Performance Analysis by PIRC Ltd, which indicated that the Fund's overall strategy gave a return that was within the top quartile of the funds measured; 60 of the 89 local authority funds had subscribed to the service, which provided a reasonable comparative universe analysis. Members were requested to contact S Smith if they required further information.

Councillor Ellis referred to the very good performance reported, which Members appreciated and recognised, especially during the transitional period of the move to the pooling arrangements.

RESOLVED – That Members noted the report.

CHAIR

## SOUTH YORKSHIRE PENSIONS AUTHORITY

### CORPORATE PLANNING AND GOVERNANCE BOARD

19 OCTOBER 2017

PRESENT: Councillor R Wraith (Chair)  
Councillor S Ellis (Vice-Chair)  
Councillors: S Durant, K Richardson, Z Sykes and K Wyatt

Officers: S Barrett (Interim Fund Director), G Chapman (Head of Pensions Administration), B Clarkson (Head of Finance), M McCarthy (Deputy Clerk), G Richards (Democratic Services Officer), I Rooth (Head of Financial Services, BMBC) and P Rogers (Principal Auditor)

G Warwick (GMB)

Apologies for absence were received from Councillor T Hussain, N Doolan-Hamer, R Khangura and E Wharton

#### 1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

#### 2 ANNOUNCEMENTS

There were no announcements.

#### 3 URGENT ITEMS.

None.

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

RESOLVED – That items 18 'Contract Standing Orders – Tender Report' and Item 19 'EU Member State Tax Rules: Potential Tax Refunds' be considered in the absence of the public and press.

#### 5 DECLARATIONS OF INTEREST

None.

#### 6 MINUTES OF THE MEETING HELD ON 20 JULY 2017

RESOLVED – That the minutes of the meeting of the Board held on 20 July 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 REVIEW OF PENSIONS ADMINISTRATION

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

G Chapman informed the Board that this was an expanding report due to the work completed to enhance the reporting facilities of the UPM system.

Members were informed that under the old AXIS regime there had been one general enquiry type. Under UPM there were many more and as a consequence the apparent numbers of priority casework had spiralled to the extent they were skewing the priority casework numbers and performance statistics as well as making the management of “Priority” work impossible.

Because of this and because of the enhanced reporting abilities that had been developed, it had been decided to revert to reporting on the core priority cases as detailed in the report.

Members noted that a significant aspect to the enhanced reporting facilities was the ability to provide a wider range of casework statistics not only on the work related to service standards, but also on the work that the staff do that has hitherto gone largely unreported.

The figures were now included in the report and the results showed that in addition to the near 18,000 casework processes performed in the quarter, just under a further 24,000 separate supporting tasks were performed by staff across the Division.

Overall performance had increased with casework completed showing a significant increase. This was due, in part, to the new staff who were performing well.

Overtime had continued throughout the reporting period and was now project based with staff efforts being directed at high importance backlog cases.

The Board noted the activities of the Communication, IT, UPM, Technical and Payroll and Administration Teams and also the work of the satellite offices.

No staff had joined or left the Authority during the period and sickness levels were down.

There were six formal complaints during the period, five of which were responded to within three working days. All six complaints related to delays in processing the casework associated with the Members’ records; none related to priority work and all had their cases brought forward to be dealt with as a matter of urgency.

RESOLVED – That the report be noted.

9 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 July 2017 to 30 September 2017.

G Chapman informed the Board that overall performance across all employers had fallen by 8% from the previous quarter due almost exclusively to a poor return on new starters and early leavers by Sheffield City Council.

Since the report had been written it had been discovered that Sheffield CC had not sent details of any new starters for two months; this had a major impact on the performance results. Assurances had been given that this had now been rectified and data would revert to being issued on a monthly basis from now on.

G Chapman reported that with regard to monthly reconciliation, all four districts were engaged and interested in piloting the monthly returns. There was still several issues with the software which was being worked on, but things were generally moving on the right direction.

Cllr Ellis commented that as Sheffield CC had recently taken their payroll back in-house, patience would be required. Hopefully it would be not too long before significant improvement would be seen.

Cllr Sykes requested that if performance did not improve that the Sheffield members were informed so that they could intervene.

RESOLVED – That the report be noted.

10 RISK MANAGEMENT

The Board considered the strategic Risk Register.

Members noted the revisions to the Risk Register which were highlighted in red and also noted the addition of a new risk around the implementation of the General Data Protection Regulation in May 2018.

Referring to the risk around the SY Passenger Transport Pension Fund transferring to the Greater Manchester Pension Fund on 1 November 2017, Cllr Ellis requested that a letter be sent to members of the SY Passenger Transport Pension Fund Committee thanking them for all their hard work for the Fund.

RESOLVED:

- a) That the above-mentioned letter be sent to members of the Passenger Transport Pension Fund Committee.
- b) That the Risk Register be noted.

11 KPMG ANNUAL AUDIT LETTER

Due to apologies being received from KPMG, M McCarthy presented the Annual Audit Letter.

The Annual Audit Letter summarised the outcome of KPMG's audit work at the Authority in relation to the 2016/17 audit year.

KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 26 July 2017.

In addition, KPMG had undertaken a risk assessment as part of their VFM audit work and had not identified any areas of residual audit risk that would need additional work.

KPMG had issued an unqualified opinion on the Authority's financial statements on 26 July 2017; no material or significant audit misstatements in the financial statements had been identified.

KPMG issued their certificate on 26 July 2017 which confirmed that the 2016/17 audit had been concluded in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

The report also include details of KPMG's fees.

RESOLVED – That the report be noted.

12 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 1 July to 30 September 2017.

It was noted that a total of 73 days of planned work had been completed, including 29 days since the last report, which included Financial Conduct Authority Quarterly Compliance, Financial Conduct Authority Annual Compliance, UPM Payroll, Transfer Values and Lump Sums and Process Maps.

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

RESOLVED - That the report be noted.

13 INTERNAL AUDIT PLANNING CONSULTATION PAPER

A report was submitted which set out the audit planning process and consulted with the Board with regard to potential project for inclusion in the draft Internal Audit Plan for 2018/19.

Members were requested to consider possible assignments and general areas for audit coverage for inclusion in the 2018/19 Plan.

In view of the planning timetable and the scheduling of meetings of the Board, Members were requested to send any nominations to the Chair for collation and notification to the Head of Internal Audit.

RESOLVED:

- a) That Members pass any nominations for the 2018/19 Annual Audit Plan through the Chair for notification to Internal Audit.
- b) That the Board are satisfied that the planning process is sufficiently robust to determine a value-adding audit plan, informed by risk and through consultation with appropriate senior management.

14 STATEMENT ON INTERNAL CONTROL: INTERNAL INVESTMENT MANDATE

The Board considered a report which sought to renew the internal investment mandate.

Members were reminded that following external audit comment it was the practice for the Authority to formally enter into a written mandate with its internal fund managers similar to that which would be entered into with external fund managers.

The mandate was reviewed annually and was last considered in November 2016; no changes of substance had been made since that date. It was noted that the mandate would require subsequent review to take account of the implications of pooling.

RESOLVED: That the Board agree to renew the Internal Investment Mandate for a further twelve months.

15 TREASURY MANAGEMENT UPDATE

The Board considered a report that gave an update on the treasury management operations of the Authority since the last report in July 2017.

Members were reminded that the Authority's treasury management strategy for the financial year had been approved in March.

It was noted that interest rates were still at historically low levels although there had been feelings in the market that the rates would rise within the next few months.

B Clarkson informed the Board that that the announcement earlier in the week that inflation had risen to 3% in September, the highest level for more than five years, had raised the likelihood of an increase in interest rates next month.

The Board noted the list of borrowers attached as an appendix to the report and also noted that the government's Debt Management Office facility had been used on 20 occasions during the period.

RESOLVED – That the report be noted.

16 PENSIONS REGULATOR - REPORTING BREACHES

A report was submitted to introduce the procedure for reporting breaches of the Pensions Regulator's Code of Practice No. 14.

The Breach Reporting Procedure outlined the actions the Authority would take in the event of a reportable breach. It was noted that this was an important step to start the process and record the Authority's commitment to the principles of breach reporting whilst the underlying requirements of the process were being developed.

Work was currently being undertaken that would put in place the mechanism for identifying and reporting breaches either immediately for material breaches or periodically for routine breaches; a register for all breaches would be kept and published as appropriate.

Although it was not anticipated that there would be any breaches of the code of practice, training and guidance would be provided to all staff to ensure they were aware of the circumstances in which breaches could occur and the appropriate mechanism for reporting them.

Also attached to the report were copies of correspondence with the Pensions Regulator, for Members' information. Earlier in the year, the Head of Pensions Administration had taken steps to report the breach of the requirement to issue annual benefit statements by 31 August 2017 before the breach actually occurred. The reasons were explained in the initial letter and subsequent response to the Regulator.

Following the second letter, the Head of Pensions Administration had a conference call with senior staff at the Regulator's office; they indicated that they understood the reasons for not issuing 100% of the annual benefit statements by the statutory deadline and they are unlikely to take any further action. The Head of Pensions Administration had promised to update the Regulator on progress on sending out the remaining statements and had confirmed that 91% had been sent out to date.

RESOLVED – That the Authority:

- a) Approve the Reporting Breaches Procedure.
- b) Note the work currently being undertaken to provide the detail behind the policy.
- c) Note the correspondence between the Head of Pensions Administration and the Pensions Regulator.

17 BUDGET MONITORING

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

Members noted that further costs relating to Equity Protection Insurance would exceed the original budget, therefore budget would be revised for 2017/18.

Preliminary expenditure had been approved at the Investment Board meeting on 14 September 2017.

RESOLVED – That the report be noted.

18 CONTRACT STANDING ORDERS - TENDER REPORT

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

The report covered the period from the end of October 2016 until the end of September 2017. During this period there was only one relevant contract which was included in the attached appendix.

RESOLVED – That the report be noted.

19 EU MEMBER STATE TAX RULES: POTENTIAL TAX REFUNDS

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

RESOLVED – That the report be noted.

CHAIR

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## SHEFFIELD CITY REGION COMBINED AUTHORITY/SOUTH YORKSHIRE PENSIONS AUTHORITY

### JOINT LOCAL PENSION BOARD

5 OCTOBER 2017

PRESENT: G Boyington (Scheme Member) (Chair)

G Berrett (Employer, SYP), N Doolan-Hamer (Unison), P Lofts (Employer BMBC), S Ross (Scheme Member), J Thompson (Employer, Action Housing) and G Warwick (GMB)

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

Apologies for absence were received from S Carnell and K Morgan

#### 1 WELCOME AND APOLOGIES

The Chair welcomed Cllr Lofts to his first Board meeting. Apologies were noted as above.

The Board noted that as the Passenger Transport Pension Fund would transfer to the Greater Manchester Pension Fund on 1 November 2017, Steve Carnell would not be attending another meeting of the Board. The Board requested that a letter of thanks be sent to Steve to thank him for all his input into the work of the Board.

#### 2 DECLARATIONS OF INTEREST

None.

#### 3 ANNOUNCEMENTS

None.

#### 4 MINUTES OF THE MEETING HELD ON 20 JULY 2017

With regard to the implementation of the General Data Protection Regulation in May 2018, G Chapman confirmed that training had been secured for IT staff. The online training system would be updated and staff would be required to take a compulsory course. Progress would be reported to the Corporate Planning and Governance Board in the New Year and the Local Pension Board would be kept informed.

It was confirmed that the Authority's insurance covered the Board with regard to public indemnity but with an excess of £500,000; this could be reduced to zero subject to an annual premium of £2,000.

The Board requested that this be arranged as soon as possible to ensure they were fully covered.

M McCarthy reported that work was ongoing to fill the vacancies on the Board.

RESOLVED:

- i) That officers arrange for the above mentioned insurance policy to be secured.
- ii) That the minutes of the last meeting be agreed as a correct record.

5 WORK PROGRAMME

The Board's Work programme was noted.

6 RISK MANAGEMENT - DRAFT RISK REGISTER

The Board considered that Authority's Risk Register, noting the amendments and the new risk that had been added which reflected the risk around the implementation of the General Data Protection Regulation.

For the risk scores, it was suggested that it would be useful to add arrows to indicate if the score had gone up, down or had remained the same.

G Berrett questioned whether the scoring was subjective or based on a quantified assessment of probability.

M McCarthy reported that there was a risk matrix which would be made available to the Board.

7 REPORT OF BREACH TO PENSIONS REGULATOR

G Chapman reminded the Board that last year every effort had been made to get all Annual Benefits Statements despatched by the deadline but this had led to a large backlog of work. This year the decision had been made not to do this and therefore he had informed the Pensions Regulator in May that the Authority would only be able to issue approximately 75% of annual benefit statements by the 31 August deadline. The letter explained the reasons for this and also the plans and actions to ensure that all statements would meet the deadline next year.

The Board noted that the Pensions Regulator did not respond until August and their response included a number of questions which were duly responded to.

Following this the Head of Pensions Administration had a conference call with senior staff at the Regulators' office; they indicated that they understood the reasons behind the decision and they were unlikely to take any further action. The Head of Pensions Administration had promised to update the Regulator on progress and had confirmed that over 90% had been sent out to date.

RESOLVED – That the report be noted.

8 LOCAL PENSION BOARD BUDGET

The Board noted its current budgetary position.

9 UPDATE TO CONSTITUTION AND TERMS OF REFERENCE

The Board were reminded that the South Yorkshire Passenger Transport Pension Fund would transfer to the Greater Manchester Pension Fund on 1 November 2017. Consequently the Board would become 'South Yorkshire Local Pension Board' and all mention of SYTPF removed from the Constitution and Terms of Reference.

RESOLVED – That the amended Constitution and Terms of Reference be submitted to the meeting of the Pensions Authority in November for approval.

10 INVESTMENT UPDATE

S Barrett informed the Board that the Annual Performance report had been considered by the Investment Board in September.

Overall, for the year end to March 2017 returns had been strong compared to previous years; approximately 22% against the benchmark.

For the first quarter of this financial year performance had been just above the benchmark and the second quarter had been around the same.

An equity protection scheme was being considered to protect the strong gains achieved.

The property strategy had worked well and there were plans in place for the property in Warrington which had been causing concern.

11 AUTHORITY AND BOARD WORK PROGRAMMES

The Board considered the Work Programmes of the Authority and its Boards.

Timings of Local Pension Board meetings were again discussed to enable the Board to comment on reports before they were finalised. Stand-alone meetings would be considered to facilitate this, especially for the Annual Governance Statement.

RESOLVED – That the Work Programmes be noted.

12 SYPA ANNUAL FUND MEETING

A report was submitted to inform the Board of the 2017 Annual Fund Meeting.

The meeting was to be held at the Source Skills Academy, Meadowhall on Thursday 19 October at 5.30pm. All Board members were urged to attend if possible.

The style and format of the meeting would follow last year's event; questions would be invited from the floor after each presentation. The meeting would again be available to view in near real time, this had been publicised in newsletters and on the website.

RESOLVED – That the report be noted.

13 DRAFT REPORTING BREACHES PROCEDURE

A report was submitted to enable the Board to review the draft Reporting Breaches Procedure before submission to the Authority for approval.

The Head of Pensions Administration informed the Board that although there was already a procedure in place for reporting breaches of the Pensions Regulators Code of Practice No. 14 the reporting Breaches Procedure, attached as an appendix to the report, formalised this procedure.

Work was currently being undertaken to put in place the mechanism for identifying, reporting and logging breaches; a register for all breaches would be kept and published as appropriate.

Although no breaches were anticipated, further training and guidance would be provided to all staff to ensure they were aware of the circumstances in which breaches could occur and the appropriate mechanism for reporting them.

RESOLVED – That the Board recommend that the Reporting Breaches Procedure be submitted to the next meeting of the Pensions Authority for approval.

14 ANY OTHER BUSINESS

S Ross requested that officers consult Scheme Advisory Board guidance with regard to reporting breaches to ensure the Board's Terms of Reference were consistent with the guidance.

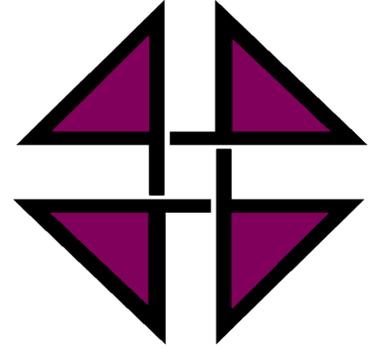
M McCarthy reported that a post-pooling staffing structure for the Authority had recently been approved; this would be circulated to the Board once staff had been informed. BCPP press releases regarding recruitment would also be shared with Board members.

CHAIR

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

<b>Agendas</b>	<b>5 October 2017</b>	<b>30 November 2017</b>	<b>18 January 2018</b>	<b>15 March 2018</b>
<b>Strategic Overview of Business</b>	S41 Feedback	S41 Feedback	S41 Feedback	S41 Feedback
<b>Board Scrutiny</b>	Call-Ins	Call-Ins	Call-Ins	Call-Ins
<b>Review of Strategies</b>	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	Constitution Update	Treasury Management Statement
<b>Business</b>	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
		GDPR Data Protection	Members Self-Assessment Report	
		Living Wage Report		
<b>Training &amp; Development</b>				

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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: Q2**

**ISSUED: November 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
<b>Transactions with Members</b>	17979 cases of which 83% were on target	97%	Incremental improvement has continued. Overall performance was up 8% on the previous quarter with 4272 additional cases completed.

### 2. Investment Returns

Area under Review		Target	Status/Comment
<b>Fund Value</b>	£7919.0m	N/A	£7823.1m at end June.
<b>Performance Against Benchmarks</b>	Qtr 1.6% YTD 2.7%	Qtr 1.5% YTD 2.3%	Global equities continued their gains with solid economic data providing momentum and with European markets being the stand out performer. Government bond markets generally were little changed except in the UK which sold-off sharply in September as members of the MPC started discussing the possibility of rate rises given the above target inflation data. Crude oil prices rose 20% as there was a faster than expected fall in US oil inventories and also increased expectation for an extension of production cuts amid rising global demand.

### 3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Responsible Investment</b>	The Responsible Investment Policy was reviewed and updated		
Shareholder Engagement	Corporate Governance & Voting Guidelines was issued which replaces the Shareholder Engagement Strategy		

### 4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Staff Turnover</b>	0 Leaver 0 New Starters	Annual 4.25%	No movement this quarter
<b>Staff Training</b>	<p>IT courses:</p> <ul style="list-style-type: none"> <li>• Outlook Foundation – 10 staff</li> <li>• Excel Foundation – 10 staff</li> <li>• Word Foundation – 10 staff</li> <li>• SharePoint – 10 staff</li> </ul> <p>Soft Skills</p> <ul style="list-style-type: none"> <li>• Managing Yourself &amp; Your Time – 4 staff</li> <li>• Understanding Safety in the Office – 4 staff</li> <li>• Customer Care for Staff</li> </ul>	Plan 100% up to date	A significant amount of training took place during the quarter.

	(inc telephone skills) – 13 staff		
	<ul style="list-style-type: none"> <li>• Effective Letter Writing – 13 staff</li> </ul>		
<b>Sickness Monitoring</b>	2.2% total	None	A reduction of 0.5% from the previous quarter

## 5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Interactive Facilities</b>	9 new employers registered for EPIC this period	N/A	435 employers now registered for Epic. Just 5 members not covered by an EPIC registered employer
	MyPension		7991 members registered to date. Registration is still on the increase with 511 new logins this quarter
<b>Face to Face Communication</b>	626 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
<b>Employer Activity</b>	15 New Employers (1 Academy 44 Contractors)	N/A	There are currently 557 participating employers of which 473 have active members and there are a further 30 in the pipeline.
	5 Terminations		

## **Pensions Authority Strategic Objectives**

### 6. Effective & Transparent Corporate Governance

<b>Area under Review</b>	<b>Activity During Quarter</b>	<b>Target</b>	<b>Status/Comment</b>
<b>Internal Audit</b>	July – Internal Audit Progress Report considered by CP&GB	100%	On target
<b>Annual and Quarterly Reports</b>			
<b>External Audit Reports /Plans</b>	July – External Audit Governance Report (ISA 260) considered by CP&GB.	100%	On target
<b>Risk Management Annual and Quarterly Reports</b>	July – Risk Register considered by CP&GB	100%	On target
<b>Constitution Policy /Procedure Revision Dates</b>		100% Up to date	
<b>Financial Reporting</b>	July - Budget Monitoring report considered by CP&GB	100% achievement of reporting schedule	On target.
<b>Annual Governance Statement Conclusion</b>		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.
<b>Annual Self-Assessment</b>			No significant issues

Area under Review	Activity During Quarter	Target	Status/Comment
<b>Member Training</b>	July – 6 members attended Induction Training September – 12 members attended BCPP 2-day fundamentals training	100% Induction & fundamentals training &	92% had induction.  100% had fundamentals training

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## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**30 November 2017**

### **Report of the Clerk**

## **ANNUAL REVIEW OF THE RISK MANAGEMENT POLICY AND THE CORPORATE RISK REGISTER**

### **1. Purpose of the Report**

To review the Authority's Risk Management Policy and the Corporate Risk Register.

---

### **2. Recommendations**

**Members are recommended to:**

- (a) Note the Risk Management Policy attached at Appendix A;**
  - (b) Consider the Corporate Risk Register attached at Appendix B to the report.**
- 

### **3. Risk Management Policy**

- 3.1 The current Risk Management Policy was reviewed by the Authority in October 2016. The Policy does not address operational risk management processes, which by their nature may need more regular revision.
- 3.2 In accordance with good practice the Authority has agreed to review the Risk Management Policy on an annual basis. The Policy continues to be relevant and fit for purpose; no substantive amendments have been made to the Policy.

### **4. Corporate Risk Register**

- 4.1 The Corporate Risk Register is updated by the Officer Planning Group and is presented to each meeting of the Corporate Planning and Governance Board. The Board is responsible for ensuring that officers develop and implement an effective framework for risk management and report significant risks on a regular basis. The attached report at Appendix B was considered by the Board at its meeting on 19 October 2017, since when a new risk has been added around maintaining the fully funded position.

4.2 The Risk Register is presented to the Authority on an annual basis to inform policy development.

4.3 Members are asked to review the Risk Register.

**5. Implications and risks**

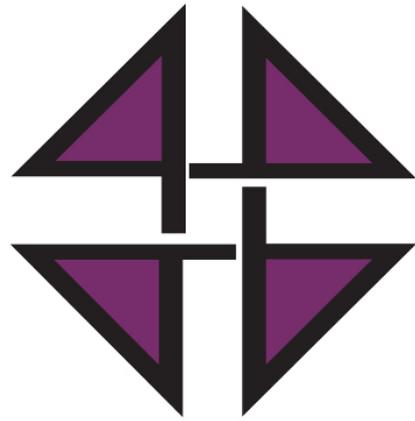
5.1 There are no financial, legal or diversity implications arising from this report.

**Diana Terris  
Clerk**

**Officer responsible:** Martin McCarthy, Deputy Clerk  
01226 772808, [mmccarthy@syjs.gov.uk](mailto:mmccarthy@syjs.gov.uk)

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

**Other sources and references:** None



SOUTH YORKSHIRE  
**PENSIONS AUTHORITY**

# Risk Management Policy

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

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**Councillor Sue Ellis – Chair of South Yorkshire Pensions Authority**

The Risk Management Policy was last reviewed in October 2016 and it is appropriate to keep arrangements under review.

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

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

I therefore recommend the continued adoption of the Risk Management Policy by the Authority.

## Section 1 – Overview

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

## Section 2 – Aims, Objectives, Approach and Benefits

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

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

2.2 Key objectives are to:

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

2.3 Approach – the Authority will achieve these objectives by:

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

2.4 Benefits expected:

- A framework for consistent and controlled activity
- Improved decision making, planning and prioritisation through structured understanding of business activity and associated threats/opportunities
- An aid to appropriate allocation of funding and resources
- Protection of assets and the organisation's image/reputation
- Helps to optimise operational efficiency
- Helps to develop and support people and the organisation's knowledge base

### 3.1 Pensions Authority

Role:

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

Responsibilities:

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

### 3.2 Corporate Planning and Governance Board

Role:

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

Responsibilities:

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

### 3.3 Clerk

Role:

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

Responsibilities:

- To ensure there is a written strategy in place for managing risk;
- To ensure the Authority has clear structures and processes for risk management which are successfully implemented;
- To ensure the Authority has developed a corporate approach to the identification and evaluation of risk which is understood by all staff;

- To ensure the Authority has well defined procedures for recording and reporting risk;
- To allocate resources for the maintenance of the Authority's risk register
- To ensure that regular reports are presented to the Authority (or Boards as appropriate) of significant risks facing the Authority;
- To provide advice on the risk implications of any decisions Members of the Authority are required to make;
- To ensure there are well-established and clear arrangements for financing risk;
- To ensure the Authority has developed a programme of risk management training for relevant staff; and
- To ensure that Members receive sufficient and appropriate information and training on risk management.

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

### **3.4 Pensions Planning Group**

Role:

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

Responsibilities:

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

### **3.5 Strategic Risk Owners**

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

### **3.6 Service Response**

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

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

### **3.7 Internal Audit and risk management advice**

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

Appendix 1 sets out further procedural guidance.

# Appendix 1 - Definitions and processes

## 1. What is Risk?

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

## 2. What is Risk Management?

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

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

### **3. Why Manage Risk?**

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

## **4. Risk Management Policy**

### **4.1 Policy**

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

## **4.2 Strategy**

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

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

These components are detailed further below.

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

## **5. Risk Management Process**

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

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

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

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

## **6. Risk Review**

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

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

## 7. Risk Tolerance / Acceptance

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

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

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

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

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

## **8. Risk Recording**

- 8.1 Specific templates are in place for the recording of SYPA owned risks. These templates (utilising Microsoft Excel) provide a structured and consistent approach to the recording and categorising of risks, across all risk registers. The benefits of this common approach include the ability to compare risk profiles across areas of the organisation, as well as allowing for the development of an overall risk profile for the SYPA.
- 8.2 Risk Registers incorporate specific information about individual risks such as:
- Clearly defined risk title / description;
  - Risk Owner;
  - Control Measures in place;
  - Risk Concern Rating; and,
  - Risk Mitigation Actions (including Owner, Review Date and progress);
- 8.3 Procedural guidance regarding the management and maintenance of risk register can be located within Appendix One.

## **9. Guidance, Training and Facilitation**

- 9.1 Comprehensive information regarding the risk management framework can be found on the Authority's website.
- 9.2 Periodic training for SYPA Members and officers can be facilitated by contacting the SYPA Pensions Planning Group, or by contacting the Risk and Governance Manager (BMBC).

## **10. Assurance**

- 10.1 The provision of assurance that risks are identified, understood, and appropriately managed is an essential measure of the adequacy and effectiveness of the organisation's risk management arrangements.
- 10.2 The SYPA Executive Management Team ensure the development and presentation of the following documents, designed to provide assurances to interested parties, as follows:
- A bi-annual report to the SYPA Corporate Planning and Governance Board regarding the progress made in reducing all significant risks (assessed as being 'red') that are logged in SYPA risk registers;
  - All reports to Corporate Planning and Governance Board and the Pensions Authority contain a mandatory section which provides an opportunity to consider risk management implications.

- 10.3 An annual, independent review of the organisation's risk management arrangements is undertaken by the SYPA Internal Audit function. This is intended to provide independent and objective assurances regarding the adequacy and effectiveness of the organisation's risk management arrangements. The audit focuses on:
- Verifying the existence of risk registers, and risk management action plans;
  - Analysing whether risk management is being actively undertaken throughout the organisation; and,
  - The provision of appropriate advice and guidance on how to further improve risk management processes and procedures.
- 10.4 The risk management arrangements of SYPA are also subject to review as part of the organisation's Annual Governance Review, which is the process that underpins the production of the SYPA Annual Governance Statement.

## **APPENDIX 2 – Risk Management Process**

### **1. Risk Management Process Overview**

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

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

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

### **2. Risk Management Process – Risk Identification**

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

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

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

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

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

**Internal Sources of Risk:**

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

**External Sources of Risk:**

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

**New and Emerging Risks:**

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

**Risk 'Topics':**

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

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



2.5 This principle can also be expressed as follows:

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

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

- 2.6 An appropriate risk owner should also be identified and logged. This is the person or entity best placed to oversee the management of the risk. It is likely the risk, should it manifest will impact upon the risk owners own span of control within the organisation.
- 2.7 The risk consequences are likely to reflect the articulation of the consequence and impact elements of the risk expression of the risk, detailed in section 2.4.
- 2.8 The Current Control Measures for each risk should also be noted. These are the policies, processes and procedures that are already in place to control or affect the risk, and / or the risk's consequences and impacts. It is likely that a number of these Current Control Measures will be sourced from the Authority's own Internal Control and Governance Framework.

### 3. Risk Management Process – Risk Assessment

- 3.1 It is acknowledged that all of the risks logged in the SYPA Corporate Risk Register are significant.
- 3.2.2 Whilst risk mitigation actions are in place for all risks, and efforts are being made to ensure the intended benefits of such risk mitigation actions are realised, the actual positive impacts of these risk mitigation actions can be can often be hard to express in terms of the risk assessment itself, and ultimately, what are contextually small positive impacts on such significant risks may simply result in the *maintenance* of the assessment, rather than actually *improving* it.
- 3.2.3 Each risk logged on the SYPA risk register benefits from an assessment in terms of its *probability* and its overall *impact*. Using the grid detailed in appendix two, risk owners are able to identify the appropriate probability and impact score based on quantitative factors unique to each risk.
- 3.2.4 Following this assessment, the **overall risk score** can be identified by referencing:
  - The probability of the risk occurring; and,
  - The higher of the two impacts (Financial or 'Other' Impacts).

Against the following grid:

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

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

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

#### 4. Risk Management Process – Risk Mitigation

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

4.2 Each identified risk mitigation action should be SMART:

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

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

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

4.5 A review date for each risk mitigation action should also be logged. This date is the proposed date to review the risk and the risk mitigation action. It is appropriate to

ensure that these review dates are set in advance of the next programmed review, to ensure that the risk mitigation action date has not passed the programmed review date.

## **5. Risk Management Process – Risk Review**

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

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

## **6. Risk Management Process – Risk Registers**

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

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

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

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

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



## SY PENSIONS AUTHORITY RISK REGISTER AS AT

21/11/2017

Priority	Risk No	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability and Impact	Target Score	Probability and Impact	Risk Mitigation Action	Owner	Risk Change	Review Date	Commentary (If Applicable)
	001	Failure to ensure there are appropriate succession plans in place to ensure employees are given opportunities to demonstrate their capability to 'step-up' to more senior roles	Leading to... Knowledge gaps; Negative impact on existing / remaining employees; Business Continuity and resilience issues; Negative impacts on service delivery; Poor performance and non-delivery of targets; Reputational damage; Potential knock on effects where knowledge gaps could appear in areas where employees have been promoted from;	Head of Paid Service	Training of employees; Sharing of information; Use of minutes and central resources to ensure employees are well informed; Involvement in all issues of management teams to ensure continuity; No immediate competitors for recruitment in the Pensions industry; Procedures well documented; Currently carrying some vacancies to provide some flexible options; Need to provide full Business Case prior to any recruitment being undertaken; External HR support in place; Authority Management Committee in place; BMBC HR support;	2	P - H F - M OI - M	4	P - H F - L OI - L	Access to online training for all staff now available. Fund Director to report to the Authority 5/10/17 on structural proposals post pooling including succession planning and qualification levels for new posts. Delivery of internal Training Programme 17/18	Head of Paid Service  Head of Paid Service / Head of Pens Admin	No change	31/12/2017  31/12/2017	This has been updated to recognise the development of the online training plan. The risk scoring remains the same until the training has been implemented and then reviewed at that point. The restructure in pensions administration has elevated a number of key staff which is positive for retention
	002	Failure to ensure that the Elected Members knowledge and understanding of Pensions related activities is robust, and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004	Leading to... Improper scrutiny and challenge by Elected Members; Mistakes, Errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators;	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; One day internal refresher course in 2013; Periodic awareness presentations delivered to Members; A self assessment framework for Members and Chairs is in operation but needs refining - this should assist in identifying training requirements; Lead Member for training identified; Working to the spirit of the CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance Knowledge and Skills, revised in 2013) - Treasurer is the nominated CIPFA officer; Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training;	5	P - M F - VL OI - L	6	P - L F - VL OI - L	Review of Members self assessments	Treasurer	No change	31/12/2017	
Page 63	003	Failure to ensure that required pay and contributions data from customers is provided in an accurate and timely manner	Leading to... Negative impacts on operational targets; Inaccurate information being given to employees and pensioners resulting in complaints, customer dissatisfaction and reputational damage;	Head of Paid Service	District Group Meetings between officers; Regular reports on progress submitted to Corporate Planning and Governance Board; Standard item on South Yorkshire Treasurers Association meetings; Practitioner officer working group established; Ongoing liaison with External Audit; Pensions regulator responsible for regulating schemes and is able to fine and censure those responsible for inaccurate or late information; Enhanced and more robust Service Level Agreements between customers and Authority; Pension Strategy approved by Authority - reviewed and revised version in place for 01/04/2016 - incorporates SLA's and improves upon them in terms of fines being levied for customers who are non-compliant;	2	P - M F - H OI - M	3	P - L F - H OI - H	Pensions Administration Strategy Implemented  Monthly postings to be implemented for 18/19	Vice Chair (Corporate Governance and Planning Board)  Head of Pens Admin	No change	31/12/2017  31/12/2017	Positive steps forward in this area but the risk remains high until the change to monthly posting has been implemented. The software has been delivered and testing is going well. Employers are keen to be part of the test.
	004	Failure to ensure that social, environmental and other factors such as the use or endorsement of fossil fuel, obesity and tobacco by companies in which the Fund invests are considered when making investment decisions	Leading to... Non-achievement of investment objectives; Failure to protect and enhance the economic value of the companies the Fund invests in; Reputational damage;	Fund Director	Internal policy documents in place; Awareness information circulated within Investments Team; Membership of various pressure groups; Reports to Members Oversight Board; Awareness of balance between risk (investing in companies that may have an interest in fossil fuel, obesity and tobacco) against reward (high yield investments); Members have embraced the approach exhorted by Professor John Kay in his 2012 'Review of equity markets and long term decision making' and the phrase 'voice over exit'; Pensions Climate Change Policy Document published and feedback received; Statement of Investment Principles in place; Performance reports include information on investments made;	4	P - M F - M OI - M	5	P - L F - L OI - L	Reports to members have been submitted during the year.	Head of Investments	No change	30/11/2017	Members are kept up to date with reports as appropriate.
	005	Failure to ensure that the deposits held with banks and other financial institutions is repaid on the agreed due date (Credit Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme;	Fund Director	Treasury Management Strategy requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by the Authority; Maximum sum to be invested identified for each institution; Credit monitoring arrangements in place; Financial references obtained for institutions that the Authority may potentially invest in;	5	P - L F - M OI - L	6	P - L F - L OI - L	Ongoing monitor and review	Head of Investments	No change	31/03/2018	Treasury Management strategy reviewed and approved March 2017. Monitoring reports submitted during the year.
	006	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments (Liquidity Risk)	Leading to... Financial loss; Negative impact on overall financial viability of the scheme; Inability to meet pensioner payroll costs and investment commitments;	Fund Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week, and no cash being deposited for more than a month; The latest triennial actuarial valuation undertaken in 16/17; Assumptions within Actuarial report (mortality and commutation rates) unchanged for previous evaluations; The Authority works to the principle of 'collect, handle, secure and invest';	5	P - L F - M OI - L	6	P - L F - L OI - L	Actuarial review in 2016 completed ; new contribution rates in place from April 2017. Treasury management operations kept under review. Deposits of more than one month will be considered within the Treasury Management policy limits	Head of Investments	No change	31/03/2018	Actuarial review completed by March 2017



## SOUTH YORKSHIRE PENSIONS AUTHORITY

30 November 2017

### Report of the Treasurer

#### REVENUE ESTIMATES 2018/19 – ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

##### **1 Matter for consideration**

To consider the Authority's draft revenue estimates for 2018/19 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

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##### **2 Recommendations**

**Members are asked to:**

- (i) Approve the revised estimates for 2017/18 in the sum of £7,217,100**
  - (ii) Approve a levy of £464,000 for 2018/19 in accordance with The Levying Bodies (General) Regulations 1992.**
  - (iii) Note the preliminary forecasts for 2018/19, and refer the estimates to the District councils for comment.**
- 

#### STRATEGIC PLANNING

##### **3 Background**

- 3.1 The Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the Regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates. (at the 2016 valuation, this has been estimated at 0.4% of Pensionable Pay). This is reassessed at each valuation. Investment expenses are allowed for implicitly in determining the discount rates.
- 3.2 One of the Authority's key strategic objectives is to operate cost effectively. The management of most of the investment portfolios "in house" means that South Yorkshire's costs in this area will be lower than most other funds. Historically this has been the case but with the move to pooling we will see Investment management costs rise significantly for a number of years before we start to see them fall back in the longer term. Published statistics on administration costs per pensioner show the Authority falls significantly below the average for LGPS funds.
- 3.3 This does not absolve the Authority from maintaining its focus on reducing management and administration costs and demonstrating to employers that it is making a contribution to the need to cut local spending levels.
- 3.4 In the long run, the Authority can assist employers to cut budget requirements in two ways. Firstly, by increasing investment returns. This is considered as part of the asset and liability review and will continue to be the responsibility of the Authority after pooling.

Secondly, by cutting management and administration costs without this impeding the first. This is the subject of this report.

3.5 As Members are aware this report is presented against a background of the requirement from Government for LGPS funds to pool their investment assets. The decision to join the Border to Coast Pensions Partnership Ltd (BCPP) has been made and the date set by the government for transition is 1<sup>st</sup> April 2018. BCPP are planning the transfer to start in June 2018. It has been recognised by Members that this process is not one that will reduce costs for this fund as so much of the fund is currently internally managed. The budget being presented at this stage includes further provision for the Authority's share of set up costs of BCPP and also (in 2018/19) provision for the transition of some assets to BCPP and the costs associated with that transition and ongoing management costs relating to those assets. The rest of the assets will transfer over a further period of approx. 18 months. Further details are provided in paragraph 5.1.

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

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

For 2017/18 an increase in base budget was approved resulting in a small increase to net controllable budget. This increase being made up almost entirely of the provision for set up costs of BCPP and the Administration division restructure which was the first since 1997.

The revised figures for 2017/18 increase that further by £44,000 and the detail behind this is shown in Appendix B. The largest variation being the cost of advice and actuarial work for the proposed equity protection programme that members are already aware of. The net controllable budget rose slightly however this does include the pooling set up budget.

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

<b>Year</b>	<b>Original Budget £</b>	<b>Revised Budget £</b>	<b>Actual outturn £</b>	<b>Variation £</b>
2013/14	5,417,900 (using 60,200 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,381,200 (using 23,500 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,297,280 (net of 138,504 actuarial fees charged to the fund) No reserves used	-83,920
2014/15	5,433,600 (using 45,900 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,436,800 (using 34,100 of reserves to maintain 2012/13 controllable budget level of 4,407,700)	5,237,554 (net of 92,537 actuarial fees charged to the fund) No reserves used	-199,246
2015/16	5,760,900 (using 50,000 of reserves to give a net controllable budget level of 4,630,900)	6,120,000 (not using any reserves to give a net controllable budget level of 4,560,000)	5,907,577 (net of 92,796 actuarial fees charged to the fund) No reserves used	-212,423
2016/17	6,336,800 (using 50,000 of reserves) net	6,502,500 – net of 130,500 re pooling moved	6,376,208 (net of 151,604 actuarial fees charged to the fund)	-126,292

	controllable budget of 4,676,800	into 2017/18 (not using any reserves) to give a net controllable budget level of 4,799,500	No reserves used	
2017/18	7,173,100 – including 130,500 re pooling carried over from 2016/17. Net controllable budget 5,403,100	7,217,100 – net controllable budget level of 5,417,100		

3.7 The recovery from the downturn in performance following the implementation of the new pensions administration system has continued. Casework production over the year has increased by 19.48% and overall performance continues to improve. The restructure was implemented in April and the influx of additional staff has not only had a positive impact on workload but has also improved our data quality. Work is now well underway to implement monthly contribution reconciliation from April 2018 and once fully up and running will ensure the timely notification of data changes, increased automation and ensure that we meet the statutory timescale to issue scheme members with their annual benefit statement. Work on the rectification of cases identified by the GMP reconciliation project has yet to commence but will do so during the next 12 months.

SYPA continues to participate in the CIPFA LGPS benchmarking club and in 16/17 our total cost per member was £15.40 which compares very favourably against the average cost per member across all participants which amounts to £20.14.

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

At the same time the Fund's proposal to join BCPP in the pooling of investments was accepted by government. Things are developing at BCPP and the deadline for pooling set by the government is 1<sup>st</sup> April 2018. This is creating extra workload for the Investments team and has introduced a level of uncertainty for how things will develop over the next 12 months or so.

Steve Barrett was appointed as interim Fund Director from July 2016. His report to the Authority on 5<sup>th</sup> October 2017 set out the staffing structure post pooling and related matters. Members agreed all recommendations which included deletion of some posts and creation of new posts. It was also agreed that the timing was now right to recruit a permanent Fund Director and to plan to replace the retiring Head of Pensions Administration.

The advert for the Fund Director has now closed and an appointment anticipated early in the new year. The advert for the Head of Pensions Administration is timed to close early in the new year to allow for some engagement of the appointed Fund Director in that process.

#### **4 Preliminary financial forecasts**

This report sets out the detailed revenue estimates on a 'continuation of service' basis for 2018/19 for administration and investment management expenses together with a probable outturn for 2017/18.

The Authority is also asked to approve the levy for 2018/19 in respect of expenditure which is not borne by the Pension Fund (detailed in Appendix D).

The following are attached in support of the above:-

Appendix A - summary of the revised 2017/18 estimates and 2018/19 estimates

Appendix B - variation statement showing main changes for 2017/18 probable outturn

Appendix C - variation statement showing main changes for 2018/19 estimate

Appendix D - statement of recharges to District Councils and levy for 2018/19

#### 4.1 Original Budget 2017/18

The original budget for 2017/18 was approved in January 2017 at £7,042,600 and has been increased by £130,500 to £7,173,100 because the set up costs for BCPP have not been used as quickly as was anticipated. The Authority approved £350,000 for these set up costs on 6<sup>th</sup> October 2016. It is assumed now that all of these costs will be incurred by the end of 2017/18.

Last year a full review of the Administration division was completed and a new structure was put in place with effect from 1<sup>st</sup> April 2017 and the expected costs of this process were included in the original budget for 2017/18.

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

At 31 March 2017 the Fund was valued at £7.6 billion. The following table shows the outperformance for the last 5 years in cash terms.

<b>Period</b>	<b>Actual return</b>	<b>Benchmark return</b>	<b>Extra value added</b>	<b>Extra value in cash terms</b>	<b>Cash value added over 5 years</b>
5 years to March 2017	11.0%	10.9%	0.1%	£7.1m per annum	£35.5m

This shows that the management of the fund (almost entirely in-house) has given an outperformance of what equates to 0.1% per annum over the last 5 years. In cash terms this is £35.5million on top of the benchmark return during that period.

This continues a trend of good performance over the long term. Over a 10 year period the Authority is in the 20<sup>th</sup> percentile of local authority funds ie the total fund return was better than 70 out of the 89 local authority funds.

#### 4.2 Probable Outturn

The revised estimates for 2017/18 show a small bottom line (net controllable budget) increase of £14,000.

The main variations are shown in Appendix B and it can be seen that substantial savings have been made on employee costs.

The cost of the Administration re-structure was not as high as expected with some internal promotions and a number of new recruits at the lowest level on the career grades. Some appointments were delayed slightly due to the process of filling all posts and some grades were not evaluated at the level that was originally anticipated.

Other forecast savings come from the removal of a longstanding vacant Investment Manager post which will not be filled and additional turnover. Part of the Administration

review included the responsibility for payroll moving from the Head of Pensions to the Head of Finance, hence moving from Administration to Investments. There was no change in the staffing levels of payroll.

The largest increase was £160,000 in respect of professional fees. The bulk of this figure is £107,000 in respect of work being done on the Equity protection project which is intended to protect the funding position to some extent for the next actuarial valuation. Part of this £107,000 (£50,000) was approved at the investment board meeting on 14<sup>th</sup> September and further detail is given at 5.4 of this report.

The total outturn figure of £7,217,100 includes a further £14,500 expected set up costs for BCPP. The investment management costs linked to market value come to £1,800,000. This gives a revised net controllable budget of £5,417,100.

The Authority has a corporate strategy reserve which at the moment amounts to £184,751 which is less than 3% of budget. The figures have been presented with no forecast to use this reserve.

## **5 Developments during 2017/18**

### **5.1 Pooling**

The target date for the pooling of assets set by the government is 1<sup>st</sup> April 2018. BCPP has been established and key management have now been recruited. In October 2016 the Authority approved an amount of £350,000 for our share of the cost of set up of BCPP. This was the top of an estimated range of set up costs. Some of these have now been paid and this is steadily gaining pace but we still had an amount of £330,500 in the budget for 2017/18 and this report increases that by £14,500. It is possible that it will not all have been completed by the end of this financial year and if that is the case we would look to carry any balance into 2018/19.

The next stage of costing in respect of pooling will be the transition and ongoing management costs of BCPP Ltd. At this point in time it is envisaged that the transition of assets from SYPA to BCPP will commence in June 2018 (not April 2018).

These 2018/19 budget figures have been produced based on those current expectations. The timetable for the transition of assets starts in July 2018 and finishes in January 2020 with property probably not moving until 2020/2021 pending further discussions. During 2018/19 we expect Bonds, UK equities, European equities and US equities to transfer to BCPP (at current values approx. £4.5bn out of a total fund of £8bn. The figure included in this budget for BCPP management (£2,325,000) is based on only those assets having been transferred. It is calculated from estimates given at the early stage of proposals by the BCPP project team and is at the mid-point of a range of estimates provided by them (£1,524,000 to £3,125,000). The costs of staff employed by the Authority who will TUPE to BCPP have been removed from the employee expenses budget and some custody charges have been removed to allow for the fact that BCPP will be holding those assets.

Taking all of these assumptions into account the costs for 2019/20 would be expected to increase further as more assets are transferred over to BCPP.

This whole area of costing is very uncertain and BCPP have not provided more up to date forecasts of transition and management expenses at this point. It is expected that there will be more clarity on these costs during the first part of 2018.

### **5.2 Administration Restructure**

The administration restructure was implemented from April 2017 and a number of new staff were recruited. As stated in 3.7 they have had a positive impact on workload. The monthly contribution project is well under way. The new structure has strengthened our performance across the whole division.

The Head of Pensions Administration planned retirement from 31/03/18 is referred to earlier in the report.

### 5.3 Actuarial fees

As more and more schools are taking academy status the number of employers in the Fund is increasing significantly. The actuarial costs related to incoming academies are borne immediately by the Authority and then recharged to the academy via the deficit calculation. This results in a skew in actuarial fees spent by the Authority. The figures in this report only include genuine actuarial costs incurred by the Authority. For information purposes Appendix A shows the amount that is estimated to be spent in respect of academies (and subsequently recharged via the deficit) for 2017/18 and 2018/19 separately. We have estimated this at £90,000 but it is totally dependent on the number of new academies joining the fund.

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

The Authority recently hosted a presentation to some fund members and employer representatives in relation to tax issues such as annual allowance. This was well received and is likely to become an annual event, the cost of this was £16,000.

The Actuary's advice on the improved funding position and options to protect this, so far as practicable, were reported to the Investment Board on 14<sup>th</sup> September 2017 in the report entitled 'Equity Protection Strategy'.

It was agreed that options should be explored. Additional costs and the need for a supplementary estimate were identified. Costs to put the strategy in place were identified as likely to be high in absolute terms but low in proportionate terms relative to the value of equity investments.

Costs would arise in terms of investment advice and also in effecting the 'investment options' themselves. The latter cost would be treated as being part of the investment.

The former, investment advice, is met from the Authority budget and would require a supplementary estimate. The Investment Board, above, agreed an initial £50,000. Fixed fees have now been negotiated at £107,000 to be incorporated into the revised budget for 2017/18. It is anticipated that costs would fall within 2017/18; with the strategy in place by January / February 2018. Ongoing additional monitoring costs are not anticipated at this point; members will be advised should that position change.

## 6 Budget Assumptions

6.1 The initial planning guideline for 2018/19 was a 'continuation of service' budget based on maintaining current levels of service. We have allowed for a 1% increase in pay and have only allowed for inflation on contracts which state that they will increase by inflation. General price increases will be absorbed as much as possible.

6.2 The budget for 2018/19 to maintain the current level of service is shown in Appendix A at £8,935,100 against the base 2017/18 budget of £7,173,100.

When this is adjusted for the investment costs linked to market value the net controllable budget is £4,822,100 against a base of £5,403,100; this represents a net reduction of just over 10.7% (£581,000). This reduction in the controllable budget is largely due to the TUPE transfer of staff to BCPP (£403,100), however the costs linked to market value have increased by £2,243,000. This increase includes a cost of £2,325,000 in respect of BCPP. The costs linked to market value have increased from 24.6% of total budget to 46%.

The total budget has increased from £7,173,100 to £8,935,100, this is an increase of £1,762,000 (24.6%) on the overall budget. As expected the budget is changed significantly due to pooling and as already stated these are estimates based on

information provided very early in this process. We do expect this to become clearer during 2018 as BCPP establishes itself and finalises its operating structure.

Appendix C shows the main variations.

As expected the biggest changes are as a result of pooling with major changes in the investments division staffing due to TUPE transfers and a new post pooling structure giving reductions of around £400,000. On the other hand external costs in respect of BCPP increase by over £2 million. Other changes are much less significant and are shown in Appendix C.

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

As other costs are held and savings are made where possible it leaves over 63% of the Authority controllable budget as employee costs.

- 6.3 As can be seen at paragraph 3.6 the Authority has consistently managed to underspend its annual budget. This has enabled a small Contingency Reserve to be established for the purpose of 'smoothing' cost impacts as far as possible. This Contingency Reserve is at a level of around £185,000 and this budget has been presented without the use of it.

## **7 Developments over the next few years**

- 7.1 The Authority will see significant change at management team level with a need for further review and development as set out in the Interim Director's report to the October meeting of the Authority referred to above. The permanent Fund Director will need to set the strategic direction quickly given the impending challenges facing the Authority.
- 7.2 The transition of assets to BCPP will start in 2018 and continue over a few years. The Authority will develop its post pooling structure and governance arrangements to ensure that the Fund continues to be managed to the best of its abilities.
- 7.3 The number of employers in the Fund continues to grow and the resource needed to service them continues to grow.
- 7.4 The Local Pensions Board made up of employer and scheme member representatives continues to develop its role in scrutinising the Fund.

## **8 Implications of making reductions in the budget**

- 8.1 The budget has been produced on a standstill basis. It includes assumptions around pooling for the management of the Fund. This is a very demanding time across both divisions of the Authority.  
Any reductions in the budget would have an immediate effect on levels of service and on the performance of the Fund. Members have previously indicated that service and performance are their priority.  
Members are asked to indicate whether they wish any specific area to be explored to achieve reductions as part of this budget round.

## **9 Other Implications**

- 9.1 Legal  
There are no legal implications.
- 9.2 Diversity  
There are no specific diversity implications.

### 9.3 Risk

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

**N Copley**  
**Treasurer**

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

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

**Other sources and references:** none

**APPENDIX A**

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION AND INVESTMENT EXPENSES**

**REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES**

**SUMMARY**

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
ADMINISTRATION EXPENSES	3,182,500	3,016,300	3,154,400
INVESTMENT EXPENSES	3,860,100	4,200,800	5,780,700
POOLING SET UP ADJUSTMENT	7,042,600	7,217,100	8,935,100
CONTINGENCIES	130,500		
	-0	-0	-0
<b>TOTAL EXPENDITURE REQUIREMENT</b>	<b>7,173,100</b>	<b>7,217,100</b>	<b>8,935,100</b>
INVESTMENT COSTS LINKED TO MARKET VALUES	1,770,000	1,800,000	4,113,000
NET CONTROLLABLE BUDGET	5,403,100	5,417,100	4,822,100
RECHARGED TO:			
FUND	7,003,100	7,107,100	8,935,100
SYPT PENSION FUND	170,000	110,000	-
	<b>7,173,100</b>	<b>7,217,100</b>	<b>8,935,100</b>
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	104,300	105,600	109,800
Doncaster	114,200	90,100	116,300
Rotherham	87,300	90,100	91,400
Sheffield	120,600	123,400	126,100
	426,400	409,200	443,600

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**ADMINISTRATION EXPENSES**

**REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES**

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 <b>ESTIMATE</b> £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	2,238,900	2,027,300	2,135,300
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	23,800	23,900	24,500
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	157,000	157,000	162,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	5,000	7,000
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	15,900	15,400	15,900
Publications	200	200	500
Printing and Stationery	75,500	75,500	76,000
Communications and Computing			
Postages and Telephones	100,000	100,000	100,000
Computer Services	25,000	25,000	32,000
Imaging maintenance	2,000	2,000	2,000
UPM	86,000	92,000	102,000
Subsistence and Conferences	2,200	2,000	2,200
Subscriptions	10,000	10,000	10,000
Actuarial Fees	70,000	120,000	100,000
Legal Services	2,000	2,000	2,000
Other Professional Fees	50,000	50,000	55,000
Miscellaneous Expenses	9,000	9,000	9,000
<b>CENTRAL EXPENSES</b>			
Central Services	216,000	216,000	216,000
IT Network	55,000	55,000	60,000
Insurances	32,000	33,000	34,000
Subscriptions	16,000	16,000	16,000
Audit Fee	45,000	45,000	45,000
Bank Charges	15,000	15,000	15,000
Democratic Representation	14,000	12,000	14,000
Member Training	5,000	4,000	5,000
Disaster Recovery	11,000	11,000	11,000
Local Pension Board	15,000	10,000	15,000
<hr/>			
<b>GROSS EXPENDITURE</b>	<b>3,315,500</b>	<b>3,149,300</b>	<b>3,283,400</b>
MISCELLANEOUS INCOME	133,000	133,000	129,000
<hr/>			
<b>NET EXPENDITURE</b>	<b>3,182,500</b>	<b>3,016,300</b>	<b>3,154,400</b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**

**INVESTMENT GENERAL AND INVESTMENT MANAGEMENT EXPENSES**

**REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES**

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
<b>EXPENDITURE</b>			
<b>EMPLOYEES</b>			
Administration and Clerical	1,201,000	1,248,500	928,300
Training Expenses	4,000	6,000	18,000
Other Indirect Expenses	5,000	9,000	8,100
<b>PREMISES RELATED EXPENSES</b>			
Rents - Office Accommodation	48,000	48,000	49,000
<b>TRANSPORT RELATED EXPENSES</b>			
Public Transport	8,400	9,000	9,000
Car Allowances	3,500	3,500	3,500
<b>SUPPLIES AND SERVICES</b>			
Equipment, Furniture and Materials	7,000	7,000	7,000
Publications	4,400	5,000	5,000
Printing and Stationery	3,000	3,000	3,000
Communications and Computing			
Postage and Telephones	300	300	300
Computer Services	12,000	12,000	12,000
Subsistence and Conferences	1,500	1,500	1,500
Subscriptions	50,000	50,000	52,000
Actuarial Fees	20,000	130,000	30,000
Legal Fees	1,000	1,000	1,000
Other Professional Fees	35,000	35,000	35,000
Miscellaneous Expenses	2,000	2,000	2,000
<hr/>			
INVESTMENT GENERAL EXPENSES	1,406,100	1,570,800	1,164,700
<b><u>INVESTMENT MANAGEMENT EXPENSES</u></b>			
Internal Information Systems	382,000	382,000	399,000
Custodian & Other Investment Expenses	301,000	301,000	259,000
Investment Pooling	330,500	345,000	-
External Management Fees	1,571,000	1,602,000	3,958,000
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INVESTMENT MANAGEMENT EXPENSES	2,584,500	2,630,000	4,616,000
<hr/>			
<b>NET EXPENDITURE</b>	<b>3,990,600</b>	<b>4,200,800</b>	<b>5,780,700</b>
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**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**REVISED ESTIMATE 2017/18**

	£	£
<b>1 Original Estimate 2017/18</b>		<b>7,042,600</b>
Pooling set up costs approved 6/10/16 carried over From 2016/17		<u>130,500</u>
		<b>7,173,100</b>
<i>Main Variations</i>		
<b>2 Employee Costs</b>		
Transfer of Payroll from Administration to Investments following structure review	112,800 CR 112,800	
Removal of longstanding vacant Investment manager post from establishment - not recruited	63,500 CR	
Impact of change to grading structure	17,400	
Increase in Rate re Interim Fund Director	10,800	
Increased turnover including restricted cover for Maternity and working pattern changes	69,900 CR	
Administration structure review changes – net Impact (delayed recruitment, posts filled at bottom of grade, some grades lower than anticipated NI and super – less increase than anticipated	53,800 CR <u>5,100 CR</u>	164,100 CR
<b>3 Other Employee Costs</b>		
Increased professional training	2,000	
Staff advertising	<u>4,000</u>	6,000
<b>4 Communications and Computing</b>		
Additional services on UPM system	<u>6,000</u>	6,000
<b>5 Professional fees</b>		
Increased actuarial fees re more complex queries And provision of more services to members re tax	50,000	
Actuarial fees re Equity protection project	60,000	
Supplementary re above (approved 14 Sept Inv Bd)	<u>50,000</u>	160,000
<b>6 Central Expenses</b>		
Reduced Local Pension Board costs	<u>5,000 CR</u>	5,000 CR
<b>7 Investment Management Expenses</b>		
Increased forecast for pooling implementation costs	14,500	
Increased Bond portfolio fees – linked to market value	<u>30,000</u>	44,500
<b>8 Other Minor Variations</b>		<u>3,400 CR</u>
<b>9 Revised Estimate 2017/18</b>		<b><u>7,217,100</u></b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**VARIATION STATEMENT**  
**ESTIMATE 2018/19**

		£	£
<b>1</b>	<b>Original Estimate 2017/18</b>		<b>7,042,600</b>
	Pooling set up costs approved 6/10/16 carried over From 2016/17		<u>130,500</u>
			<b>7,173,100</b>
	<i>Main Variations</i>		
<b>2</b>	<b>Employee Costs</b>		
	Transfer of Payroll from Administration to Investments following Structure review	112,800 CR 112,800	
	Removal of longstanding vacant Investment manager post from establishment - not recruited	63,500 CR	
	Impact of change to grading structure	15,500	
	Increments and career grade progression	38,400	
	Recruitment of permanent Fund Director	9,800 CR	
	Turnover re Maternity	4,100 CR	
	New investment post (post pooling structure)	57,800	
	Administration structure review changes – net Impact (delayed recruitment, posts filled at bottom of grade, some grades lower than anticipated	69,100 CR	
	TUPE transfer of Investments staff to BCPP	403,100 CR	
	Increase in NI and super contributions	<u>37,000</u>	400,900 CR
<b>3</b>	<b>Other Employee Costs</b>		
	Increased professional training	14,000	
	Staff advertising	<u>3,000</u>	17,000
<b>4</b>	<b>Communications and Computing</b>		
	Additional IT costs	7,000	
	Additional services on UPM system	<u>13,200</u>	20,200
<b>5</b>	<b>Professional fees</b>		
	Increased actuarial fees re more complex queries and provision of more services to members re tax	30,000	
	Increased actuarial fees re Asset and liability study	<u>10,000</u>	40,000
<b>6</b>	<b>Central Expenses</b>		
	Increased network costs	5,000	
	Increased insurance costs	<u>2,000</u>	7,000
<b>7</b>	<b>Miscellaneous Income</b>		
	Reduction of income from network – less clients	<u>4,000</u>	4,000
<b>8</b>	<b>Investment Management Expenses</b>		

	Completion of pooling implementation	330,500 CR	
	Cost of transition and ongoing costs for part of Fund to BCPP (phased transition)	2,325,000	
	Increased exchange fees – no longer shared	10,000	
	Reduced custody fees due to transition to BCPP	42,000 CR	
	Increased Bond portfolio fees – linked to market value	50,000	
	Increased property advisor fees – linked to market value	<u>10,000</u>	2,022,500
<b>9</b>	<b>Other Minor Variations</b>		<u>3,800</u>
<b>10</b>	<b>Inflation</b>		
	Price inflation - contracts	23,800	
	Pay assumed 1%	<u>24,600</u>	<u>48,400</u>
<b>11</b>	<b>Estimate 2018/19</b>		<b><u>8,935,100</u></b>

**SOUTH YORKSHIRE PENSIONS AUTHORITY**  
**BUDGET 2018/19**

**ESTIMATED RECHARGES TO SOUTH YORKSHIRE DISTRICT COUNCILS**

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

**1 Probable Outturn 2017/18**

	<b>Barnsley £'000</b>	<b>Doncaster £'000</b>	<b>Rotherham £'000</b>	<b>Sheffield £'000</b>	<b>Total £'000</b>
Rechargeable Pensions	2,492	1,894	1,316	6,330	12,032
Levy	<u>87</u>	<u>110</u>	<u>95</u>	<u>187</u>	<u>479</u>
	<u>2,579</u>	<u>2,004</u>	<u>1,411</u>	<u>6,517</u>	<u>12,511</u>

**2 Estimates 2018/19**

**(i) Payments due under 1987 Order (Levy)**

Ex SYCC and WYCC Employees	464
Gratuities	<u>-</u>

**Levy 2018/19 464**

**(ii) Total payments by District**

	<b>Barnsley £'000</b>	<b>Doncaster £'000</b>	<b>Rotherham £'000</b>	<b>Sheffield £'000</b>	<b>Total £'000</b>
Rechargeable Pensions	2,558	1,947	1,347	6,477	12,329
Levy	<u>84</u>	<u>107</u>	<u>92</u>	<u>181</u>	<u>464</u>
	<u>2,642</u>	<u>2,054</u>	<u>1,439</u>	<u>6,658</u>	<u>12,793</u>

(a) Apportionment of costs under the 1987 Order (ie the levy) is based on the Council Tax base for each District Council.  
(The above figures are based on estimated Council Tax Bases and will be recalculated as appropriate when actual figures are available).

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

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

30 NOVEMBER 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).

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2) Recommendation

**That Members note the report.**

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3) Background information

- 3.1 An extract from the latest available project team progress report to the last Joint Committee (JC) on 20<sup>th</sup> October 2017 is attached at Appendix 1. This is quite a full and lengthy briefing; it includes a sub-appendix on an update submitted to the DCLG by way of a progress report to government. Accordingly the report below is kept as brief as possible. Access to all the public Joint Committee papers is available via the link below:

<http://www.southyorks.gov.uk/JAGUHome/BCPP.aspx>

- 3.2 This report was drafted ahead of the next officer group meeting scheduled for 27<sup>th</sup> November 2017. A verbal update will be given as appropriate.

- 3.3 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.

- 3.4 The Chair and Vice Chair will hold meetings with the Chair of the LPB and Trade Union representatives, ahead of BCPP JC meetings, to consult on the agenda. The next JC is scheduled for 20<sup>th</sup> January 2018.

- 4) Section 4 below picks out some of the main issues either ongoing from earlier reports or covered in the progress report attached and the agenda of the last JC on 20<sup>th</sup> October 2017.

4.1 Overall project timeline/progress

No movement reported on the project plan go-live date of June 2018.

4.2 FCA regulatory approval process

The last JC approved the submission of the application to the FCA.

#### 4.3 Asset allocation template

The JC approved the range of investment sub-funds that BCPP will offer to meet the differing investment requirements of the 12 partner funds and to be included in the FCA application.

#### 4.4 Integration of Responsible Investment/ESG

The Joint Committee agreed a policy consistent with that of SYPA.

#### 4.5 Executive Recruitment

Appointments have now been made for the Chairman, two Non-Executive Directors, CEO and Chief Operating Officer for BCPP Ltd. Members have been notified of these separately. Interviews were planned for November for the two remaining senior roles: Chief Investment Officer and Chief Risk Officer. A verbal update will be given at the meeting.

#### 4.6 Staff structure proposal for BCPP

A draft staffing structure was noted by the JC 20 October 2017. Staffing structures are matters for BCPP Ltd however they are framed in the context of an overall Budget which is subject to agreement by shareholders. It was noted that BCPP's Board would further consider the structure. Further work was requested on benchmarking the proposed salaries and in considering the merits of offering an open or closed LGPS scheme: i.e. whether new appointments would be offered access to the LGPS. It had already been determined that access to the LGPS would not be offered to senior staff (at a threshold currently set at salaries above £120k).

#### 4.7 Property update: BCPP Ltd Office Accommodation

The last JC noted that the range of properties being considered in central Leeds, near the station, was narrowed to a choice between two. Final decision awaited.

#### 4.8 LGPS admission and guarantee

As previously reported, 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.

#### 4.9 MiFID II - Template for opting up to elective professional status

Steps necessary to respond to the implementation of this directive were set out at the last Authority meeting. There will be a further report to the Investment Board in December.

#### 4.10 SYPA post pooling structure and related matters

The Authority agreed a report at its last meeting, 5 October 2017, addressing post pooling issues and related staffing matters. The advert for the Fund Director closed

on 17.11.17 and the advert for Head of Pensions Administration will be issued in December closing 4.1.18. Timing of the latter allows for some engagement of the newly appointed Fund Director in the recruitment of the Head of Pensions as well as other new posts reported at the last meeting e.g. the Investment Performance Manager.

#### 4.11 Amendments to the BCPP Board Structure

The JC agreed that the Chief Investment Officer role should not sit on the Board; preferring the role to be accountable to the Board. The JC also agreed the principle of appointing two shareholder directors; officers being asked to work with the Governance Sub-Group and report back on method of selection and associated issues after taking advice from monitoring officers. The Chair and Vice Chair of the JC were proposed to attend the Board with full participatory rights, save for formal voting, until such time as shareholder directors were formally appointed.

### 5. Implications

#### 5.1 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.

#### 5.2 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.

#### 5.3 Diversity

There are no particular diversity implications.

#### 5.4 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  
Telephone contact 01226 772887

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

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## BCPP Joint Committee

**Date of Meeting:** 20<sup>th</sup> October 2017

**Report Title:** Update on Project Delivery and Implementation Budget

**Report Sponsor:** Programme Implementation 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 by June 2018.
- 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 The current project implementation focus is on key deliverables over the next 12 weeks through to January 2018, including the procurement of the Third Party Administrator, ICT Investment Platform and Corporate ICT. Other core activities within the period include the FCA submission, completion of executive recruitment, property selection and lease negotiation, and further planning and scoping around HR and recruitment processes to support the BCPP structure.
- 1.4 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 HR resource requirements to allow the recruitment to the structure to commence within the next reporting period
- 1.5 There are only minimal 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. Given the advanced stage we are now at with executive recruitment it is proposed that as the overspend is likely to be minimal per fund that budgetary approval to meet this overspend is remitted to the next meeting when it can be fully quantified.

## 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 projected implementation budgetary outturn and agree to seek required approval through their individual governance structures following the next Joint Committee meeting when this can be fully quantified;
- 2.1.3 Note the high level project activity during this period; and
- 2.1.4 Approve the proposed activities to be completed by the project team and sub-groups over the next period.
- 2.1.5 Approve the submission of the Autumn Update to DCLG as shown at appendix 3.
- 2.1.6 It is proposed that upon the CEO taking up post in December that responsibility for project delivery moves to her with the transfer of remaining budgetary provision.

## 3.0 Background:

### PROJECT PLAN – ACTIVITY DURING THE PERIOD (JULY TO SEPTEMBER 2017)

- 3.1 Significant progress has been made against the programme of work during the previous period including progressing the executive selection, TPA, ICT Investment Platform definition and procurements, and the property selection. The High Level Project Plan is shown in Appendix 2.

<b><i>Agreed Activity to be undertaken in the period to September 2017</i></b>	<b><i>Progress of Activity Against Project Plan</i></b>
Appointment of Third Party Administrator.	Detailed scoping and analysis of the high level TOM is complete and procurement process for the TPA is at the selection stage, supported by Alpha Financial Advisory Consultants.

	<p>Paper at item 9 on today’s agenda provides the detail of the work progressed during the period in this area.</p>
<p>Set up of the BCPP Ltd company</p>	<p>This work is now complete, as agreed at the last meeting four statutory officers have been appointed as interim directors to facilitate the company being incorporated, these are :-</p> <ul style="list-style-type: none"> <li>• Gary Fielding – North Yorkshire</li> <li>• Julie Crellin – Cumbria</li> <li>• Caroline Lacey – East Riding</li> <li>• Mike Harding – Tyne and Wear</li> </ul> <p>These positions will be transferred shortly as the appointed permanent Directors come into post.</p>
<p>Premises Search</p>	<p>Project Team Officers have been working with the property agent during the period to further refine the property requirements to secure the required premises for BCPP Ltd. operations.</p> <p>Multiple site visits have been undertaken by Officers, followed by Member and the Chair of BCPP Ltd visiting the shortlisted properties.</p> <p>A final shortlist of 2 properties in Leeds city centre which meets the operational specification is being progressed. The recommended property will be visited by the CEO during October while the lease financials are being negotiated with the landlord.</p>
<p>Appointment of Investment Platform Supplier</p>	<p>Detailed scoping of BCPP’s requirements has been completed by Project Officers and AlphFMC.</p> <p>The ICT Investment Platform procurement commenced on the 26<sup>th</sup> September, and vendor selection is expected to be completed within the next reporting period.</p>
<p>Member appointment of the senior company Executive and Non-Executive Director (Chairman and Chief Executive Officer).</p>	<p>Executive recruitment has progressed significantly since the last meeting, with a number of posts successfully recruited and a schedule in place for the remaining posts:</p> <ul style="list-style-type: none"> <li>• Chair – In post as of June</li> <li>• CEO – Appointed with start date of 5<sup>th</sup> December.</li> <li>• COO – Offer of appointment made start date being negotiated.</li> <li>• CIO &amp; CRO – Interviews planned for November.</li> <li>• NEDs – 2 NED’s appointed in October.</li> </ul> <p>Paper at item 4 on today’s agenda gives greater detail on progress against this Workstream activity, including any remuneration and contract details agreed during the period.</p>
<p>Corporate ICT Procurement</p>	<p>Detailed scoping and analysis of BCPP requirements have been undertaken within the period to ensure any future solution supports both modern and flexible ways of working, and provides seamless integration to key investment infrastructure as detailed earlier in this section.</p>

	Tender due to be published November 2017, with consideration made to the ICT Investment Platform requirements to ensure compatibility between both systems.
Back Office Procurement	<p>A number of key procurement activities have been completed within the last period to ensure key corporate infrastructure components required to run BCPP operations are in place:</p> <ul style="list-style-type: none"> <li>• Payroll Services Provider: Contract awarded in September</li> <li>• Company Bank Account: Contract awarded in August</li> <li>• Insurance Broker Contract Award August</li> </ul>

**RESPONSE TO THE SPRING UPDATE SUBMITTED TO DCLG**

- 3.2 The joint departmental response received by all the pools to their spring updates was circulated by email to Members in August.
- 3.3 Clarification has since been received from Officers at DCLG that references to Pools not pressing on as expected was actually only relevant to three Funds, none of which are in BCPP.
- 3.4 The Autumn update is due for submission on the 20th October and the proposed BCPP update submission is attached at appendix 3. There are no material changes to that submitted in the spring other than to update DCLG on the appointment of key posts.

**KEY PROJECT IMPLEMENTATION ACTIVITIES UPDATE**

- 3.5 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>DCLG advised in Spring Update</p>	<p>All project time contingency removed.</p> <p>Budgetary increase being sought per above to meet requirements of executive recruitment Workstream.</p> <p>Indication from primary advisors that further implementation delays post June may incur resource and or budgetary issues.</p>	June 2018
Establish Joint Committee (JC)	<p>First JC 6<sup>th</sup> June 2017.</p> <p>Chair / Vice Chair selected.</p> <p>Meeting dates for next 12 months proposed.</p>	JC now in operation risk closed	
Design TOM and Appoint Asset Servicing Provider	On-going full update at item 9 on today's agenda.	<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</p>	Outline

		<p>the business and as such all decisions are 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 with FCA to ensure they understand BCPP operating model and proposed resource commitment.</p> <p>Delays to executive start dates have pushed back submission to November. Paper 7 outlines further detail</p>	<p>Agreement by JC of FCA submission pack October 2017.</p> <p>Submission of proposals to FCA November 2017.</p> <p>Receipt of FCA Approval by May 2018</p>
Remuneration and recruitment process for Exec. and Non-Exec.'s	<p>First appointments made, remaining posts scheduled</p> <p>Full schedule shown in paper 4</p>	<p>In the absence of key 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>Now some key appointments have been made major decisions being reviewed.</p>	<p>Chair in post July 2017</p> <p>CEO appointed – start date Dec 17</p> <p>COO appointed start date being negotiated with current employer</p> <p>NEDS (2) appointed start date October</p> <p>CIO/CRO interviews Nov 17</p>

Agree Asset Template Offering	<p>Proceeding per plan.</p> <p>Outline template in paper 9 on today's agenda.</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>First asset template offering for BCPP on today's agenda for approval at item 9</p>	<p>Outline template agreed by JC. June 2017.</p> <p>Draft detailed template required September 2017 to inform asset servicing tender.</p> <p>Initial BCPP asset template agreed October 2017 to support FCA proposal submission in November 2017.</p>
Acquire BCPP Premises	<p>BCPP Project Leads along with Members and Chair of BCPP Ltd have reviewed shortlisted properties.</p>	<p>Delay to chosen property availability due to property refit by landlord.</p> <p>Mitigation: BCCP considering building refit schedule option to incorporate ICT infrastructure requirements within the building refit.</p>	<p>JC endorse Premises recommendation October 17.</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>
Establish Corporate Services Functions	<p>Ongoing Procurement Exercises in this period :-</p> <ul style="list-style-type: none"> <li>• Banking Services</li> <li>• External Auditors</li> <li>• Payroll / HR</li> <li>• Web provider</li> <li>• Interim Corporate ICT</li> </ul>	<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>

	<p>Future Periods:-</p> <ul style="list-style-type: none"> <li>• Operational ICT</li> <li>• premises servicing (utilities; cleaning; catering; confidential waste;</li> <li>• Office supplies,</li> <li>• Photocopiers/M FD,</li> <li>• Investment research</li> <li>• Brokers</li> <li>• Office furniture / fit out</li> <li>• Recruitment Services</li> </ul>		
Acquire Corporate ICT	<p>Scoping and specification for interim executive requirements complete.</p> <p>Specification for permanent solution complete Oct 2017.</p>	<p>Company cannot go-live without full corporate ICT.</p> <p>Mitigation – Detailed specification being produced, soft market testing completed with potential vendors to validate operational modelling.</p>	<p>Interim solution for Execs November 2017.</p> <p>Full solution March 2018</p>
Complete Asset	<p>Work currently progressing ahead of schedule.</p>	<p>Transition plan not aggressive enough to generate savings in a timely manner or too aggressive and not deliverable or supported by FCA.</p>	<p>Draft agreed October 2017</p>

Transition Planning	OOG October & S151 reviewed proposed transition schedule.	OOG October & S151 reviewed proposed transition schedule.  Brief sensibility check by BCPP Ltd Chair & CEO (in waiting).  Material levels of advice and support from key advisors.	Used to inform FCA application November 2017.
Start TUPE transfer of staff from existing Funds	Initial information and legal advice received.  Work undertaken to collate all T&C's from each Fund.  Project Team reviewing HR capacity required to support the TUPE/HR transition and production of key policies and procedures	Project Team do not have capacity within existing resource to undertake the detailed work required to deliver the HR requirements.  Mitigation: Project Leads along with CEO (in waiting) are reviewing options to recruit HR resource with immediate effect to build capacity in the team.	June 2018
Recruit additional investment and operational staff	Discussions on going regarding terms and conditions prior to initiating recruitment processes.  Paper 5 on today's agenda	Delays to recruitment of personnel will cause potential delays and or increased risks to operational go live or future transition / deliver of savings.  Proceeding per revised plan	Start additional recruitment from Nov/Dec 2017

## **PROJECT IMPLEMENTATION – ACTIVITY IN THE NEXT PERIOD**

3.6 There are a number of key activities during the next period, with the main focus being on 3 key areas; the award of key contracts (Third Party Administrator, Investment Platform and Corporate ICT), securing premises and recruitment (Executive and Operational staff). Key work stream activity planned in the next period:

- Completion of the BCPP Executive appointments processes and remuneration as per revised project plan.
- Working with Operator Advisers to award the Third Party Administrator contract in line with the Asset Servicer and Depository specification.
- Working with Operator Advisors to award contract for the ICT Investment Platform provider.
- Working with the Premises Advisers to negotiate the lease on the agreed property in Leeds in readiness for the fit out in QTR 1 of 2018.
- Interim ICT solution in place to all BCPP executives to function once appointed prior to the occupation of the premises in Leeds.
- Finalise Corporate ICT specifications and proceed with agreed procurement process.
- Continue activity on general T's and C's for workforce, specifically decide on pensions offering for new staff, and develop key BCPP Policy and procedures to support operational readiness.
- Continue to engage with transferring staff as the project continues.

## **HIGH-LEVEL PROJECT IMPLEMENTATION TIMETABLE**

3.7 As agreed at the previous Joint Committee and Statutory Officer Group calls, the project implementation target “go-live” date has been delayed to June 2018. This was reported to DCLG on the spring update in May and no adverse feedback was received in their generic response sent to all Funds in August.

3.8 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 1.

## **PROJECT RISKS**

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

- Impact on key deliverables if remaining executive recruitment process encounters delays.
- Impact of revised operational live date of June 2018.
- Impact of Project HR resource availability to allow key activities in both recruitment and selection, and policy and procedures.

Mitigating controls in place by Officers are detailed in Appendix 2.

## PROJECT EXPENDITURE

1.6 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). 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. Given the advanced stage we are now at with executive recruitment it is proposed that as the overspend is likely to minimal per fund that budgetary approval to meet this overspend is remitted to the next meeting when it can be fully quantified.

	Working Budget (£'000)	Predicted Outturn (£'000)	Variance to Budget (£'000)
<b>People</b>			
Salaries - Executives (including Compliance Officer)	675	675	-
Non-executives	-	95	95
Project management costs (inc. officer secondments)	500	500	-
Recruitment of executives and non-executives	150	230	80
Recruitment of other staff	150	150	-
<b>Governance</b>			
Legal advisers	350	350	-
Procurement support	30	30	-
<b>Operating Model</b>			
Tax and Operating Model advisers	850	850	-
Asset Servicer appointment	150	150	-
External rather than internal Project Support	325	325	-
Legal costs for regulation and fund documents - ACS	100	100	-
Other legal agreements - ACS	200	200	-
Tax and operational advice - ACS	80	80	-
Procurement support	70	70	-
ICT and Infrastructure	500	500	-
FCA fees	25	25	-
<b>Other costs</b>	45	45	
<b>TOTAL SPEND</b>	<b>4,200</b>	<b>4,375</b>	<b>175</b>
Total Implimentation Budget £350k per Partner Fund			
Potential additional for charge per Fund £14.5k			

## 4.0 Conclusion:

- 4.1 The Partner Funds of BCPP gave their support to the project approach and approved the detailed project plan at their meeting on 18<sup>th</sup> November 2016, which is supported by dedicated internal funded project co-ordination resource supported by key advisory support.
- 4.2 The project team continues to be heavily supported by industry experts from three disciplines Legal (Eversheds Sutherland), Tax and Financial Planning (Deloitte) and TOM, asset servicing and investment ICT procurement and FCA registration (AlphaFMC).
- 4.3 Key activities, milestone timescales, and risks are now being delivered operationally by the three Sub-Groups within the project methodology to the revised project “go-live” date of June 2018.
- 4.4 It is proposed that upon the CEO taking up post in December that responsibility for project delivery moves to her with the transfer of remaining budgetary provision.

### Report Author:

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07812 972976

### Further Information and Background Documents:

*Appendix 1: BCPP Project Plan*

*Appendix 2: BCPP Risk Register*

*Appendix 3: DCLG Autumn Update*



## Local Government Pension Scheme pooling: autumn progress report

Please report against each of the areas outlined below as at 30 September 2017, highlighting significant changes to your final proposal submitted in July 2016, and/or since the last progress update report submitted in April 2017.

The deadline for submission is Friday 20 October 2017. We will follow up any questions or concerns with individual pools as necessary.

### Pool: Border to Coast Pensions Partnership

**Date:** 20<sup>th</sup> October 2017

#### Criterion A: Scale

For pools in development:

- Scale – please state the estimated total value of assets included in your transition plan for investment through the pool structure, with date of estimate.

*Estimated value at 30<sup>th</sup> June 2017 – c. £44.3bn.*

- Assets outside the pool - please state the estimated total value of assets to be invested outside of the pool structure by participating funds.

*Once transition is fully complete, the value of assets expected to remain outside of the pool<sup>1</sup> are:*

- *Cash – c. £0.5bn (held for transactional purposes).*
- *Agriculture investments directly held by South Yorkshire Pensions Authority: c. £0.3bn.*
- *Local investments held outside of BCPP by Teesside Pension Fund: c. £0.2bn.*
- Progress towards go live by April 2018.

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<sup>1</sup> As previously agreed this excludes passive mandates which are to be managed collectively.

- please provide an updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorisation

*Project plan is attached as Appendix A.*

*As indicated in the “Spring 2017” update the expected “go live” date is June 2018 and while there have been some delays in the executive recruitment it is expected that these can be accommodated within the timeline. As such at this stage there are no material changes to the project plan delivery timeline anticipated from that submitted in the spring.*

- please identify risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues.

### ***Key Risks and Mitigations***

- *Risk – Failure to appoint suitable senior Executives and Non-Executives in a timely manner.*

*Mitigations:*

- *The Chair (Chris Hitchen) and the Chief Executive (Rachel Elwell) were appointed in August and September 2017 respectively.*
- *The Non-Executive Directors (Enid Rowlands and Tania Castell) and the Chief Operating Officer (Fiona Miller) were appointed in October 2017.*
- *The remaining senior management positions (Chief Investment Officer and Chief Risk Officer) are expected to be appointed by November 2017.*

- *Risk – Failure to appoint suitably qualified and experienced personnel in a timely manner (BCPP will be looking to appoint up to 50 staff across a wide variety of investment and operational roles in the first 6 months of operation).*

*Mitigations:*

- *BCPP will use external recruitment companies where considered appropriate.*
- *A number of investment staff will transfer from the internally managed funds.*

- *Risk – FCA authorisation process being more complicated and time consuming than expected.*

- *Mitigation – Advisors appointed to assist with process with the FCA application expected to be submitted in November 2017.*
- *Risk – Adverse regulatory changes having an impact on investment opportunities.*
  - *Mitigation – The changes to the MiFID II criteria for opting up to professional status makes the process less onerous.*
- *Risk – MiFID II requiring project staff to be re-diverted back into their Funds to deal with opt up processes.*
  - *Mitigation – A common opt-up template has been agreed between the LGPS, FCA, LGA, and Investment Association which will enable a smoother opt-up process.*
- *Risk – Timetable pressures resulting in sub-optimal structure being developed and therefore incurring additional costs at a later stage, or savings not being fully realised.*
  - *Mitigation – Appointing appropriate levels of external advice and under that advice adjusting the timetable as required.*
- *Risk – Pressures on the implementation budget resulting in the requirement to request additional funds from the shareholders.*
  - *Mitigation – The implementation budget is being closely monitored and potential budget overruns are being flagged at an early stage.*

For operational pools:

- Structure and scale – please state the total value of assets to be invested via the pool together with the value of assets to be invested outside of the pool by participating funds.
- Progress with transition - please state the value of assets within the pool, and provide an updated high level transition plan

### **Criterion B: Governance**

For pools in development:

- Progress with governance arrangements - please provide an updated high level project plan for the implementation of governance arrangements

*Project plan is attached as Appendix 1.*

*As at 30<sup>th</sup> September 2017 all shareholder documentation has been completed, two Joint Committee meetings have been held in June and October 2017, and BCPP Limited has been incorporated as a limited company.*

For operational pools:

- Changes to governance since final proposal [and/or Spring 2017 progress report] – briefly describe any changes to the governance structure, in particular please set out your plans for ensuring the pool can effectively implement the asset allocation and responsible investment strategy of each fund.

### **Criterion C: Reduced costs and value for money**

For all pools:

- Update on costs estimates – please state current high level estimates for implementation costs to date, by go live and following go live.

*The implementation budget to the expected go live date is currently £4.2m, equating to £350,000 per fund, although this may increase due to the requirement to meet higher than anticipated senior management costs.*

*The ongoing operational budget is currently being drafted and a high level version of this budget will form part of the FCA application in November 2017.*

- Update on annual savings estimates, including reductions in fees/mandates

*Estimated savings remain as based on the assumptions set out in the July 2016 submission, and are considered to be achievable. However, due to the increase in asset values, total savings will be higher.*

*It is estimated that BCPP funds have generated annual cost savings of c. £4.5m since 31<sup>st</sup> March 2015.*

- Plans for delivering savings – please set out your high level plan and timescales for delivering the annual savings above.

*As per the July 2016 submission.*

- Plans for reporting including on fees and net performance in each listed asset class against an index.

*As stated in the July 2016 submission, there will be full transparency in reporting gross and net performance and costs of each sub-fund in line with industry best practice. This will be available to all partner funds, irrespective of whether they have invested in that particular sub-fund, and will also be published on the BCPP website.*

*Detailed design and layout of reporting templates is currently being undertaken as part of the completion of the design and implementation of the detailed target operating model.*

- Plans for how the pool will report publicly on a fully transparent basis – please confirm that the pool will adopt the Scheme Advisory Board Code of Transparency for reporting to participating funds

*As stated above, there will be full transparency in reporting performance and costs at each sub-fund, in line with industry best practice.*

*BCPP is fully engaged with the joint working group on this to ensure not only pool but also individual Fund requirements can be met going forward (CIPFA; DCLG; HMT; Cabinet Office; GAD; LGA).*

*As such BCPP can confirm that as a minimum it will adopt the Scheme Advisory Board Code of Transparency.*

### **Criterion D: Infrastructure**

For all pools:

- Progress on infrastructure investment – please state your target allocation for infrastructure and committed funds at the pool level and/or across pools. Please also set out your plans for the platform/product/and/or external manager arrangements to achieve that target.

*Long term target allocation and plans to achieve it are as per the July 2016 submission.*

*Current strategic allocations to Infrastructure as a separate asset class across the partner funds equate to c. 2.9% or c. £1.3bn (Spring 2017 update: c. 2.7% and c. £1.1bn) and committed funds total c. 2.2% or c. £1.0bn (Spring 2017 update: c. 2.3% and c. £0.9bn).*

*When the wider definition of Infrastructure, which was agreed for the July 2016 submission, is used the amount committed is c. 5.6% or c. £2.5bn (Spring 2017 update: c. 5.9% or c. £2.5bn) compared to 4.1% included in the July 2016 submission.*

*BCPP is an active member on the Infrastructure Cross Pool Sub-group which is exploring the opportunities for joint infrastructure investing. Discussions are continuing across the various pools as to the most appropriate structure to adopt.*

- Timetable to achieve stated ambition - please provide a high level project plan for the implementation of the platform/product/and/or external manager arrangements described above.

*The ambition of BCPP remains per the July 2016 submission on building the capability and capacity within BCPP Ltd to service an ambition of up to 10% of total Fund assets. The Partner Funds retain strategic asset allocation choice in regard to this and all other asset classes.*

*There will be a dedicated Infrastructure sub-fund available to partner funds once BCPP is fully operational. This will invest in a broad range of infrastructure investments with suitable sector and geographic diversification. The intention is that a part of this offering may be satisfied by the solution identified within the Infrastructure Cross Pool Sub-Group.*

*To ensure that BCPP is an active participant in any cross pool solution it chairs the Cross Pool Infrastructure sub-group and also has representation from senior investment professionals. The group continues to make steady progress towards the creation of an effective solution. The group continues to develop its thinking by learning from solutions currently being developed within the LGPS and through wider engagement with industry participants, to ensure that BCPP can access Infrastructure investments in the most effective manner. The intention remains for operational delivery of a solution in line with the go-live dates of the various pools.*

## SOUTH YORKSHIRE PENSIONS AUTHORITY

30 November 2017

### Report of the Clerk

## FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

### 1. Purpose of the Report

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

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### 2. Recommendations

Members are recommended to note the report.

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### 3. Background Information

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

### 4. Requests received

#### 4.1 Summary of requests

	Investments	Administration	Total
Nov 2016 –Oct 2017	21	1	22
Nov 2015 - Oct 2016	21	0	21
Oct 2014 - Oct 2015	26	1	27
Oct 2013 - Sep 2014	12	1	14
Nov 2012 - Sep 2013	18	2	20
Oct 2011 - Oct 2012	13	2	15
Oct 2010 - Sep 2011	6	6	12
Oct 2009 - Sep 2010	11	6	17
Oct 2008 - Sep 2009	14	2	16
Nov 2007 - Sep 2008	10	5	15
Aug 2006 - Oct 2007	12	2	14
Jan 2005 - July 2006	13	4	17

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

- 4.3 The Authority has responded to all requests within the 20 day limit required by the Act.
- 4.4 All the information applicants have asked for has been provided where it is held.
- 4.5 The Authority has made no charges, either for retrieving information, or for photocopying and postage.
- 4.6 The Authority has received no complaints or requests for internal reviews in relation to any disclosure.
- 4.7 The Authority has spent at least 50 hours of officer time in completing these requests.
- 4.8 Most applicants have been from data collecting commercial organisations.

## **5. Publication Scheme**

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

## **6. Re-use of public sector information**

New regulations came into force in July 2015 entitled "The Re-use of Public Sector Information Regulations 2015". These require public sector bodies to:

Allow re use of public sector information by anyone;  
Remove copyright restrictions preventing re use of such information;  
Allows anyone the right to aggregate, add value or repackage the information, and make money out of it.

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

## **7. Implications**

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

**D Terris**  
**Clerk**

**Officer responsible:**  
Steve Barrett  
Interim Fund Director  
Tel 01226 772873

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

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## SOUTH YORKSHIRE PENSIONS AUTHORITY

30<sup>th</sup> November 2017

### The General Data Protection Regulation (GDPR)

#### 1. Purpose of the Report

To inform members of the background and general principles of the GDPR and to update on preparation for its implementation on 25<sup>th</sup> May 2018.

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#### 2. Recommendations

**Members are recommended to note the contents of the report and to comment on the progress made towards the implementation of the GDPR thus far.**

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#### 3. Background Information

- 3.1 Whilst Data Protection is well established in the UK the current legislation was prepared almost twenty years ago and in that time the way we handle and move data has changed significantly, especially in recent years.
- 3.2 The globalisation of services through increased use of the internet, the ability to transfer huge volumes of data both faster and easier and all the new ways in which personal data can be used have culminated in the need for the revised protocols and protections that are enshrined in the GDPR which is operative from 25<sup>th</sup> May 2018.
- 3.3 As a pensions scheme administrator we are responsible for maintaining and processing huge amounts of personal data and whilst we have an excellent record of managing our data under the provisions of the Data Protection Act we must now review all aspects of our data management in line with the GDPR.
- 3.4 The GDPR will be supplemented by a substantial piece of new domestic legislation, the Data Protection Act 2018 which was introduced into Parliament in September. Whilst it sets out some important features and contains additional detail not contained in the GDPR it has been made clear that until our withdrawal from the EU it will be the GDPR itself which lays down the requirements of the new regime.
- 3.5 As our review will take some time the purpose of this report is to explain the key objectives and principles of the GDPR as well as provide a progress report on the work undertaken thus far.

## **4. The GDPR – Objectives and Outcomes**

- 4.1 The GDPR has a number of key objectives and outcomes as follows,
- To ensure citizens have control over their personal data
  - To require data holders to demonstrate how they protect personal data.
  - To require data holders to be more transparent about how data will be used and who it will be shared with.
  - To make all parties accountable for data protection, not just the data controller.
  - To bring consistency across EU member states and globally for EU citizens (Brexit will not delay or stop the implementation of GDPR)
- 4.2 The Information Commissioner has expressed concern that data is not being given priority in the UK and therefore GDPR is being backed by significantly larger fines. In recent weeks, in response to speculation, the Information Commissioner has expressed that fines will remain proportionate to the level and circumstances of a breach but nevertheless it should be noted that the maximum fines are €20m or 4% of group turnover if greater.
- 4.3 The cornerstone of GDPR is Privacy by Design which ensures that those responsible for managing and processing personal data must adhere to the following principles,
- Personal data must be processed lawfully, fairly and in a transparent manner
  - Personal data must be collected for specified, explicit and legitimate purposes and not processed in a manner incompatible with those purposes
  - Personal data must be adequate, relevant and limited to what is necessary, kept up to date; every reasonable step must be taken to ensure that inaccurate personal data is erased or rectified without delay.
  - Personal; data must be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which data is processed
  - Personal data must be processed in a manner that ensures appropriate security of the data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures.
- 4.4 The additional responsibilities within the GDPR require a review of our use and management of data as well as the many data relationships we have in place. The following list is not exhaustive but does contain the most significant areas that we currently have under review,
- Understanding our responsibilities as a data controller
  - Map all personal data processing activities
  - Understanding the legal basis for processing personal data
  - The management of consent to processing data and being aware of any special category data that may require explicit consent
  - Review of privacy notices and member communication of the GDPR
  - Developing a breach management process

- Review our data sharing agreements and develop GDPR links with our partners
- Review/revise data retention policies
- Review personal data security policies
- Update and implement the GDPR requirements into our governance arrangements and risk management framework.

## **5. Progress Update**

5.1 Although we are in the early stages of this major project we have made progress in a number of areas especially in relation to awareness and training. The table below identifies the work undertaken so far and its purpose in relation to the GDPR.

<b>Work Undertaken</b>	<b>Purpose</b>	<b>Progress</b>
GDPR Training	Management Awareness	Webinar Participation Seminar Attendance Receipt of Guidance Notes and Legal Opinion
IT Staff Certification	Training	IT Manager and Assistant IT Manager attended a full week training course with an examination to become Certified General Data Protection Regulation Practitioners
Secure E-Mail	GDPR Compliance	Purchase of Egress e-mail management system to enhance the security of data we receive and share
Data Protection Officer	GDPR Compliance	Discussions with BMBC regarding the buying in of DPO services on an as and when basis. This is in the very early stages.
Network Data Tidy	GDPR Preparation	Based on the principles of keeping data for no longer than necessary all staff have been tasked with deleting data that is no longer required and data that is required is catalogued with a review date and stored in a secure location. This is well underway.
Possible Software Purchase	Data Loss Prevention	SQL Server 2017 software contains the ability to encrypt all data at rest reducing the threat of data loss from a cyber-

		attack. The software is currently being evaluated
Staff Training	Training	Mandatory training for all staff to take place in 2018 prior to the GDPR implementation. The intention is to use BMBC's online development tool although this is subject to our evaluation of the training material once available

5.2 Further progress reports will be brought to the January & March 2018 meetings.

## **6. Implications and risks**

- **Financial** - Expenditure to date has been contained within existing budgets. However there are potential costs associated with the implementation of the GDPR and these will be explained and itemised in the further progress reports.
- **Legal** - There are no specific legal considerations.
- **Diversity** - None

### **Officer responsible:**

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E-mail: gchapman@sypa.org.uk

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

## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**30<sup>th</sup> November 2017**

### **The Living Wage**

#### **1. Purpose of the Report**

To seek Members approval to incorporate the living wage supplement into our agreed pay structure with effect from 1<sup>st</sup> October 2017

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#### **2. Recommendations**

**Members are recommended to approve the implementation of the living wage supplement with effect from 1<sup>st</sup> October 2017**

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#### **3. Background Information**

- 3.1 The Living Wage is an informal benchmark and is not legally enforceable. It is promoted by the Living Wage Foundation and is based on the amount that it has been calculated that an individual needs to earn to cover the basic costs of living.
- 3.2 The living wage rate is calculated annually each November by the Resolution Foundation and overseen by the Living Wage Commission based on the best available evidence about living standards in the UK. Because living costs can vary there is a rate for London and a different rate for the rest of the UK.
- 3.3 The current rest of UK rate is £8.75 per hour and was announced on 6<sup>th</sup> November 2017. For employers wishing to pay the Living Wage the new rate has to be implemented within six months of the announcement. The 2016 rate is £8.45 per hour.
- 3.4 There are over 3500 employers who have signed up to pay the Living Wage and this includes all four of our district councils.
- 3.5 The national living wage is £7.50 per hour for employees over age 25. Employees under age 25 are subject to the national minimum wage for 17/18 which has a range between £4.05 and £7.21 per hour depending on age.

#### **4. Implementation**

- 4.1 Although the Living Wage Foundation announce their revised annual hourly rate in November it is intended that our implementation will align with the annual local government pay agreement and increment progression within our salary scale which coincide on 1<sup>st</sup> April. Therefore an implementation from 1<sup>st</sup> October 2017 would be at the 2016 rate of £8.45 per hour.

- 4.2 Our current salary scale is attached at Appendix A. We do not have any posts under Grade A and therefore our lowest paid roles start at point 11 under Grade B. The 2016 rate of £8.45 per hour equates to £16303 per annum which is greater than points 11 and 12 of our current pay scales.
- 4.3 The 2017 rate of £8.75 per hour equates £16,881 per annum on the assumption that the 1% pay award restriction remains in place it will be greater than point 13 on our revised pay scales.
- 4.4 Where payable the increased pay will be identified as a living wage supplement leaving the current pay scales unaffected and separately identifiable for identification of future incremental progression.

## **5. Impact**

- 5.1 There are currently twelve employees who are paid less than the living wage. This number is unusually high as a consequence of recruiting nine new members of staff following the restructure in April 2017. These are mainly career graded posts within the range scale point 11 to 27 and progression out of the living wage range is likely after they have been in post for two years.
- 5.2 The cost of implementation from 1<sup>st</sup> October 2017 is £3,300 for 17/18 and £7,400 for 18/19. It is anticipated that both could be absorbed within turnover in current budgets.
- 5.3 In addition to the financial benefits to employees, research into those organisations who have introduced the living wage has reported a range of business and wider economic benefits including reduced absenteeism, increased productivity and improved 'employer of choice' perceptions. Whilst we are undoubtedly smaller in scale than many of the employers that participated in the research there is no reason to suggest that some of these benefits wouldn't also apply to SYPA.

## **6. Implications and risks**

- **Financial** - Costs absorbed within existing budgets.
- **Legal** - There are no specific legal considerations.
- **Diversity** - None

### **Officer responsible:**

Gary Chapman Head of Pensions Administration

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E-mail: gchapman@sypa.org.uk

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

GRADE	SCP	£	GRADE	SCP	£	GRADE	SCP	£
<b>A</b>	9	15,375				<b>J</b>	43	38,237
	10	15,613	<b>F</b>	28	24,964		44	39,177
	11	15,807		29	25,951		45	40,057
				30	26,822		46	41,025
<b>B</b>	11	15,807		31	27,668		47	41,967
	12	16,123						
	13	16,491						
			<b>G</b>	32	28,485			
<b>C</b>	14	16,781		33	29,323	<b>K</b>	48	42,899
	15	17,072		34	30,153		49	43,821
	16	17,419						
	17	17,772						
	18	18,070	<b>H</b>	35	30,785			
				36	31,601			
<b>D</b>	19	18,746		37	32,486			
	20	19,430						
	21	20,138						
	22	20,661	<b>I</b>	38	33,437			
				39	34,538			
<b>E</b>	23	21,268		40	35,444			
	24	21,962		41	36,379			
	25	22,658		42	37,306			
	26	23,398						
	27	24,174						

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