



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Authorised and regulated by the
Financial Conduct Authority

Diana Terris
Clerk

18 Regent Street
Barnsley
South Yorkshire
S70 2HG

www.southyorks.gov.uk

NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held at the offices of South Yorkshire Pensions Authority, 18 Regent Street, Barnsley on Thursday 18 January 2018 at 10.00 am for the purpose of transacting the business set out in the agenda.

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

**Diana Terris
Clerk**

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

Tel: 01226 772806

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Distribution

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

Contact Details

For further information please contact:

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

18 JANUARY 2018 AT 10.00 AM AT THE OFFICES OF SOUTH YORKSHIRE PENSIONS AUTHORITY, 18 REGENT STREET, BARNSELY, S70 2HG

Agenda: Reports attached unless stated otherwise

	Item	Page
1	Apologies	
2	Announcements	
3	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
5	Declarations of Interest.	
6	Minutes of the Authority meeting held on 30 November 2017	1 - 6
7	Work Programme	7 - 8
8	Section 41 Feedback from District Councils	Verbal Report
9	Treasury Management Strategy Revision: Counterparty Limits	9 - 14
10	Revenue Estimates 2018/19	15 - 20
11	The General Data Protection Regulation (GDPR)	21 - 24

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14	Compliance with the Principles for Investment Governance: Self-Assessment	55 - 60
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*17	Confidential Pooling Update (Exemption Paragraph 3)	71 - 108

SOUTH YORKSHIRE PENSIONS AUTHORITY

30 NOVEMBER 2017

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

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

Officers: S Barrett (Interim Fund Director), A Frosdick
(Monitoring Officer), G Chapman (Head of Pensions
Administration), B Clarkson (Head of Finance), N Copley
(Treasurer) and G Richards (Democratic Services Officer)

Observers: G Boyington

Apologies for absence were received from Councillor S Durant
and M McCarthy

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair informed Members that Doncaster MBC had appointed Cllr John Mounsey as their Section 41 representative and Cllr Susan Durant as substitute.

Whilst recognising that it was not a matter for the Authority and endorsing the appointment of Cllr Mounsey, Cllr Cox remarked that he was disappointed that he had not been made aware of the process to select the Section 41 representative at Doncaster MBC..

RESOLVED – That the Authority approve the appointments of Cllr John Mounsey as Section 41 representative for Doncaster MBC and Cllr Susan Durant as substitute.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 5 OCTOBER 2017

RESOLVED – That the minutes of the Authority meeting held on 5 October 2017 be agreed and signed by the Chair as a true record.

7 MINUTES OF THE INVESTMENT BOARD HELD ON 14 SEPTEMBER 2017

Members from all Districts reported queries from constituents on the Authority's climate change policy.

S Barrett replied that the Authority's policy was very clear, the belief was in engagement rather than divestment; he would provide Members with a position statement to answer any queries.

RESOLVED – That the minutes of the meeting of the Investment Board held on 14 September 2017 be noted.

8 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 19 OCTOBER 2017

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on 19 October 2017 be noted.

9 MINUTES OF THE JOINT LOCAL PENSION BOARD HELD ON THE 5 OCTOBER 2017

RESOLVED – That the minutes of the meeting of the Joint Local Pension Board held on 5 October 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

Cllr Mounsey reported that he had answered questions regarding the financial position of the Fund with regard to DMBC's budget setting process.

Cllr Saunders had answered questions from Green Party members regarding the Authority's climate change policy.

There were no issues to report from Barnsley or Rotherham MBC.

12 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Q2 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 ANNUAL REVIEW OF RISK MANAGEMENT POLICY

A report was submitted to allow the Authority to review the Authority's Risk Management Policy and Corporate Risk Register.

Members were reminded that the Risk Management Policy had been fully updated 12 months ago; currently there was no need to amend the policy further.

The Authority considered the Risk Register which was presented at each meeting of the Corporate Planning and Governance Board. Members were informed that a new risk had been added since the last meeting of the Board on 19 October 2017. This risk concerned protecting the fully funded position of the Fund as reported to the Investment Board in September. An equity protection strategy was being prepared which would be considered by the Investment Board at its December meeting.

S Barrett gave an update of the more recent risks:

General Data Protection Regulation – this was a big issue at the moment and would be considered later on the agenda.

MiFID II (Markets in Financial Instruments Directive) – the Investment Board had been advised that the 'opt-up' process was underway at its September meeting. A further report would be considered at its December meeting.

Transfer of SY Passenger Transport Pension Fund to Greater Manchester Pension Fund – data had already been transferred with the transfer of assets to be completed in the next few weeks.

It was noted that the probability and impact rating had not been included for the more recent risks. This was an oversight which would be remedied.

RESOLVED - That the Authority:

- a) Note the Risk Management Policy.
- b) Note the Corporate Risk Register.

14 REVENUE ESTIMATES 2018/19 - ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

A report was submitted 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.

The report was presented against a background of the requirement from Government for LGPS funds to pool their investment assets. The process of asset transfer to BCPP would start in June 2018. Members had recognised that the process was not one that would reduce costs for the fund as so much of the fund was internally managed.

The budget presented at this stage included 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, costs associated with the transition and ongoing management costs relating to those assets. The rest of the assets would transfer over a further period of approximately 18 months.

B Clarkson reminded Members that the Authority had always strived to manage the Fund within the budgetary constraints imposed and, as a table within the report showed, had consistently achieved underspends over the last few years.

For 2017/18 an increase in base budget was approved, this increase was made up almost entirely of the provision for set up costs of BCPP and the Administration division restructure.

The revised figures for 2017/18 increased that further by £44,000, the detail behind that was shown at Appendix B. The largest variation was the cost of advice and actuarial work for the proposed equity protection programme.

Members were reminded that a report on staffing structure post-pooling had been considered by the Authority in October and it had also been agreed that the time was right to recruit a permanent Fund Director and to plan to replace the retiring Head of Pensions Administration. The advert for the Fund Director had now closed and an appointment anticipated early in the New Year; the advert for the Head of Pensions Administration would close early in the New Year.

The budget for 2018/19 to maintain the current level of service was shown in Appendix A at £8,935,100 against the base 2017/18 budget of £7,173,100, this was an increase of £1,762,000. As expected the budget was changed significantly due to pooling with major changes in the investment division staffing and a new post-pooling structure giving reductions of around £400,000, however, external costs in respect of BCPP increase by over £2 million. Other, less significant changes were detailed at Appendix C.

RESOLVED – That the Authority:

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

15 POOLING UPDATE

S Barrett presented a report to update Members on the progress of pooling in the Border to Coast Pension Partnership Ltd (BCPP).

Members noted the following:

- The Joint Committee (JC) had approved the submission of the application to the FCA.

- The JC had approved the range of investment funds that BCPP would offer.
- Appointments had been made for the Chair, CEO and Chief Operating Officer along with two Non-Executive Directors. Interviews were planned for the two remaining senior roles of Chief Investment Officer and Chief Risk Officer.
- A draft staffing structure was noted by the JC at its meeting on 20 October.
- The JC agreed a Responsible Investment/ESG policy consistent with that of SYPA.
- The JC had agreed in principle to appointing two shareholder directors; officers were working with the Governance Sub-Group and would report back on the method of selection and associated issues (such as conflicts of interest) after taking advice from monitoring officers.

Members were informed that the next Joint Committee meeting was on 16 January 2018 prior to which the Chair would meet with the Trades Union representatives and the Chair of the Local Pension Board to go through the agenda.

G Warwick expressed frustration with the lack of progress on getting non-voting Trades Union representatives on the Board.

The Chair informed Members that she had raised the issue at the meeting of the Joint Committee who had decided to review the matter at a later non-specified date. She assured Members that she would continue to press for Trades Union representation on the Board.

RESOLVED – That the report be noted.

16 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted to provide Members with an update on Freedom of Information requests.

It was noted there had been 22 requests between November 2016 and October 2017, the majority relating to information on investment holdings. The Authority had responded to all requests within the 20-day limit required by the Act.

RESOLVED - That the report be noted.

17 THE GENERAL DATA PROTECTION REGULATION

G Chapman presented a report to inform Members of the background and general principles of the General Data Protection Regulation (GDPR) and to update on preparation for its implementation on 25 May 2018.

As a pension scheme administrator, SYPA are responsible for maintaining and processing huge amounts of personal data and whilst the Authority had an excellent record of managing data under the provision of the Data Protection Act, all aspects of data management must be reviewed in line with the GDPR.

Members were informed that the cornerstone of the GDPR was Privacy by Design which ensured that those responsible for managing and processing personal data must adhere to five principles which were listed in the report.

The report also listed the significant areas that were currently under review including a review of privacy notices and scheme member communication of the GDPR.

G Chapman informed Members that, although it was still the early stages of a major project, progress had been made in a number of areas especially in relation to awareness and training.

A table within the report detailed progress made so far, including the purchase of the Egress email management system to enhance the security of the data received and shared.

RESOLVED – That the report be noted.

18 THE LIVING WAGE

A report was submitted to seek approval to incorporate the Living Wage supplement into the agreed pay structure with effect from 1st October 2017.

Members were informed that that the Living Wage was an informal benchmark and was not legally enforceable. It was promoted by the Living Wage Foundation and was based on the amount it had been calculated that an individual needs to earn to cover the basic costs of living.

There were over 3500 employers who have signed up to pay the Living Wage including the four South Yorkshire district councils.

The current rest of the UK rate was £8.75 per hour; the cost of implementation from 1st October 2017 was £3,300 for 17/18 and £7,400 for 18/19.

RESOLVED – That the Authority approve the implementation of the Living Wage supplement with effect from 1st October 2017.

CHAIR

South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

Agendas	18 January 2018	15 March 2018	7 June 2018 AGM	7 June 2018 Ordinary Meeting
Strategic Overview of Business	S41 Feedback	S41 Feedback		S41 Feedback
Board Scrutiny	Call-Ins	Call-Ins		Call-Ins
Review of Strategies	Treasury Management Statement Update	Qtr 3 Performance Snapshot Report		Qtr 4 Performance Snapshot Report
	Admin Strategy Review	Treasury Management Statement		
Business	Budgets and Revised Estimates	Meeting Dates of Authority and Boards	Appointment of Chair	Loyal Service Awards
	Pooling Update	Pooling Update	Appointment of Vice-Chair	Pooling Update
	GDPR Data Protection	GDPR Data Protection	Membership of the Authority	GDPR Data Protection
	Members Self-Assessment Report	Write Offs	Appointment of Boards, Committee and Chairs	Members Self-Assessment Report
	Annual Fund Meeting		Questions in meetings of District Councils	Members Learning and Development Strategy
	Partner Fund Director Proposals			
Training & Development				

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SOUTH YORKSHIRE PENSIONS AUTHORITY

18 JANUARY 2018

Report of the Treasurer and the Interim Fund Director

TREASURY MANAGEMENT STRATEGY REVISION: Counterparty Limits

1) Purpose of the report

To seek Members' approval of the changes to the treasury management strategy followed by the Authority. These changes are limited to the levels of cash we can deposit with counterparties. They arise from the need to hold higher levels of cash that previously as we effect changes in the benchmark allocation i.e. reducing exposure to equities pending reinvestment in alternative investments and real assets.

2) Recommendation

It is recommended that the Authority:-

a) Agrees the changes to the Annual Investment Strategy: The current limit for counterparties with a short term credit rating of F1 or better be changed to £40m. This £40m limit should also apply to HSBC and Lloyds (the Authority's principal bankers) but with the ability to increase this to £50m in exceptional circumstances. The level at which use of the DMO facility be reported to the Board be increased to £50m.

b) Keeps the above under review.

3) Background information

3.1 Local authority treasury management activities are governed by Section 12 of Part I, Chapter I of the Local Government Act 2003 ("the Act") which provides that a local authority may invest "for any purposes relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs". Pursuant to section 15 of the Act, in carrying out its functions, a local authority is required to have regard to relevant guidance and regulations issued by the Secretary of State and under the supporting Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to "have regard" to the Chartered Institute of Public Finance and Accounting (CIPFA) publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Code"). The Code was updated in December 2017 and covers the whole range of treasury management issues, including the fundamental principles for making and managing investments and requires local authorities to prepare an

annual Treasury Management Strategy Statement (“TMSS”). Under the Code treasury management is defined as:

“the management of the Authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks”.

3.2 Amongst the primary requirements of the Code are the need to establish and maintain a Treasury Management Strategy Statement (TMSS) which sets out the policies and objectives of the Authority’s treasury management activities and sets out how they will be achieved; approval of the Annual Investment Strategy (AIS); regular reporting on activities during the year and establishment of the delegation by the Authority of its responsibilities to other bodies and its officers. This report embodies the principles of the CIPFA Code and the Act and hence there is no separate TMSS published. For this Authority the delegated scrutinising body is the Corporate Planning and Governance Board and relevant monitoring reports are presented thereto.

3.3 As is normal practice the AIS will be presented to Authority at its meeting in March 2018 for adoption along with the Affordable Borrowing limit and the Minimum revenue provision policy statement.

4) Changes to the Annual Investment Strategy

4.1 Regular reporting on Treasury Management activities is provided to the Corporate Planning and Governance Board and the last update was in October 2017.

4.2 The Authority manages its cash itself. The customised benchmark allocation for cash remains at 1.5% with a tactical range of 0%-10%. Some cash needs to be held in order to service creditors etc., pension payroll and potential currency hedging requirements. In absolute terms the amount of cash held at any one time might run to tens of millions of pounds but it is normally going to represent a relatively small percentage of total Fund assets. This is one reason why the CIPFA Code has not been universally adopted by Local Government Pension Scheme (“LGPS”) administering authorities for the purposes of investing local authority pension funds. The specialised nature of pension fund monies does not lend itself easily to the Code: this is especially so since the funds themselves have no borrowing powers.

4.3 As a result of market conditions the Fund remains relatively overweight in equities. There has been a natural reluctance to reduce that exposure and hold large cash balances whilst we endeavour to get money into alternative investments for which we have increased the benchmark allocation.

4.4 The Authority has also agreed to an Equity protection strategy which is based on the lower levels of equity exposure.

At the recent investment board meeting progress towards the new benchmark was questioned. As a result of further discussions with the advisors, officers feel that we should look to reduce the equity exposure to fit more appropriately with the equity protection strategy. Cash will be held until it can move into alternative investments and property which are both underweight.

4.5 This will result in increased cash levels which the current Treasury Management Strategy would struggle to accommodate simply on the number of counterparties that would be required.

4.6 The current cash limits in the strategy have been in place for a number of years and were based around a much smaller overall fund value and a time when the fund didn't hold large cash balances. The average cash balance at the time would have been well below £100m. Added to this is the counterparty appetite for longer term money against the Fund strategy of maintaining higher levels of short term (up to one month) cash deposits which limits the supply of suitable counterparties.

The movement from equities in January will raise approximately £200m increasing cash levels to around £320m by the end of this month, with the potential for this to increase further before the monies can be invested back into the market. Even at these levels the allocation to cash is well within the benchmark allocation which is up to 10% of the Fund (up to £800m at current valuation).

4.7 Currently, investments are restricted to a limited number of organisations which enjoy a credit rating of F1 or better for short term debt. A definition of this credit rating and a list of counterparties used in April to September 2017 is shown at Appendix 1.

The current limit for counterparties with a short term credit rating of F1 or better is £15m, the recommendation is that this be changed to £40m. This £40m limit should also apply to HSBC and Lloyds (the Authority's principal bankers) but with the ability to increase this to £50m in exceptional circumstances. Item 3.9 covers the DMO facility which has no deposit size limit but is subject to any use over £20m being reported to the Board at each update, this too should be increased to £50m.

4.8 All of these limits are to be kept under regular review and to be amended to fit investment strategy and therefore overall cash levels. All loans take account of the quality of the borrower and the level of the loan relative to the whole lending book. Any changes in limits during the year will be reported at the regular updates to the Board.

5) Implications

5.1 Financial

There are no implications not otherwise mentioned within the report.

5.2 Legal

It is not thought that there are any legal implications.

5.3 Diversity

There are no diversity implications.

5.4 Risk

This Authority is the formal decision-making body for treasury management matters and has responsibility to ensure that adequate risk management

processes are in place. This it discharges by agreeing a treasury management strategy and ensuring that compliance with it is regularly monitored by the Corporate Planning and Governance Board. There are potential reputational and financial risks that could arise from non-compliance with the Act and Regulations. It should also be noted that the ratings issued by credit rating agencies are only one means of assessing creditworthiness and are open to error and interpretation.

Neil Copley
Treasurer

Steve Barrett
Interim Fund Director

Officer responsible: Bev Clarkson Head of Finance Contact telephone: 01226 772876

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

Other sources and references: CIPFA; Capita Asset Services, Bank of England, Fitch

CREDIT RATING AGENCY DEFINITIONS**Fitch Short-term Ratings**

Rating	
F1	Highest credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote an exceptionally strong credit feature.
F2	Good credit quality. Good intrinsic capacity for timely payment of financial commitments.
F3	Fair credit quality. The intrinsic capacity for timely payment of financial commitments is adequate.

SOUTH YORKSHIRE PENSIONS AUTHORITY**LIST OF BORROWERS: APRIL 2017 to SEPTEMBER 2017****Banking institutions rated F1 or above as per Fitch Ratings Ltd**

AUSTRALIA & NEW ZEALAND BANKING GROUP	F1+
DBS BANK LTD	F1+
DZ BANK AG	F1+
LANDESBANK HESSEN THUERINGEN (HELABA)	F1+
NATIONAL BANK OF CANADA	F1
OVERSEA CHINESE BANKING CORP	F1+
RABOBANK	F1+
SOCIETE GENERALE	F1
SUMITOMO MITSUI BKG CORP EUROPE	F1
UNITED OVERSEAS BANK	F1+

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SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

Report of the Treasurer

REVENUE ESTIMATES 2018/19

1 Matter for consideration

Following various consultations, to formally confirm the draft budget proposals considered by the Authority on 30 November 2017, revised for the National Employers pay offer made on 5 December 2017, but not yet agreed, and summarised herewith.

2 Recommendations

The Authority is asked to formally confirm the budget proposals and approve the budget of £8,981,300 for 2018/19.

3 Background Information

- 3.1 At its meeting on 30 November, the Authority considered draft budget proposals for the 2018/19 financial year. The key elements of these proposals were subsequently the subject of consultations with various interested parties and no changes were suggested.
- 3.2 On 5 December the Employers' side of the NJC made a detailed 2 year pay offer increasing the national pay bill by 5.6% over two years. The offer is for 2% per annum for salaries starting at £19,430 per annum with higher increases for those on lower salaries. In effect the new salary scales will start at a bottom rate of £8.50 per hour increasing to £9 per hour in 2019 which will largely bring it in line with the living wage.
- 3.3 The pay offer for 2018/19 has now been built into the figures presented at the November meeting on the basis that this is the latest information available and has resulted in an increase of £46,200 (£8,981,300 against £8,935,100). This offer is with the Trade Unions for consultation and has not yet been agreed.
- 3.4 A summary of the amended draft budget as considered at the Authority meeting on 30 November is attached at Appendix A with the only change being the extra £46,200 under employees expenses. The full report considered by members at that meeting can be accessed on the Pensions website.

4 Implications

- 4.1 Financial
An additional £46,200 reported above compared with the report to the November 2017 Authority meeting.

- 4.2 Legal
None
- 4.3 Diversity
None
- 4.4 Risk
None

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	3,190,600
INVESTMENT EXPENSES	3,860,100	4,200,800	5,790,700
POOLING SET UP ADJUSTMENT	7,042,600	7,217,100	8,981,300
CONTINGENCIES	130,500	-0	-0
	-0	-0	-0
TOTAL EXPENDITURE REQUIREMENT	7,173,100	7,217,100	8,981,300
INVESTMENT COSTS LINKED TO MARKET VALUES	1,770,000	1,800,000	4,113,000
NET CONTROLLABLE BUDGET	5,403,100	5,417,100	4,868,300
RECHARGED TO:			
FUND	7,003,100	7,107,100	8,981,300
SYPT PENSION FUND	170,000	110,000	-
	7,173,100	7,217,100	8,981,300
ACTUARIAL WORK CHARGED TO FUND	90,000	90,000	90,000
<u>MEMORANDUM ITEM</u>			
DISTRICT OFFICES			
Barnsley	104,300	105,600	111,300
Doncaster	114,200	90,100	117,800
Rotherham	87,300	90,100	92,000
Sheffield	120,600	123,400	127,600
	426,400	409,200	448,700

SOUTH YORKSHIRE PENSIONS AUTHORITY

ADMINISTRATION EXPENSES

REVENUE ESTIMATES 2018/19 AT OUTTURN PRICES

	2017-18 ORIGINAL ESTIMATE £	2017-18 PROBABLE OUTTURN £	2018-19 ESTIMATE £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	2,238,900	2,027,300	2,171,500
Training Expenses	14,000	14,000	14,000
Other Indirect Expenses	23,800	23,900	24,500
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	157,000	157,000	162,000
TRANSPORT RELATED EXPENSES			
Public Transport	3,000	2,000	3,000
Car Allowances	7,000	5,000	7,000
SUPPLIES AND SERVICES			
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
CENTRAL EXPENSES			
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
GROSS EXPENDITURE	3,315,500	3,149,300	3,319,600
MISCELLANEOUS INCOME	133,000	133,000	129,000
NET EXPENDITURE	3,182,500	3,016,300	3,190,600

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 £
EXPENDITURE			
EMPLOYEES			
Administration and Clerical	1,201,000	1,248,500	938,300
Training Expenses	4,000	6,000	18,000
Other Indirect Expenses	5,000	9,000	8,100
PREMISES RELATED EXPENSES			
Rents - Office Accommodation	48,000	48,000	49,000
TRANSPORT RELATED EXPENSES			
Public Transport	8,400	9,000	9,000
Car Allowances	3,500	3,500	3,500
SUPPLIES AND SERVICES			
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	1,174,700
<u>INVESTMENT MANAGEMENT EXPENSES</u>			
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
<hr/>			
INVESTMENT MANAGEMENT EXPENSES	2,584,500	2,630,000	4,616,000
<hr/>			
NET EXPENDITURE	3,990,600	4,200,800	5,790,700
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SOUTH YORKSHIRE PENSIONS AUTHORITY

18th January 2018

The General Data Protection Regulation (GDPR)

1. Purpose of the Report

To update members on the work being undertaken to prepare for the implementation of the GDPR on 25th May 2018.

2. Recommendations

Members are recommended to note the contents of the report and to comment on the progress being made

3. Background Information

3.1 GDPR is operative from 25th May 2018 and applies to all EU organisations that hold and/or use personal data about individuals. At the last authority meeting on 30th November I reported on the core principles of GDPR and provided an update of the preparatory work that had been undertaken at the time. I also informed Members that I would provide further update reports at each subsequent meeting prior to the implementation date and therefore this report provides the latest position as the beginning of January 2018.

4. GDPR – Project Update

4.1

Work Undertaken	Purpose	Progress
GDPR Project Group	Implementation	A project group has been created and is being led by the IT Manager. The group is made up of senior managers who between them are responsible for all data use within SYPA. Tasks are being assigned to group members and a project plan is being developed. ICO Gap analysis forms the basis of the plan.
GDPR Training	Management Awareness	Webinar Participation Seminar Attendance Receipt of Guidance Notes and Legal Opinion
IT Staff Certification	Training/Accreditation	IT Manager and Assistant IT Manager both passed

		their exams and are now Certified General Data Protection Regulation Practitioners
Secure E-Mail	GDPR Compliance	Egress now being rolled out and staff being trained in its use. Updated guidance re E-mail correspondence with scheme members is being developed
Data Protection Officer	GDPR Compliance	BMBC have confirmed that their DPO will report to the Head of Internal Audit. A request has been made to have part-time access to this report
Network Data Tidy	GDPR Preparation	This is virtually complete.
Software Purchase	Data Loss Prevention	SQL Server Core Enterprise 2017 software has been purchased as it contains the ability to encrypt all data at rest reducing the threat of data loss from a cyber-attack. The software cost was £17,516.34.
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 is our preferred option although this is subject to our evaluation of the training material once available. There are already a number of good online learning courses available should the BMBC offering not be ready in time.

4.1 A further progress report will be brought to the March 2018 meeting.

5. Implications and risks

- **Financial** - GDPR is an issue affecting the Authority as a whole and one which cannot be ignored. The costs associated with GDPR are not expected to be more than £50,000 in total and these costs will be met from the Corporate Strategy Reserve.
- **Legal** - There are no specific legal considerations.
- **Diversity** - None

Officer responsible:

Gary Chapman Head of Pensions Administration

Phone 01226 772954

E-mail: gchapman@sypa.org.uk

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

Review of the Authority's Pensions Administration Strategy

1. Purpose of the Report

To provide Members with an opportunity to comment on the proposed amendments to the Pensions Administration Strategy Document, attached to the Report.

2. Recommendations

Members are recommended to approve the proposed amendments to the Pensions Administration Strategy Document as detailed by the highlighted text in the attached draft document.

3. Background Information

- 3.1 The Authority launched a consultation with Employers in November 2015 on the introduction of the Authority's first Pensions Administration Strategy.
- 3.2 The Strategy is provided for under the Pensions Regulations and was designed to help improve Employer Performance in all areas, but specifically in the matter of the submission of Annual Contribution Returns to better facilitate the timely publication of more accurate member Annual Benefit Statements which is a statutory obligation on the Fund.
- 3.3 The Authority approved the Strategy in March 2016 and it went live on the 1 April 2016.
- 3.4 One of the more important aspects of the Strategy was the introduction of financial penalties for Employers submitting late Annual Returns for the 2015/16 year and subsequent years. The Strategy was an immediate success with 95% of Employers submitting a usable balanced return in 2016 by the deadline of 31 May.

4. The amendments

- 4.1 A number of factors were behind the review of the Strategy Document, the main one being the need to introduce into the Strategy the concept of monthly posting and data file submissions along with the administration requirements for the new process. The opportunity was also taken to review the document as a whole and introduce some new items whilst revising others.
- 4.2 Financial penalties have been increased to further incentivise employers to meet the requirements of the Strategy, some new penalties have been introduced to cater for the late submission of monthly files and the failure to clear Year End queries arising from the 2017 Returns. References to Regulation by the FCA have been removed following the transfer of the Transport Fund, a new section on the Authority's Advisory Services has been introduced along with new sections on Tax Allowance Breaches and the service the Authority intends to provide as an annual exercise for affected members.

- 4.3 Some changes are more cosmetic where the opportunity has been taken to revise and improve grammar or improve the information provided. All amended text has been highlighted in blue within the attached draft document for ease of identifying the areas that have been changed.

5. Consultation

- 5.1 A six week consultation period with Employers commenced on the 1st January 2018 although the revised document has been available to them since mid-December. Notice of this consultation period was given at the Employers Forum together with a special e-mail address to which comments should be sent. No comments have as yet been received.

6. Authority Approval

- 6.1 Officers offer the revised draft document for initial approval at this January meeting along with the opportunity for Members to offer their own suggestions and comments for inclusion. Following the closure of the Employer consultation period on 12 February We would then intend to present the final document for ratification at the March meeting of the Authority.

7. Implications

- **Financial** - None
- **Legal** - None
- **Diversity** - None
- **Risk** - None

Gary Chapman
Head of Pensions Administration
Phone 01226 772954
E-mail: gchapman@sypa.org.uk

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

Administration Strategy

2017/2018



SOUTH YORKSHIRE
PENSIONS AUTHORITY



SOUTH YORKSHIRE PENSIONS AUTHORITY
 STRATEGY FOR THE ADMINISTRATION OF
 THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 19 March 2018. For the South Yorkshire Passenger Transport Pension Fund, (the administration of which is carried out by South Yorkshire Pensions Authority on an agency basis), and its one participating employer, First South Yorkshire Ltd, the effective date of this strategy will be 1 May 2016.

It has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Gary Chapman

Head of Pensions Administration
 South Yorkshire Pensions Authority

Review Date(s)	6	Potential New Employers	23
The Regulations	6	<ul style="list-style-type: none"> • Academies • Transferee Admission Bodies • Community Admission Bodies • Town & Parish Councils 	
Service Level Agreements	7	New Employer Requirements	25
Scope	7	Fees for the provision of information and additional non-standard work	26
Statement of Administering Authority objectives and aims	8	Internal Dispute Resolution Procedure	27
Equality Statement	9	Actuarial Services	27
Member Services	9	Payroll Services and Providers	28
Reporting Policy	10	Service Standards	29
Data Handling and Sharing	11	<ul style="list-style-type: none"> • Service Level Standards • Customer Charter Standards 	
Administering Authority Duties and Obligations	12	Financial Penalties for Non-Compliance	31
Administering Authority Discretions	12	Interest	32
Employing Organisation Duties and Obligations	13	Debt Recovery - Policy & Procedure	33
Employing Organisation Discretions	14	Special Requirements for Educational Establishments	34
Provision of Information by the Administering Authority to:	14	Administration Guide for Employing Organisations	35
<ul style="list-style-type: none"> • Members/Member Representation • Independent Financial Advisors • Participating Employing Organisations • Other Administrating Authorities • Fund Actuary • Government and other Public Sector Agents 		Appendix A- Financial Penalty Details	36

REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned or thought to be necessary outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- [The Public Sector Pensions Act 2013](#)
- The Pensions Act 1993
- The Pensions Act 1995
- [The Pensions Act 2014](#)
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

[This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances](#)

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by [Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later](#)), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The annual provision of information by employers about their scheme members ([it is anticipated that 2018 will be the last year that annual information will be required, see next bullet point](#))
- [The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason](#)
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment [to the Fund](#) of employee and employer contributions including any additional contributions paid by scheme members
- [The payment to the Fund's appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs](#)
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement

- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- [The Provision of Scheme compliant Payroll Services by employing organisations](#)
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
 - Individual member retirement benefit estimates
 - Bulk member retirement benefit estimates
 - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

“The Authority wishes and intends to provide a high quality pensions’ service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority”**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that it complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- [Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English](#)

[Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.](#)

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its five locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future.

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement
- By a follow up letter confirming the excess savings amount and the implications for tax if any
- By providing further information on the options available through the Scheme for discharging any tax liability arising

In addition SYPA will run a tax seminar each year aimed at those members whose level of earnings might demand more information on these tax issues for the people concerned. Such seminars will be presented by Independent Advisors licensed to provide information and advice. SYPA reserves the right to levy a charge if necessary.

Additionally, to assist SYPA in providing as timely and accurate a service as possible in relation to Annual Allowance issues it will, at the end of March each year, write to every participating organisation having any members deemed to be at risk of breaching the Allowance to request additional details of those members' pay for the period 6 April to 5 April for the year in question. This information will have to be provided to SYPA by the 21 April. This is in advance of the deadline for the 2018 Annual Return and covers a slightly different but critical period to that covered by the return.

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting "material" employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at: www.thepensionsregulator.gov.uk

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting "material" data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 are due to come into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a "Data Controller", will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Enter into all necessary agreements with those parties with whom it obtains and shares data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Obtain the appropriate consent from individuals to hold their data on any of its systems
- Only use their data for the purposes for which it was collected

- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority's systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications' Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person's previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pensions Manager, this avoids any conflict with the IDRPA Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the estate and any dependants.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within 41 days of the end of the Scheme Year, with a statement of details of every employee that has been an active member during

the scheme year. Whilst Regulation requires provision within three months, SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise and from the commencement of Monthly Posting from April 2018

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. [These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case\(s\) concerned.](#)

[Therefore, as a minimum, SYPA will always](#) administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other [appropriate legislation](#).

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.

- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issues Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then the SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties [according to the Court's direction](#).
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. [Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.](#)

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period. The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member

The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as [announced](#) by the Government in the 2015 Spring Budget and [enabled in subsequent legislation](#)

Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
 - 1 January to 31 March
 - 1 April to 30 June
 - 1 July to 30 September
 - 1 October to 31 December

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated [through the EPIC System or any subsequent replacement system developed and introduced by the Authority](#)
- The Authority will hold an Employers' Forum at least once a year, usually in the Autumn, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Retirement Estimate requests for individual employees will be provided [within 5 working days](#) of the Authority being in possession of all information necessary to ensure the accuracy of the estimate
- Bulk Retirement Estimate requests [involving 20 or more employees](#) will be provided [within 10 working](#) days of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided [within 10 working](#) days of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations.

Other Administering Authorities:

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	July
Interim Results	September/October
Individual Employer Results Consultation	October/November
Formal Report	March

There are no employer charges or fees related to the Valuation [unless additional bespoke work is requested](#).

[Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by deducting and paying over the correct contribution amounts. This is an Audit requirement.](#)

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain [and provide](#) the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year [as follows](#):

- [Organisations with a Year End of 31 March](#)
- [Educational Establishments with a Year End of 31 July](#)
- [Academies with a Year End of 31 August.](#)

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End - SYPA writes to employers inviting participation and collection of data begins

Mid-February prior to Year End - Data issued to Actuary

Mid-April following Year End - Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End - SYPA writes to employers inviting participation and collection of data begins.

By 3rd week in July - Data issued to Actuary

End of August following Year End - Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End - SYPA writes to employers inviting participation and collection of data begins

By Mid-August - Data issued to Actuary

End of September following Year End - Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will be recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "least risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents

The Authority has signed up to be included in the National Audit Office's (NAO) bi-annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, [and the General Data Protection Regulations, \(effective May 2018\)](#), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months
- Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6 months according to the recommended priority matches received from the NAO

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework relating to the payment of Death Grants from the Fund the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies have no choice and are required to offer their non-teaching staff membership of the LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies

- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of, or, where the appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS [from day one of the contract](#)
- Have other systems and staff in place to ensure continuity of the pensions administration function [from day one of the contract](#)

Community Admission Bodies

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme [in the format required](#)
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- [Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted](#)

- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for non-standard work requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work **which could then** compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- **A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information**
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing organisation in the original decision making review process. **Possibly as a result of the Employer concerned:**

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or **some** bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the

Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is a participating in the South Yorkshire Fund

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that The new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable

it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a financial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

- | | |
|---|------------------------|
| • Respond to employer queries | 5 working days |
| • Individual retirement benefit estimates | 5 working days |
| • Individual early retirement employer costs | 5 working days |
| • Bulk retirement benefits estimates (20 or more) | 10 working days |
| • Bulk early retirement employer costs | 10 working days |

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the "event date" to the date of receipt by SYPA in its HQ Office at 18 Regent St, Barnsley, S70 2HG.

Employing Organisation to Administering Authority

- | | |
|--|----------------|
| • Notification of a new scheme joiner | 8 weeks |
| • Notification of a member's contractual change | 4 weeks |
| • Notification of a member leaving the Scheme with a right to immediate payment of benefits | 4 weeks |
| • Notification of a member leaving the Scheme without a right to immediate payment of benefits | 8 weeks |
| • Notification of the death of an active member | 2 weeks |
| • Provide a written response to any query | 1 week |

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

- Complaints **3 working days**
- General Enquiries **5 working days**
- Provision of information for Divorce Proceedings **5 working days**
- Notification of death benefit entitlements to Dependants and/or representatives **4 working days**

Active Members

- Setting up a new joiner record **5 working days**
- Making changes to records **5 working days**
- Providing information about Additional Benefits **12 working days**
- Provision of Retirement Benefit Estimates* **5 working days**
- Providing transfer value quotations **5 working days**

Preserved Pensioner Members

- Notification of Entitlement **20 working days**
- Provide an updated benefit statement **5 working days**

Pensioner Members

- Information on re-employment **7 working days**

*Subject to the Authority's policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non-compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies

The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned.

The table in **Appendix A** provides details of the fixed penalty.

Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund

Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension

- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose financial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	£350 + VAT
Provision of information in relation to Accounting Standards Exercises	Currently £100 + VAT but being reviewed
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	£350 + VAT
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

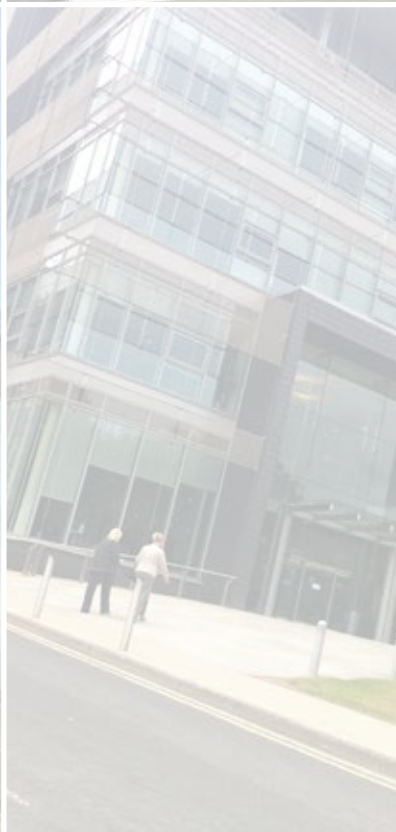
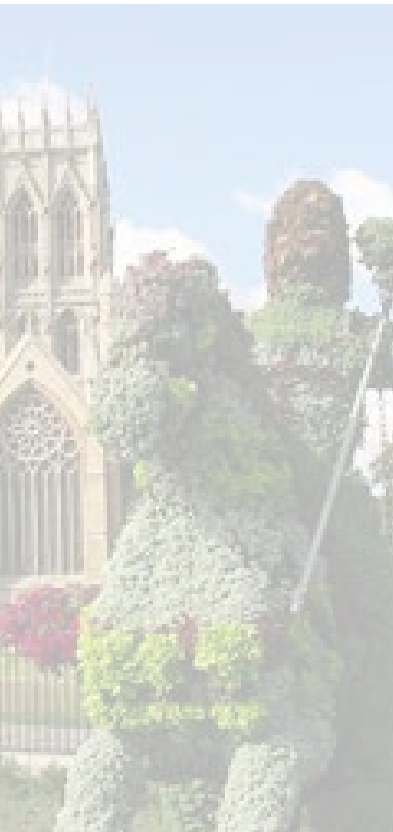
Penalties

Year End Returns 2018 Failure to submit a usable, balanced Year End Return by the deadline detailed in this document (4-00 pm, Friday 11 May 2018)	A fixed penalty of £500 plus a further fixed penalty of £50 per day for every further day late following that deadline
Queries arising from the Year End The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query Responses to queries necessitating a re-query	£25 per case query £10 per case re-query
Monthly Returns from April 2018* Failure to submit a monthly return by the 19th of the month following the month of employees' contribution deduction	A fixed penalty of £500 plus a further fixed penalty of £50 per day for every further day late following that deadline
Service Level Agreements Failure to submit member event information in line with the requirements of the SLA through the monthly posting facility effective from April 2018	£25 per case
Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of £500 plus a Further fixed penalty of £250 for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of £1000 for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline plus the standard penalty for late submission of monthly returns

*SYPA anticipates and expects that there could be initial teething problems with the submission of monthly returns.

For 2018 only, and for the month of April only, the first submission under the new monthly return procedure will, if late, not incur a penalty where the Employing Organisation or its Payroll Provider, is having difficulties and communicates those difficulties to SYPA immediately they are aware of them. Where such communication is made SYPA will endeavour to provide all the assistance and guidance it can to ensure the problem is rectified.

Where no communication is made any subsequent penalty incurred as a result will stand.



SOUTH YORKSHIRE PENSIONS AUTHORITY

18th January 2018

Scheme Members' Annual Fund Meeting

1. Purpose of the Report

To report on the meeting held on 19 October 2017.

2. Recommendations

Members are recommended to note the contents of the report.

3. Information

3.1 This year's AFM for scheme members was held at The Source Academy, Meadowhall on the evening of 19th October. There were 77 members present, as follows –

- Pensioners - 56
- Contributors - 11
- Deferred members - 4
- Councillors – 6

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

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

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

3.3 Questions received prior to the meeting

Q. I would like an update on developing an ethical investment policy.

A. (Steve) We have a responsible investment policy which takes into account environmental, social and governance issues which could have a material/financial impact on companies and performance and hence our interests in them in terms of their overall return to the Fund. That policy has been recently reviewed and is available on the SYPA website.

Q. How will Brexit affect pension funds?

A. (Steve) Difficult because we don't really know what is going to happen with Brexit negotiations. Initial concerns that it would have a dramatic effect on the economy and that hasn't been followed through thus far. Our performance has been strong in terms of equity markets although it has led to the devaluation of sterling so that had an effect on the Fund positively because the European investments that we have denominated in Euros went up in relative value which lead to an increase in inflation and we have seen this week inflation rise to 3% so it's difficult to say what will happen in the future but so far so good. Watch this space in terms of Brexit.

Q. What is the current situation with our funds invested with the Icelandic banks?
How much do they still hold?
What is the rate of return now?
Are you content with the way things stand?

A. (Steve) we've had about all we are going to get back from the Icelandic Banks (about £18.5m loans advanced at the maximum level. We've now had about 92% of that back at £17m).
There was quite a process to start with where we engaged with the Local Government Associations who were negotiating for a lot of local authorities and funds from Icelandic Banks, so against the worst case position where recovery was as low as £14.5m I think we've done well to get it up to 17m as a final result. Are we satisfied with that? - Are we content with that? - I think it is as good as it's going to get. We can't be entirely content because we didn't get every penny back.

Q. How does SYPA ensure probity in operating the organisation?

A. (Steve) We are very proud of the high standards that the organisation operates to. Personally I think that if anybody dips into the websites of how our meetings are conducted they are an example in how business meetings should be conducted. The meetings are public (some confidential papers aren't). But for the majority of papers in the public domain are on our website. We are subject to internal and external audit. We have a corporate planning & governance board which met this morning which is our own audit committee which receives papers from internal and external auditors commenting on performance and raising issues to the attention of members. We are subject to review by our own independent Local Pensions Board which looks after some of the stuff I was talking about earlier, how the investment practice is working. We have three independent advisors on that board and they are very challenging as the members of the board will testify to- they are not slow in coming forward with any questions. They get straight into our ribs on certain issues and I think that is an excellent example of very good governance. We are also subject to regulations by the Pension Regulator and we are also subject to regulations by the Financial Conduct Authority. All our key investment staff are approved by the FCA so I think our governance standards are second to none.

- Q.** In the SYPA Climate Policy Report (December 2016) you say that an in-house monitoring tool is being used to help measure the carbon intensity of the Fund and that you will commission a further carbon audit in December 2017. Will the authority make the results of the carbon audit public? What steps has/will the authority take to reduce the carbon exposure of the pension fund based on the results of the monitoring?
- A.** (Steve) We have commissioned another carbon audit. We have agreed as part of our policy that we would do that periodically. We have only just recently taken a report to members about that. We've commissioned a new audit and we should have the results on that by the end of this year, where we can make some comparisons with the report from two years ago and see how the fund stands in terms of its carbon levels.
- Q.** The Environment Agency Pension Fund is now in surplus, with strong investment returns, after its decision to reduce carbon in its portfolio, demonstrating that carbon reduction does not automatically equate to reduced returns. Does the board plan to follow this good example and take positive action to build on the policies of tilting towards a lower carbon portfolio?
- A.** (Steve) Effectively we have tilted towards a lower carbon portfolio. But the reasons for the Environment Agency surplus are more about the overall market about the strength of equity performances as I mentioned earlier so they delivered 19.6% return. In 2016/17 we delivered 22.5%.
- Q.** What progress has been made in 'tilting' SYPA's investments towards lower carbon assets? In particular, please let us know where have new investments been made in sustainable activities/projects including local infrastructure or affordable housing?
- A.** (Steve) Since April 2016 we've put an extra £90m into alternative investments, things like infrastructure and private debt funds, private equity funds. Many of the funds are in the low carbon areas or infrastructure around rail, hydro gas transmissions, holding stock but also things like waste to energy infrastructures including one quite recently in a bio mass plant in East Yorkshire (Hull). We've put £90m into that area and we have also invested in social housing through real estate investment trusts. So we don't directly invest but we are part of a trust which is a bigger entity and gives us the opportunity to get some investment into the social housing areas with a number of social housing bodies that are funded through each trust.
- Q.** The SYPA Climate Policy states that it will endeavour to manage a tilt within portfolios in favour of lower carbon assets in line with the Paris agreement, with a view to progressively decreasing the Fund's carbon exposure. How do you reconcile this with the fact that, based on your published investment holdings, your holdings in many fossil fuel companies including Shell, BP and Glencore, went up between 2016 and 2017?
- A.** (Steve) I showed you two slides earlier, Top 10 Holdings and the index and why we invest in those because the index is weighted into oil, gas, mining etc. If we followed that index and had all our money in there, we'd be at 100% if you like, but we are at 80+% so we have tilted our policy to that extent and whilst some holdings did increase slightly in BP and other, Glencoe, they did

reduce in other areas; a mining company and in oil companies to compensate for that.

- Q.** The pooling of Local Government Pension Scheme funds has been timetabled for early 2018. What plans now exist to ensure there are low carbon funds and strong responsible investment policies in place which build on the work already taking place at SYPA?
- A.** (Steve) We are leading on responsible investment. We have got one of our officers who is leading that work on behalf of BCPP. She is at a meeting today (AGM meeting) exercising her influence over one of the mining companies that we are talking about and it's our policy to engage rather than look to divest. We try and persuade businesses to move in this sort of direction rather than look for overall divestment. Had she not been there I'm sure she would have been here tonight. We have got very strong responses to the investment policies and if you dip into the SYPA website you will see that has recently been discussed by the authority and it is used in effect as the blueprint for BCPP. So we try to align our views on responsible investment with BCPP and encourage that alignment with the other 11 partners in BCPP so that we are all on the same playing field around responsible investment. I do expect that the issues around carbon funds will be on the agenda and get discussed as things move forward and if there's sufficient demand from all 12 partner funds that will have to be addressed by BCPP moving forward.

Questions from the floor

- Q.** You did mention about putting money into investment in, I thought you said personal debt originally, but then maybe it was private debt. What do you mean by investment in either personal or private debt?
- A.** (Steve) Apologies- it would be lovely if it could be my personal debt but I should have said private debt funds, private equity funds so it is private equity which is partnership companies that come together where we can take some of the actual equity and private debt funds is where people are providing resources that banks traditionally provided
- Q.** *Yes but that means that people are borrowing money and you are lending that money so that you will be in a position where you might have to then chase up the repayment?*
- A.** It means that we are providing the cash to people that fund businesses where businesses would normally have relied on banks so there is a risk but there is return too.
- Q.** *But its businesses, not individuals*
- A.** Its businesses
- Q.** Could I then ask a quick question of Gary- you did show in your membership chart that the deferred members were gradually growing and going past the active members, bearing in mind that there is this life expectancy increasing which you also mentioned, so does that mean that there could be a potential liability in the future that you might end up having to find funds that are diminishing?

- A.** (Gary) Yes, it is the nature of funding. The pension fund that we have got is a mature pension fund in that the liability eventually, in terms of cash flow from contributions coming in and benefits going out, won't pay them so we have to realise assets but that is the trick that we have to do at the actuarial level. The nature of pension funding and actuarial science is that what we have to pay the last pensioner their last penny on the day that they die. So every three years we do an actuarial valuation of the fund that says what is needed in the pension fund from employers, taking into account their employees contributions as well as investment performance on the assets. At some point in time the assets that we have, that will be in equities for growth, would be moved into defensive assets such as bonds to pay out as cash, that is the nature of pension funding. The problem comes when the fund is in deficit. So if the fund is in deficit then there isn't sufficient money in, from what should be in to balance the books, your assets and your liabilities. What we've got with the fund employers is a plan which is a long term plan, they are paying money back over and above what is needed for future membership to pay back that deficit, so each employer in the fund is actually paying extra to meet that requirement. If at any point in time the cost of the scheme becomes too expensive then there is a national cap that would limit the employer contributions and it is at that time when you have to look at the benefit entitlement- not for what's being paid to pensioners already but to existing employees and maybe then a discussion about how to change the pension scheme in the future. Should that happen there are protections in place to ensure that you can manage the pension fund going forward.
- Q.** (Comment) I want to put some points to you people. First of all I worked on the bins in Sheffield and I was finished through ill health in 1992. It was 2006 that I found out I had emphysema and asthma so can you go through all the old bin men in South Yorkshire who worked on your bins, and never had pulmonary tests.

Now the second thing that affects the British economy, the North East of England is the only place in Britain that exports more than we import year in and year out. Now we've had City Regions dumped on us by Westminster and the Labour run councils. In Teesside in the South Val region and North Val region from Tyneside to our boundary with Scotland. Now if these City Regions fail the British Economy will go with it. Make no mistake about this and on top of this we've got these idiots in London dumping these boundary changes on us and believe this or not half of South Teesside, the second biggest industrial area in Europe is going to come under an MP from our next door neighbour in North Yorkshire, which is the biggest rural area in England. So this is what you are dealing with so take this on board.

- Q.** First of all I'd like to say how pleased I am with SYPA, I'm completely satisfied. I'm glad you've allowed some supplementary questions because questions can arise from the presentations that you give and my question is to Gary. On page 22 (of the booklet) you show on the annual review cost per member and you compare it to 30 other Local Government pension schemes. I would have found that helpful if you would have compared that also with the

schemes that we are going to join with in the BCPP. Because it seems like we are going to take a hit on that because we are efficient and they are not, or less efficient than us, and can you tell me whether their funds are in as good a shape as our fund is.

- A.** (Gary) I can't because I just don't know the answer to the question now. It is something that is available. We signed confidentiality in relation to benchmarking surveys that's why I can't publish the report to the members anyway but I could give you a general answer if I looked it up. But I don't even know whether they are a part of the 30 that participated because there are 99 funds so I don't know whether our partners in BCPP have all participated. What I do know is they all have annual reports, so effectively they are all public documents and their performance should be being reported elsewhere.

Surely you must know, if you are going to join funds in different areas, if you will be picking up a lot more costs than we have already got.

(Sue) The pooling arrangement is for investment, not for the administration of the scheme which is what you are seeing here.

- Q.** (to Steve) You mentioned that the Warwickshire, Bedfordshire and Surrey (particularly Surrey) requested to join our pooling scheme. I'm just curious as to why these strange bed partners would want to join the North?
- A.** (Sue) I don't think it was any coincidence that I met the chair of Surrey down in London before pooling where I told them that we were, I think, the only FCA registered Pension Fund. She was absolutely amazed. She had never heard of a pension fund being FCA registered and as we now know the government said all these pools have to be FCA registered and I think that might have been one of the things that she thought that South Yorkshire were comfortable with FCA registered and that we work within that and other pension funds don't. I think the other thing that was particularly why BCPP co-opt together with all of its constituent parts is that we have internal investment that a lot of people admire and envy and wanted to avail themselves of that, and one of the guiding principles of BCPP is that we strengthen our investment team so that everybody can do that. It is really great value. It is a cheap way of investing how we do it and it's down to our staff that are matching the big city people on investment returns and we should all be very proud of them.
- Q.** In Steve's presentation he mentioned that Leeds is where the pool is going to open, could you elaborate on that a little - who's going, who's staying?
- A.** (Steve) The BCPP need their own headquarters. Leeds was chosen as a strategically sensible place to have a future skill set, recruit people and be able to get to. After quite a lot of discussions about where it should be, what the rationale was, the board rationale is it has got to be an office within walking distance of a major railway station, and it's in Yorkshire. It is therefore accessible for our staff who will transfer there. So from SYPA the starting

point is that our investment team will be on a TUPE transfer list to move into that office at some stage, probably around June 2018 is the current plan.

Q. How much money are we going to give to the pools?

A. (Steve) We have £7.6bn as at 31 March 2017. That's probably gone up to about £7.9bn as we speak now. We won't be giving it all because we will initially retain the agricultural portfolio because that's quite a unique thing so that's likely to stay with the South Yorkshire Pension Fund. Over the first few years we won't be transferring the property portfolio because that is a specialist area of work that will require BCPP to gear itself up to be fit and ready to take that on and a decision about that will be at least two years down the line. So that's about £7m or £8m so that will stay with the fund. We will have assets that are already committed in certain areas around our alternative investments where we have invested in private equity and private debt funds. We will continue to manage those in run off, but any new ones will be run through BCPP so there's a bit of extra in there and also will be running a bond portfolio. Most of the bonds we manage internally but we have an external bond manager for a relatively small amount of bonds. That initially will stay with us until it can be transferred. So over a period of time most assets will transfer in. Agriculture, there is no plan for it to transfer at all and property may or may not be further down the line. There will be some elements that will be running off but the majority will go.

3.4 A full recording of the meeting is available to view at <http://www.youtube.com/SYPensions>

4. Implications

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

Joanne Webster
Communications Manager
Email: jwebster@sypa.org.uk
Tel. No. 01226 772915

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

Report of the Clerk

COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF-ASSESSMENT

1) Purpose of the report

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

2) Recommendations

- a) **That the Authority notes the content of the report.**
 - b) **That Members confirm their commitment to the self-assessment process.**
 - c) **That Members agree to any development needs arising from the results.**
-

3) Contents

Main Report

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

4) Background Information

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

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

“Regulation 12(3) of the 2009 Regulations requires administering authorities to state the extent to which they comply with the guidance given by the Secretary of State on the Myners principles for investment decision making. As part of the wider deregulation, the draft regulations make no provision to report against these principles, although authorities should still have regard to the guidance.” The Authority will no

doubt wish to maintain a process whereby they periodically self-assess against a 'checklist', Myners or otherwise, such that in evidencing the principles of good governance they are maintaining high standards in the execution of their statutory responsibilities. The process needs to be transparent, proportionate and promote confidence amongst all stakeholders.

- 4.3 Members adopted a system of self-assessment in October 2011 and agreed to use a template to gauge compliance.
- 4.4 The self-assessment process consists of three separate forms:
- (i) Assessment of Authority Members.
 - (ii) Assessment of the Board Chair by Members of the Investment Board.
 - (iii) Assessment of the Board Chair by the Members of the Corporate Planning and Governance Board.
- 4.5 In order to benchmark, forms will be personalised to show the scores given in the previous year by individual members.
- 4.6 Assessment forms will be circulated to all Authority Members immediately after the Authority meeting on 18 January. Members are asked to complete and return the forms before the end of March 2018.

5. Development Needs

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

6 Implications

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

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

D Terris
Clerk

Officer responsible:
G Richards
Democratic Services Officer
01226 772806

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

Other sources and references:
CIPFA Code of Practice
CIPFA Knowledge and Skills Framework
Guidance from The Pensions Regulator

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

Principle	Best Practice Guidance
<p>The high level principles will be the accepted code of best practice throughout the industry in investment decision-making and governance. It is expected that trust boards will report against these on a voluntary 'comply or explain' basis.</p>	<p>Best practice guidance is intended to help trustees top apply the principles effectively. Trustees are not expected to implement every element of best practice. Rather trustees may use best practice examples where appropriate to help demonstrate whether compliance has been achieved.</p>
<p>Principle 1: Effective decision-making</p> <ul style="list-style-type: none"> • Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. • Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<ul style="list-style-type: none"> • The board has appropriate skills for, and is run in a way, that facilitates effective decision-making. • There are sufficient internal resources and access to external resources for trustees and Boards to make effective decisions. • It is good practice to have an investment sub-committee, to provide the appropriate focus and skills on investment decision-making. • There is an investment business plan and progress is regularly evaluated. • Consider remuneration of trustees. • Pay particular attention to managing and contracting with external advisers (including advice on strategic asset allocation, investment management and actuarial issues).
<p>Principle 2: Clear objectives</p> <ul style="list-style-type: none"> • Trustees should set out overall investment objective(s) for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the trustees and scheme employers, and clearly communicate these to advisers and investment managers. 	<ul style="list-style-type: none"> • Benchmarks and objectives are in place for the funding and investment of the scheme. • Fund managers have clear written mandates covering scheme expectations, which include clear time horizons for performance measurement and evaluation. • Trustees consider as appropriate, given the size of fund, a range of asset classes, active or passive management styles and the impact of investment management costs when formulating objectives and mandates. • Consider the strength of the sponsor covenant.

Principle	Best Practice Guidance
<p>Principle 3: Risk and liabilities</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. • These include the implications for the local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<ul style="list-style-type: none"> • Trustees have a clear policy on willingness to accept underperformance due to market conditions. • Trustees take into account the risks associated with their liabilities valuation and management. • Trustees analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. • Trustees have a legal requirement to establish and operate internal controls. • Trustees consider whether the investment strategy is consistent with the scheme sponsor's objectives and ability to pay.
<p>Principle 4: Performance assessment</p> <ul style="list-style-type: none"> • Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. • Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<ul style="list-style-type: none"> • There is a formal policy and process for assessing individual performance of trustees and managers. • Trustees can demonstrate an effective contribution and commitment to the role (for example measured by participation at meetings). • The Chair addresses the results of the performance evaluation. • State how performance evaluations have been conducted. • When selecting external advisers take into account relevant factors, including past performance and price.
<p>Principle 5: Responsible ownership</p> <ul style="list-style-type: none"> • Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholder's Committee Statement of Principles on the responsibilities of shareholders and agents. • A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. • Trustees should report periodically to scheme members on the discharge of such responsibilities. 	<ul style="list-style-type: none"> • Policies regarding responsible ownership are disclosed to scheme members in the annual report and accounts or in the Statement of Investment Principles. • Trustees consider the potential for engagement to add value when formulating investment strategy and selecting investment managers. • Trustees ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company. • Trustees ensure that investment consultants adopt the ISC's Statement of Practice relating to consultants.

Principle	Best Practice Guidance
<p>Principle 6: Transparency and reporting</p> <ul style="list-style-type: none"> • Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives. • Trustees should provide regular communication to scheme members in the form they consider most appropriate. 	<ul style="list-style-type: none"> • Reporting ensures that: <ul style="list-style-type: none"> ○ The scheme operates transparently and enhances accountability to scheme members; and ○ Best practice provides a basis for the continuing improvement of governance standards.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

Report of the Clerk

PARTNER FUND DIRECTOR PROPOSALS

1) Purpose of the Report

To consider a proposal by the Governance Sub Group of BCPP (report attached at Appendix A) and to be presented to the Joint Committee at its meeting on 16 January 2018, to appoint two directors to the Board from the Joint Committee. In doing so these individuals will then stand down from the Committee and be replaced by their respective 'alternate' Fund representative.

2) Recommendations

Members are recommended to:

- a) Comment on the proposal subject to the Chair of the Authority reporting back on the outcome of deliberations on this matter at the BCPP Joint Committee meeting on 16 January 2018.**
-

3) Background Information

The BCPP Joint Committee will at its meeting on 16 January 2018 consider a proposal to appoint two Partnership Fund Directors from the existing membership of the BCPP Joint Committee.

The timeline for the appointments process is such that the SYPA at its meeting on 18 January will need to discuss the proposal and provide a response to the Border to Coast Pensions Partnership. (The intention is to hold a ballot at the next meeting of the Joint Committee in March which is prior to the next meeting of the South Yorkshire Pensions Authority).

Given the tight timeline it is anticipated that the Authority will obtain feedback from the Chair and Fund Director to the Authority who will be in attendance at the Joint Committee on 16 January, in addition to considering the appended report.

4) Implications and risks

- Financial – Costs for these two posts will be borne by BCPP.
- Legal – None specific.
- Diversity – There are no diversity implications. A transparent appointments process will take place in respect of these appointments.
- Risk – The proposal seeks to enhance the governance arrangements of BCPP.

Officer Responsible: Martin McCarthy

Post: Deputy Clerk

01226 772808

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.



BCPP Joint Committee

Date of Meeting: 16 January 2018

Report Title: Partner Fund Director Proposals

Report Sponsor: Governance Sub-Group

Report Author: Governance Sub Group Secretary – David Hayward

1.0 Executive Summary:

- 1.1 This report sets out the recommendations of the Governance Sub Group regarding the appointment of additional director(s) to the BCPP Limited Board at the request of the Company.
- 1.2 At the last meeting of the Joint Committee the Governance sub group was asked to meet and consider how the resolution of the Joint Committee could best be implemented. Such a meeting was held and its recommendations are set out in the body of this report.

2.0 Recommendation:

- 2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.
 - 2.1.1 That two representatives of the Partner Funds be nominated by the Partner Funds through the operation of the Joint Committee at its next meeting and that those nominations be adopted by the Board of BCCP Limited and appointed as directors subject to the approval of shareholders.
 - 2.1.2 That the directors should be designated Partner Fund Directors and their nominations should be made by the Joint Committee who should adopt an exhaustive ballot procedure to select those nominees.
 - 2.1.3 That the ballot should take place at the next (March) Joint Committee meeting to allow potential candidates to consider their position
 - 2.1.4 That any member of the Joint Committee appointed to the BCPP board should stand down in favour of another representative of their fund such as a deputy or vice chair for the duration of their appointment.
 - 2.1.5 That until the nominations are confirmed the Board be requested to invite the Chair and Vice Chair of the Joint Committee to attend Board meetings as representatives with full participatory rights save for formal voting until such time as Partner Fund Directors are formally appointed.

3.0 Background:

3.1 At the last joint committee the Chair of BCPP asked the committee to consider the appointment of two additional directors. The Joint Committee agreed to this as an in principle decision and asked its own Governance Sub Group to meet and consider the implications and mechanics of appointing the said directors and who those directors might be. The minute reflecting this is set out in Appendix A to this report and formed the background to the Governance Sub Group's discussion

3.2 The Sub Group met on 4 December and reached the following conclusions:

3.2.1 The number of Directors was set by the Articles as a maximum of 8, at present it is contemplated that BCPP will have 5 in its initial complement, so the number of directors can be increased by the Company within the existing structure and without shareholder approval for change to the Articles being required.

It was noted that the number of 8 directors was introduced to allow some flexibility to meet this particular need and to ensure that if additional directors were required for proper governance of the Company that they could be introduced. There was a particular concern about the manning of the committees required to run the Company.

3.2.2 The Company suggested to the Joint Committee that it would like 2 of the Board is a matter for the Company subject to the shareholders having the right to approve any new Director. The Shareholder Agreement signed by the administering authorities provides that the initial directors (the 5 – Chair, x2 NEDs, CCEO and COO) be subject to 100% approval and subsequent directors be approved by a minimum of 75% of shareholders (9). This was noted by the Sub Group.

3.2.3 The Governance Sub Group first considered the status of the directors/appointees in the light of the three suggestions outlined in the prior resolution. The consensus was that it would be preferable (with certain provisos noted below) that the new directors should enjoy full director status which in turn would enable the nominated individuals to fully participate in the Board and to provide an LGPS input to the strategic direction of the Company. The alternative of attending representatives or observers without votes was not thought to provide the required commitment to the Board and the Company and would lend itself to standing aside and criticising rather than participating and influencing as was thought desirable.

The Sub Group were strongly of the view that any representation on the Board of the Company should be drawn from elected members of the partner funds. It was considered that neither officers nor "LGPS" representatives from outside the pool would meet the requirement to represent the viewpoint of the Partner Funds and the lack of democratic accountability for such persons would be undesirable. It would be a qualification of retaining the directorship that the Partner Fund directors remained elected members of their administering authority.

3.2.4 It was also concluded that the Joint Committee should democratically select candidates to be put forward to the Company. Selection should be by exhaustive ballot and should take place as soon as reasonably practicable. In practice it was felt that this meant that members should have the opportunity to consider their own candidacy and discuss with their administering authorities before committing to seeking selection. This means that the ballot process should be designed to allow selection at the Joint Committee meeting next following this meeting (prospectively March 2018). It was

thought that the Joint Committee should recommend to the Company that each director should serve an initial two year term with extension subject to re-election. Consideration could be given to one director having an initial one year term to avoid coincident retirements from the Board.

The Company would have to produce a role profile for consideration by potential candidates. Such a role profile would cover the requirement to meet CF2 standards. <https://www.fca.org.uk/firms/approved-persons/requirements> The requirements are set out in the FCA handbook:

<https://www.fca.org.uk/firms/approved-persons/requirements>

It is understood that experience of chairing a pensions committee would be likely to provide a sound base for any individual seeking to take on these roles.

3.2.5 The Sub Group considered whether there was a prospective conflict of interest between being a member of the scrutiny body (the Joint Committee) and the strategic direction body of the Company. It concluded that it would be inconsistent for the Partner Fund directors to maintain a position on the Joint Committee and the Board and that accordingly any member of the Joint Committee appointed to the Board should step down from the Joint Committee for the duration of that appointment and that their alternate should attend Joint Committee in their stead. This conclusion was supported by the Monitoring Officer from North Yorkshire Council who attended the meeting to provide regulatory input. It is therefore recommended that any appointment should be subject to agreement on this point.

It would be a matter for funds to determine how any conflicts within their own committees were managed. It is possible that if the performance of the Company were being discussed in a Fund's pension committee that a nominated director would have to stand aside from any decision at that time.

The importance of performing the role of director rather than representative or observer was also noted. It was agreed that the most appropriate reporting route for the Board to the Joint Committee would still be through regular appearances from the Chair (and the CEO) at the JC Meetings. The Partner Fund Directors would however act as liaison with the Joint Committee with a view to providing input into the Board rather than reporting from it. It was also noted that it would not be appropriate for the Partner Fund directors to report back to their own committees about the proceedings of the Board.

3.2.6 Remuneration for the role was also discussed. It would be for the Company to set the level of remuneration (subject to approval of budget by shareholders) but as an indicative figure it was thought that a Director fee of between £10,000 and £15,000 would be appropriate. This sum is not presently included in any budget as the provision has not been finalised.

Conclusion

4.0 The Sub Group recommended that:

- a) that the Board's wish to have two full director appointees designated as Partner Fund Directors should be accommodated

- b) that such appointees should be drawn from the Joint Committee (or potentially other suitably qualified members from administering authorities and should be elected by the Joint Committee, nominated to the Company and be subject to shareholder approval of the individuals
- c) that an election by means of exhaustive ballot should take place at the next joint committee meeting

Report Author:

David Hayward : David.Hayward@southtyneside.gov.uk

Further Information and Background Documents: N/A

SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

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) and related matters.

2) Recommendation

That Members note the report and consider the additional budgetary requests referred to therein:

- 1. A one off increase of £75k requested for implementation set up costs, per partner Authority.**
 - 2. An ongoing share of the £30k budget proposed for the Joint Committee amounting to £2,500 per partner Authority.**
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3) Background information

- 3.1 Certain reports to the BCPP Joint Committee (JC), 16 January 2018, are excluded from the press and public. Three of those, including the latest BCPP project update report are included elsewhere on this agenda, in the private part, for information. These give quite detailed briefings, consequently, this report is kept as brief as possible, commenting on some of the main issues either ongoing from earlier reports or covered in the agenda for the JC, 16 January 2018. Access is available to all the public Joint Committee papers via the link below:

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

4) Update

4.1 Overall project timeline/progress

No movement reported on the project plan go-live date of June 2018. An increase of £75k per partner Authority has been requested for set up costs. The detail behind this request is addressed in a BCPP project update report elsewhere on the agenda.

4.2 Amendments to the BCPP Board Structure

Members were advised at the last meeting that the JC had agreed the principle of appointing two shareholder directors; with 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.

The above led to a report to the JC 16 January 2018, included elsewhere on this agenda. This addresses proposals to appoint two additional elected member Directors to the BCPP Ltd Board at the request of the Company. The proposal is that these be drawn from elected members of partner funds and that they be remunerated. The report gives further detail on the rationale, proposed appointment process, tenure of appointments, consideration of conflict of interests and proposed remuneration.

4.3 Joint Committee budget

The agenda papers for the JC 16 January 2018 include a proposal to create a budget for the JC to cover expected costs including secretarial services and external advice which may be required from time to time. £30,000 has been proposed for the period from July 2018 to March 2019. It is proposed that this be met from partner funds equally at £2,500 each.

4.4 Executive Recruitment

Members have been notified previously of appointments made for the Chairman, two Non-Executive Directors, CEO and Chief Operating Officer for BCPP Ltd. Of the remaining senior roles, an interim Chief Investment Officer, John Harrison and a permanent Chief Risk Officer, Manda McConnell, will both start in January 2018. BCPP will commence a recruitment exercise for a permanent Chief Investment Officer in the next few weeks and anticipate an appointment later in 2018.

4.5 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 above a certain threshold. Further confidential reports have been prepared for the JC, 16 January 2018, setting out BCPP proposals for staffing, criteria for admission to the LGPS and issues arising from LGPS pension deficits including the Admission Authority 'guarantee' referred to below. These are included in the private part of the agenda for information.

4.6 LGPS admission and guarantee

As previously reported, SYPA has agreed to act as the Administering Authority for BCPP Ltd for their employees 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, so that SYPA is not placed in a disadvantageous position should BCPP Ltd cease operations or exit the LGPS for any reason. LGPS pension liabilities are expected to accrue within BCPP Ltd and these are intended to be underwritten by all partners. The guarantee

documentation will set out how responsibility for the guarantee will be apportioned between the partner funds.

4.7 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 final interviews were scheduled for 11 January 2018.

The advert for Head of Pensions Administration closed 4.1.18 with interviews scheduled for 29 January 2018. Timing of the latter aims to allow 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.

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. Some additional budgetary implications are referenced in this report.

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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