



**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 in the Boardroom, Town Hall, Barnsley on Thursday 15 March 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:

Gill Richards Joint Authorities Governance Unit Town Hall, Barnsley, South Yorkshire S70 2TA Tel: 01226 772806 g-richards@syjs.gov.uk	Andrew Shirt Joint Authorities Governance Unit Town Hall, Barnsley, South Yorkshire S70 2TA Tel: 01226 772207 a-shirt@syjs.gov.uk
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SOUTH YORKSHIRE PENSIONS AUTHORITY

15 MARCH 2018 AT 10.00 AM IN THE BOARDROOM, TOWN HALL, BARNSELY, S70 2TA

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 18 January 2018	1 - 6
7	Work Programme	7 - 8
8	Section 41 Feedback from District Councils	Verbal Report
9	Appointment of Head of Paid Service	9 - 10
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11	Treasury Management Strategy Statement 2018/2019	17 - 34

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13	General Data Protection Regulation (GDPR)	39 - 40
14	Review of the Authority's Administration Strategy	41 - 62
15	Pooling Update	63 - 76
	<u>Exclusion of the Public and Press</u>	
*16	Pooling Update - Border to Coast Joint Committee (Exemption Paragraph 3)	77 - 118
*17	Accommodation (Exemption Paragraph 3)	119 - 126
*18	Debt Write-Offs (Exemption Paragraph 3)	127 - 130
*19	Fund Director's Objectives and Appraisal (Exemption Paragraph 3)	131 - 134
*20	Amendments to the Post-Pooling SYPA Investment Staffing Arrangements (Exemption Paragraph 3)	135 - 138

SOUTH YORKSHIRE PENSIONS AUTHORITY

18 JANUARY 2018

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

Trade Unions: N Doolan-Hamer (Unison) and D Patterson
(UNITE)

Officers: S Barrett (Interim Fund Director), G Chapman (Head
of Pensions Administration), B Clarkson (Head of Finance),
M McCarthy (Deputy Clerk), I Rooth (Head of Financial
Services, BMBC) and A Shirt (Senior Democratic Services
Officer)

Observer: G Graham

Apologies for absence were received from Councillor
J Mounsey, G Warwick, A Frosdick, N Copley and G Richards

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

Councillor Ellis welcomed the Authority's newly appointed Fund Director, George Graham to the meeting as an observer.

3 URGENT ITEMS

None.

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

Councillor Ellis commented that several pooling reports of the BCPP Joint Committee included on today's agenda had been excluded from the public and press at their recent meeting.

It had been deemed appropriate for Members to consider the exempt pooling reports at today's meeting in the private session of the meeting. Advice would be obtained to address whether or not, future reports of the BCPP Joint Committee should be considered by the Authority in private or otherwise.

RESOLVED – That item 18 'Confidential Pooling Update' be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 30 NOVEMBER 2017

RESOLVED – That the minutes of the Authority meeting held on 30 November 2017 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED – That the Work Programme be noted.

8 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Ellis reported that there had been recent communications with the District Councils in relation to pooling in the Border to Coast Pension Partnership (BCPP Ltd) and other related matters.

9 TREASURY MANAGEMENT STRATEGY REVISION: COUNTERPARTY LIMITS

A report was submitted to seek Members' approval of the changes to the Treasury Management Strategy followed by the Authority. The changes were limited to the levels of cash that the Authority can deposit with counterparties, including Money Market Funds and Local Authorities. It was noted that the need to hold higher levels of cash than previously, arises from changes in the benchmark allocation i.e. reducing exposure to equities pending reinvestment in alternative investments and real assets.

RESOLVED – That the Authority:-

- i) Agreed the changes to the Annual Investment Strategy: The current limit for counterparties with a short term credit rating of F1 or better, the Money Market Funds and Local Authorities 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. This level at which use of the DMO facility be reported to the Board be increased to £50m.
- ii) Keeps the above under review.

10 REVENUE ESTIMATES 2018/19

A report of the Treasurer was submitted, following various consultations to formally confirm the draft budget proposals that had been considered by the Authority on 30 November 2017. The report had been revised to take account of the National Employers pay offer made on 5 December 2017, which had not yet been agreed.

Members noted that the provisional pay offer for 2018/19 had been built into the figures presented at the November meeting and had resulted in an increase of £46,200 (£8,981,300 against £8,935,100).

B Clarkson informed Members that external costs incurred by the Authority in respect of pooling would be presented to Members in further detail at the March Authority meeting.

RESOLVED – That the Authority formally confirmed the budget proposals and approved the budget of £8,981,300 for 2018/19.

11 THE GENERAL DATA PROTECTION REGULATION (GDPR)

A report was presented to update Members on the work being undertaken by the Authority to prepare for the implementation of the General Data Protection Regulation (GDPR) on 25th May 2018.

A table within the report provided Members with a summary of the work undertaken to date by the Authority, noting that a GDPR Project Group had been created and was being led by the IT Manager. The use of Egress secure email was now being rolled out by the Authority to enhance the security of data received and shared.

Members requested that their congratulations be conveyed to the IT Manager and Assistant IT Manager, who had successfully passed their exams to become certified General Data Protection Regulation Practitioners.

Members noted that a further progress update report would be presented at the March 2018 Authority meeting.

M McCarthy reported that Local Pension Board Members' had requested at their last meeting for arrangements to be made for a GDPR training session.

After discussion, it was agreed that, if Authority Members felt there was a specific need for GDPR training in their role as a Pensions Authority Member, arrangements could be made to tailor a training session for Members and Trade Union representatives at a later date.

RESOLVED – That Members:-

- i) Noted the report.
- ii) Requested that their congratulations be conveyed to the IT Manager and Assistant IT Manager for their recent examination successes.

12 REVIEW OF THE AUTHORITY'S ADMINISTRATION STRATEGY

A report of the Head of Pensions Administration was presented to provide Members with an opportunity to comment on the proposed amendments to the Pensions Administration Strategy document.

Members noted that there had been a number of factors 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. An opportunity had also been taken to review the document as a whole and introduce some new items whilst revising others.

Financial penalties had been increased to further incentivise employers to meet the requirements of the Strategy.

A six week consultation period on the revised Strategy had commenced on 1st January 2018 to allow Employers to offer comments and suggestions for inclusion. Following the closure of the Employer consultation period on 12th February 2018, the final document would be presented for ratification at the March meeting of the Authority.

RESOLVED – That Members approve the proposed amendments to the Pensions Administration Strategy document as detailed by the highlighted text in the draft document attached to the report.

13 SCHEME MEMBERS' ANNUAL FUND MEETING

A report of the Communications Manager was presented to report on the Scheme Members' Annual Fund Meeting held on 19 October 2017 at The Source Academy, Meadowhall, Sheffield. A total of 77 members had attended the meeting consisting of:-

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

Members noted that a full recording of the meeting was available to view at:
<http://www.youtube.com/SYPensions>

Councillor Sanger requested that a brief summary of the key presentations be included in future reports.

RESOLVED – That Members noted the contents of the report and requested that a brief summary of the key presentations be included in future reports.

14 COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF-ASSESSMENT

A report of the Clerk was submitted 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).

In October 2011, Members had adopted a system of self-assessment and had agreed to use a template to gauge compliance. Upon Members' confirmation to the self-assessment process, assessment forms would be despatched to Members, to be completed and returned before the end of March 2018.

RESOLVED – That:-

- i) The Authority noted the content of the report.
- ii) Members confirmed their commitment to the self-assessment process.

iii) Members agreed to any development needs arising from the results.

15 PARTNER FUND DIRECTOR PROPOSALS

A report of the Clerk was submitted requesting Members to consider a report and proposal by the Governance Sub Group of BCPP, to be presented to the Joint Committee on 16 January 2018. The report of the Governance Sub Group recommended appointing two remunerated directors to the Board from the partner fund elected Members that comprise the membership of the Joint Committee. Any elected Members selected from the Joint Committee would stand down from that Committee and be replaced by their 'alternative' Fund representative.

S Barrett and Councillor Ellis reported upon the outcome of deliberations on this matter at the BCPP Joint Committee held on 16 January 2018.

Members were informed that all the recommendations set out in report had been agreed, albeit that a ballot should take place later in the year to allow potential candidates time to consider their position.

Councillor Ellis thanked Section 41 Members' and Trade Union Representatives for their advice on this matter, prior to the BCPP Joint Committee held on 16 January 2018.

RESOLVED – That Members noted the report.

16 POOLING UPDATE

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

Members noted the updates provided within the report and were asked to consider two additional budgetary requests from BCPP.

The first request related to an increase of £75k per partner Authority for BCPP set up costs. The second request related to a proposal to create a budget for the Joint Committee to cover expected costs including secretarial services and external advice which may be required from time to time. £30,000 had been proposed for the period from July 2018 to March 2019. It was proposed that this be met from partner funds equally at £2,500 each.

RESOLVED – That Members noted the report and considered the additional budgetary requests referred to in the report:-

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

17 EXCLUSION OF THE PUBLIC AND PRESS

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

18 CONFIDENTIAL POOLING UPDATE

A report of the Interim Fund Director was submitted to update Members on some of the confidential papers considered by the BCPP Joint Committee held on 16 January 2018. Members were also reminded that SYPA had agreed to act as the Administering Authority for BCPP Ltd. The latter being an admitted body for their staff with access to the LGPS. This was subject to all partner funds signing a 'guarantee' acceptable to SYPA to share any subsequent deficit arising; should that be needed. The 'guarantee' document had been drafted and would be circulated shortly to partner funds.

RESOLVED – That Members:-

- i) Noted the report; and
- ii) Noted that shareholder approval would be sought by BCPP Ltd for agreement of the operating budget and pension scheme arrangements for BCPP Ltd.

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
	Work Programme	Work Programme	Work Programme	Work Programme
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		
		Administration Strategy		
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
	Partner Fund Director Proposals	Accommodation Report	Questions in meetings of District Councils	Members Learning and Development Strategy
	Annual Fund Meeting	Head of Paid Service Report		

		Fund Director's Objectives and Appraisal		
	18 January 2018	15 March 2018	7 June 2018 AGM	7 June 2018
		Post Pooling SYPA Staffing Arrangements		
Training & Development				

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 March 2018

Report of the Clerk

SECTION 4 LOCAL GOVERNMENT AND HOUSING ACT 1989 - APPOINTMENT OF HEAD OF PAID SERVICE

1 Matter for consideration

The Authority is required to appoint a Head of Paid Service in accordance with Section 4 (1) (a) of the Local Government and Housing Act 1989. The Authority's Constitution designates this role to the post of Fund Director.

Following the appointment of George Graham as Fund Director with effect from 12 February 2018, the Authority is formally required to make such an appointment.

2 Recommendations

- i) **Note the report and approve the appointment of Mr George Graham, Fund Director as its Head of Paid Service with effect from 12 February 2018.**

3 Background Information

- 3.1 There is a statutory requirement on the Authority to designate one of its officers as Head of Paid Service in accordance with S.4 (1) (a) of the Local Government and Housing Act 1989. The Head of Paid Service is responsible for the overall corporate and operational functions performed by staff of the South Yorkshire Pensions Service.
- 3.2 It is one of three roles must appoint to, the others being the Monitoring Officer and Chief Finance Officer/Treasurer. For South Yorkshire Pensions Authority, these roles are fulfilled by the Barnsley MBC's Director of Legal and Governance and Service Director (Finance) respectively. These roles should remain distinct and separate.
- 3.3 Barnsley MBC is responsible for the provision of professional core services to the Authority under an established agreement made in 1986 between the Authority and the four District Councils in South Yorkshire. This is supported by a service level agreement which is periodically reviewed by the Authority. The delivery of these services is overseen by the Chief Executive of Barnsley MBC who is appointed as Clerk to the Authority.

4 Implications

- 4.1 Financial
None
- 4.2 Legal
It is a legal requirement for the Pensions Authority to have a designated Head of Paid Service .
- 4.3 Diversity
None

4.4 Risk

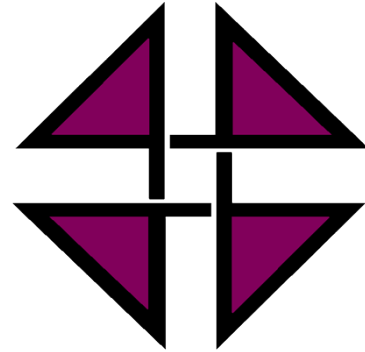
Not having a statutory officer in place, in addition to being unlawful, could also put the corporate affairs of the Authority at risk.

Diana Terris
Clerk

Officer Responsible: Martin McCarthy, Deputy Clerk, Barnsley MBC.
Tel: 01226 772808 MMcCarthy@syjs.gov.uk

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

Other sources and references: None.



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

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

**Performance Snapshot Report
2017/18: Q3**

ISSUED: March 2018

The strategic framework in outline

Pensions Service Strategic Objectives	Area of Impact
1: The Best	1.1: Engaging with all our partners, including employers, to ensure that we understand and meet their agreed needs 1.2: Providing an accurate and timely service to all customers 1.3: Gaining and retaining external recognition through quality standards awards such as Charter Mark and Customer Service Excellence 1.4: Ensuring that we continue to provide Value for Money
2: Investment returns	2.1: Monitoring performance against the adopted benchmark and targets
3: Responsible Investment	3.1: Developing and implementing a responsible investment policy that is compatible with the fiduciary duties of the Fund 3.2: Adopting a voting strategy and guidelines specific to the Fund's requirements and ensuring that it is regularly reviewed in accordance with industry best practice
4: Valuing our Employees	4.1: Maintaining a competent, valued and motivated workforce. 4.2: Encouraging personal development to improve knowledge, skills and effectiveness.
5: Pensions Planning	5.1: Providing information through written material to all customers 5.2: Developing interactive website facilities 5.3: Encouraging attendance at annual events to provide forums for discussion 5.4: Maintaining an "on-site" presence to address personal concerns
6: Effective and Transparent Corporate Governance	6.1: Clarifying functions and roles towards delivering a common purpose 6.2: Promoting good governance through upholding high standards of conduct and behaviour 6.3: Developing the capacity and capability of members and officers to be effective 6.4: Ensuring robust accountability

Snapshot performance results for each Strategic Objective and Area of Impact appear on the following pages

Pensions Service Strategic Objectives

1. The Best

Area under Review	Activity During Quarter	Target	Status/Comment
Transactions with Members	18860 cases of which 88% were on target	97%	Incremental improvement has continued. Overall performance was up 5% on the previous quarter with 881 additional cases completed.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£8193.7.0m	N/A	£7919.0m at end September.
Performance Against Benchmarks	Qtr 3.9% YTD 6.6%	Qtr 4.1% YTD 6.4%	Global equities continued their gains with ongoing improvement in economic data providing momentum. Government bond markets generally were more volatile. There was another interest rate rise in the US and the Bank of England raised rates for the first time in a decade. The news on Brexit negotiations however was positive for gilts and the announcement that the ECB would reduce its bond buying programme more gradually than expected was beneficial for European bonds. Commodities were positive supported by a rally in industrial metals and energy as Chinese demand remained firm. Crude oil rose 18% as production cuts were extended.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	The Myners Principles Compliance Statement was reviewed and updated		
Shareholder Engagement			

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	1 Leaver 1 New Starters	Annual 4.25%	A retirement and a new starter in payroll
Staff Training	Stress Management	Plan 100% up to date	Mop up sessions for staff who could not attend the first time round
Sickness Monitoring	3.6% total	None	An increase of 1.4% from the previous quarter due to the flu epidemic

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	4 new employers registered for EPIC this period	N/A	439 employers now registered for Epic. 8123 members registered to date.
	MyPension		Registration is still on the increase with 132 new

			registrations this quarter
Face to Face Communication	456 Advisory Sessions Held	Less than 0.5% complaints	No complaints received.
Employer Activity	13 New Employers (10 Academy 3 Contractors)	N/A	There are currently 572 participating employers of which 458 have active members and there are a further 34 in the pipeline.
	5 Terminations		

Pensions Authority Strategic Objectives

6. Effective & Transparent Corporate Governance

Area under Review	Activity During Quarter	Target	Status/Comment
Internal Audit	October – Internal Audit Progress Report considered by CP&GB	100%	On target
Annual and Quarterly Reports	October – Internal Audit Planning Consultation considered by CP&GB		
External Audit Reports /Plans	July – External Audit Annual Audit Letter considered by CP&GB.	100%	On target
Risk Management Annual and Quarterly Reports	October – Risk Register considered by CP&GB	100%	On target
Constitution Policy /Procedure	Procedure for reporting breaches to The Pensions Regulator approved.	100% Up to date	
Financial Reporting	October - Budget Monitoring report considered by CP&GB	100% achievement of reporting schedule	On target.

Area under Review	Activity During Quarter	Target	Status/Comment
Annual Governance Statement Conclusion		No Significant Weaknesses	Recovery of performance following implementation of UPM identified. Issues arising from the implementation of government proposals to pool investment assets identified. Issues arising out of the restructuring of the SYTPF. Actions continuing.
Annual Self-Assessment			No significant issues
Member Training		100% Induction & fundamentals training &	92% had induction. 100% had fundamentals training

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 MARCH 2018

Report of the Treasurer and the Fund Director

TREASURY MANAGEMENT STRATEGY STATEMENT 2018/2019

1) Purpose of the report

To seek Members' approval of the treasury management procedures and strategy followed by the Authority.

2) Recommendation

It is recommended that the Authority:-

- a) **adopts the Annual Investment Strategy and recommendations set out in Appendix I; and**
 - b) **in accordance with Section 3(1) of the Local Government Act 2003 approves an Affordable Borrowing Limit, on a rolling basis for the forthcoming year and two successive years as outlined in Appendix II, of £250,000 being the maximum amount the Authority can afford to borrow; and**
 - c) **in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 approves the Minimum Revenue Provision Policy Statement (MRP) outlined in Appendix III; and**
 - d) **notes the list of counterparties used in Appendix IV; and**
 - e) **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 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. In fact current cash balances are around £400m but this is an unusual situation due to investment activities and still this only amounts to around 5% of the Fund, still well within the tactical range. 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.
- 3.4 Apart from the rare use of overdraft facilities the Authority has never utilised its borrowing powers granted under s1 of the Act. Nevertheless, the borrowing powers (i.e. in its own right and not on behalf of the Fund) are always reviewed annually and resolved upon separately by the Authority. The current governing legislation is the Act and the requirements are more fully referred to in section 4 below. Please note that the Act does not apply to pension funds, being controlled by a separate regulatory regime which is administered by the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government (CLG)).
- 3.5 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016: SI 2016/946 (“the 2016 Regulations”) an administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances (to pay benefits or meet investment commitments arising out of transition arrangements) subject to the sum borrowed and interest charged being repaid out of the fund within ninety days.

- 3.6 The management of the Fund itself is conducted in accordance with the Authority's Investment Strategy Statement which has been drawn up in accordance with extant Regulations.
- 3.7 Members were invited to attend a training session on treasury management matters, provided by Capita Asset Services, in January 2018.
- 3.8 As referred to in 3.2 above this report embodies the principles of the CIPFA Code and the Act and there is therefore no separate TMSS produced. Other relevant information referred to in this report is attached under the four following appendices: Appendix I, which is the Annual Investment Strategy (AIS); Appendix II is the Affordable Borrowing Limit (ABL); Appendix III is the Minimum Revenue Provision Policy Statement (MRP). The list of counterparties used is shown in Appendix IV.
- 4) The Local Government Act 2003
- 4.1 Section 1 of the Act grants the Authority its borrowing powers.
- 4.2 Although pension fund monies are specifically excluded from the investment regulations [The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003] made under the Local Government Act 2003 Members should note that the Authority is subject to the capital expenditure requirements (Part 8, section 32). MHCLG will issue guidance under the Act from time to time and local authorities must have regard to the guidance.
- 4.3 Present guidance stresses the need for strategies to be prudent and defines a prudent investment policy as one having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives. In other words, the aim is to achieve an optimum return on investments commensurate with proper levels of security and liquidity. The Authority interprets this as meaning, firstly, security of capital; secondly, liquidity; thirdly, yield.
- 4.4 Section 3 (1) of the Act requires the Authority to set and keep under review an 'Affordable Borrowing Limit' (i.e. how much money it can afford to borrow) and to do so by reference to the CIPFA Prudential Code. The Limit is to be set, on a rolling basis, for the forthcoming year and two successive financial years. The Treasurer can confirm that the ABL has been kept under review.
- 4.5 Subsection (8) provides that a local authority's function under subsection (1) shall be discharged only by the authority; i.e. only Members can determine the affordable borrowing limit.
- 4.6 Because the Authority is a single purpose entity and not a local authority in the broader sense much of the Act does not apply directly to it. One of the grey areas appertains to the applicability of Part 1 of the Act, namely the prudential capital finance system called the prudential code for capital finance in local authorities. The key objectives of the "Prudential Code" are to ensure within a clear framework that:-
- capital investment plans of local authorities are affordable, prudent and sustainable

- treasury management decisions (notably borrowing for capital expenditure) are taken in a manner which supports affordability, prudence and sustainability

Affordability is implied in relation to the council tax. Prudence and sustainability is implied in relation to external borrowing.

- 4.7 Capital expenditure is generally interpreted as being expenditure incurred on assets which have a life expectancy of more than one year e.g. buildings, equipment, software. The Authority will, on occasion, purchase assets on behalf of the Fund to be used by the Fund e.g. software licences. Therefore, the Authority needs to demonstrate that it has fulfilled the objectives of the Prudential Code. The Code sets out the indicators that must be used and factors to be taken into account but does not include suggested limits or ratios as these are for the local authority to set. The prudential indicators for the forthcoming year and following years must be set before the beginning of the year. They may be revised at any time, following due process, and must be reviewed and revised, if appropriate, for the current year when the prudential indicators are set for the following year.
- 4.8 As already stated, in the case of this Authority it is almost certain that all capital expenditure will be incurred on behalf of the Fund, will be recharged to the Fund and, hence, financed by the Fund. The Authority has no power to borrow in order to finance this expenditure.
- 4.9 Under the Prudential Code Capital Prudential Indicators need to be set and local authorities need to monitor them. These are largely based upon the borrowing requirements and affordability. Because in this Authority's instance the capital will be funded from revenue, most of the indicators are not relevant.
- 4.10 The Prudential Indicator for Capital Expenditure is a summary of the Authority's capital expenditure plans. These are normally limited to the purchase of software licences or lease agreements.
- 4.11 The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt arising from borrowing made to finance capital expenditure. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 required that local authorities set MRP annually for approval before the start of the financial year to which the MRP relates and that it be "prudent". There is no formal definition of "prudent": therefore it's up to the individual authority to determine this as part of their policy and to reflect it in the MRP charge that it sets. As in the case of the Authority, if there is no capital expenditure funded from borrowing, then there will not be an MRP charge. Nevertheless, a policy statement must be published in accordance with the statutory regulations. (Appendix III).
- 4.12 Section 5 of the LGA 2003 contains the power for an authority to borrow temporarily against future income yet to be received by it, provided the delayed receipt of such future income was not taken into account in the setting of the affordable borrowing limit. This power is thought to apply to the Authority by virtue of Regulation 32 of the Local Government (Capital Finance and Accounting) (England) Regulations 2003.

- 4.13 The Authority must have regard to both the guidance issued by MHCLG and the CIPFA Treasury Management Code when preparing its AIS. MHCLG recommends that the AIS be approved at the equivalent level of full council and should be approved before the start of the financial year. Under the current cycle of Authority meetings this meeting is the appropriate one. The AIS is included within the attached Statement.
- 4.14 The Authority's levy, issued in accordance with The Levying Bodies (General) Regulations 1992, finances the payment of statutory compensation and is not a function of capital financing decisions. The Authority does not enjoy a precept power.
- 4.15 Whilst the Authority has no need to undertake external borrowing the Act still appears to impose a duty to set an Affordable Borrowing Limit. Last year's ABL was set at £250,000 and there is not thought to be any need to amend that limit.
- 4.16 The Authority receives this report and approves policy and strategy but delegates management of the policy to the Corporate Planning and Governance Board which receives regular updates upon implementation and monitoring. Day to day management is entrusted to the Treasurer.
- 4.17 The Treasurer is the designated s73 Officer under the Local Government Act 1985 and has overall responsibility for the execution and administration of treasury management decisions and is responsible for, amongst other matters:
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
 - submitting regular treasury management policy reports;
 - receiving and reviewing management information reports;
 - reviewing the performance of the treasury management function;
 - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
 - ensuring the adequacy of internal audit, and liaising with external audit;
 - the appointment of external service providers.
- 4.18 Under the Code the Treasurer is required to ensure that Members and officers with responsibility for treasury management receive adequate and appropriate training. Members were invited to a course in January 2018 provided by Capita Asset Services. The training requirements of officers are regularly reviewed, two officers also attended the course provided to Members by Capita in January 2018.
- 4.19 The Authority utilises the services of external brokers and credit rating research published by Capita Asset Services. The Authority, however,

recognises that responsibility for treasury management decisions remains with the organisation and sole reliance will not be placed on the use of external services. The Authority will also use market data and market information gleaned from other sources such as stockbrokers, the Bank of England, media and government.

4.20 In summary, therefore, the Authority employs a treasury management strategy in which investments are managed broadly in accordance with the Code of Practice for Treasury Management in Public Services published by CIPFA.

5) Business banking services

Lloyds Banking Group has been the Authority's "retail" bank since 1 April 2015.

6) Implications

6.1 Financial

There are no implications not otherwise mentioned within the report.

6.2 Legal

It is not thought that there are any legal implications.

6.3 Diversity

There are no diversity implications.

6.4 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.

N Copley
Treasurer

G Graham
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; MHCLG; LGA; Capita Asset Services, Bank of England

APPENDIX I

SOUTH YORKSHIRE PENSIONS AUTHORITY

TREASURY MANAGEMENT: ANNUAL INVESTMENT STRATEGY

A) Policy Statement

1) Introduction

- 1.1 Treasury management can be defined as the management of the Authority's cash flow, its borrowings and its investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.
- 1.2 The Authority's treasury management operation is relatively simple compared to that of a conventional local authority. It essentially revolves around the depositing of surplus monies (i.e. pending permanent investment) with approved institutions.
- 1.3 This Strategy is constantly monitored and if deemed necessary may be replaced by a revised strategy. The circumstances warranting a revised strategy may vary but likely triggers could be changes in legislation, changes to interest rate expectations or changes to underlying investment market conditions and money market liquidity. However, the Strategy should not be formally reviewed just because of changes to purely technical circumstances. It is to be treated as a flexible document with sufficient delegations to allow officers to effectively manage the cash balances of the Authority and Fund.

2) Treasury Management Operation and Objectives

- 2.1 The activities of the treasury management operation cover:-
- Lending
 - Cash flow forecasting and management
 - Managing the underlying risk associated with the Fund's cash balances
 - Consideration, approval and use of new financial instruments and treasury management techniques
 - Liaison with brokers, the Authority's bankers, and other financial institutions
- 2.2 The overall objectives of the Authority are to achieve the optimum return consistent with minimising risk, with the overriding principle being to maintain the Authority's and Fund's capital.
- 2.3 Currently, investments are restricted to a limited number of organisations which enjoy a credit rating of F1 or better for short term debt (see 3.4 below).
- 2.4 Under the CIPFA Code procedures for the formulation of treasury management strategy are to be set and approved each year. This involves, inter alia, forecasting sums available for investment determined annually in advance and periods of investments, determined by the forecast interest rate movements, and the need to hold cash to meet contingencies. However, because of the short term nature of the Fund's cash balances (the allocation in the benchmark presumes that the Fund will normally be fully invested in the stock markets etc.) these decisions are taken as part of the

greater asset allocation exercise which considers the Fund's overall disposition. This is under constant review within the constraints laid down by the customised benchmark. Therefore, most deposits under normal circumstances are fixed for periods of not more than three months. The majority of monies are invested on call, weekly or monthly terms. If market conditions suggest that it would be beneficial for the Authority to lend longer, such loans are directly related to account settlement, real estate or payroll requirements or liabilities i.e. are determined by overall Fund requirements rather than money market considerations. The maximum length of temporary investments will not, in any case, exceed 364 days. The borrowing of monies purely to invest or on-lend and make a return is unlawful and will not be engaged in.

2.5 Officers employed in treasury management activities have proper working relationships with external advisors and brokers and have the appropriate level of experience. Members involved in the scrutiny of treasury management issues are encouraged to avail themselves of relevant training wherever possible.

2.6 Half yearly updates on treasury management matters are presented to the Corporate Planning and Governance Board. If this Strategy is approved at today's meeting it will be published on the Authority's website.

3) Approved Instruments and Organisations for Investment

3.1 The Authority manages its monies in compliance with the statutory requirements. Within the MHCLG guidance there are definitions of "local authority", "investment", "long-term investment" and "specified investment".

3.2 Under Government guidance, specified investments are categorised as those offering both high security and high liquidity and must be sterling dominated, maturing in less than one year and be made either with UK Government, local authorities or institutions with high credit ratings as determined by the Authority.

3.3 A non-specified investment is one not covered by the previous definition and is subject to greater potential risk. MHCLG has confirmed that building societies and similar investments are covered by this paragraph and has stated that there is no intention to discourage authorities from using non-specified investments. The aim is simply to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies that are not highly credit-rated.

3.4 The Authority uses the creditworthiness service provided by Capita Asset Services. The service does not only rely on the current credit ratings of counterparties but also uses the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This is a service which the Authority would not be able to replicate using in-house resources.

3.5 This service provides an independent assessment by professionals of the overall credit quality of an institution. Weekly reviews of the credit ratings ensure that the Authority's

criteria are maintained and the Authority is alerted to changes on a daily basis. Officers also access other rating information supplied by other providers.

3.6 The Authority can currently utilise the following instruments:-

- Deposits with banks, building societies, Debt Management Office or local authorities (and certain other bodies) for up to 364 days
- Certificates of deposits (CDs) with banks and building societies for up to 364 days
- Money market funds.

The Authority itself does not lend its own monies: all lending is Fund money.

3.7 The borrowers dealt with from April 2017 to February 2018 are shown in Appendix IV.

3.8 The amount invested with any one institution is limited. All loans must take due cognisance of the amount involved and the quality of the borrower in both absolute and relative terms to the whole lending book. The lending limit for specified investments with a short term credit rating of F1 or better is £40m. A unit limit of £10m applies to non-specified investments i.e. the Authority can lend to the top twenty Prudential Regulatory Authority (or equivalent FATF regulator) regulated building societies, or those with assets in excess of £1bn. The Authority's principal bankers (i.e. Lloyds and HSBC) both have a short term credit rating of F1 or better and so have a lending limit of £40m. In exceptional circumstances this is increased to no more than £50m for short term placing of excess funds pending market settlements. These levels are set relative to the whole lending book and were revised in January 2018. Current cash levels are relatively high due to investment activity. These levels are reviewed regularly and any changes during the year are reported to Corporate Planning and Governance Board for approval. Officers regularly review the credit rating criteria the Authority uses and have concluded that the present approach is fit for purpose.

3.9 The Authority has a deposit facility with the UK Debt Management Office which is an executive agency of HM Treasury. This facility has no limit on deposit size but internal procedures require that should the facility be used for sums over £50m such use be reported at the next update to the Board.

3.10 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 [SI No 534] clarified the use of money market funds and MHCLG has confirmed that this Authority is eligible to utilise them. The Authority has approved investment in such funds up to a maximum limit of £50m into any one fund and up to a maximum of 50% of total lent monies at any one time.

3.11 Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016: SI 2016/946 the administering authority has a power to borrow on behalf of the LGPS fund it administers in certain circumstances.

4) Overdraft

4.1 The current overdraft limit of £100,000 is with the Authority's clearing bank, Lloyds, and is available until 31 August 2018. The current interest rate on authorised overdrafts is officially 2% above the Base Rate. This facility is very rarely used. It is a contingency for unexpected events or to facilitate short term allocations and is subject to immediate termination.

4.2 I can report that the Authority has had no difficulty in terms of overdraft limits formerly set, nor are any difficulties envisaged for current or future years. This view takes into

account current commitments, existing plans and proposals in the approved budget. Accordingly, it is intended to seek renewal of the facility from 1 September 2018.

5) Delegated powers

- 5.1 The Authority's Standing Orders and Financial Regulations have delegated to the Treasurer the responsibility for all aspects of the operation of the Authority's bank accounts. This includes the opening and closing of accounts. The Treasurer is also authorised to invest any monies belonging to or under the control of the Authority subject to the Authority's general directives. The Treasurer may delegate this power to members of his staff.
- 5.2 The Authority should approve the Annual Investment Strategy annually and before the start of the financial year.
- 5.3 The Affordable Borrowing Limit must be approved for each financial year and must be determined by the Authority. It should not be delegated to a committee and cannot be delegated to officers. It has to be kept under review.
- 5.4 It is the Treasurer's responsibility to implement and monitor the Strategy and Limit once set. The Treasurer should consider revising and resubmitting it as and when required, draft a strategy report for annual consideration by the Authority and monitor and report upon any material divergence from the strategy and recommend revisions if and when required.

B Implementation

6) 2018/19 Immediate Considerations

6.1 The factors expected to affect treasury matters during the forthcoming year are:-

	£M	%
Borrowing Requirement 2018/2019	None	
Current Bank of England Bank Rate (changed 2 Nov 17)		0.25%
Current Investment Rates estimated average (overnight) for £10m deposit size		0.35%

7) Prospects for Interest Rates

The prospects for interest rates in the UK are expected to be as follows:-

a) Short Term Interest Rates

Bank Rate increased by 0.25% to 0.5% in November 2017. The previous rate of 0.25% had applied since August 2016 and prior to that had been held at 0.5% since March 2009. The Bank of England has indicated that any further rise in the foreseeable future will be limited and gradual.

Inflation fell from 3.1% in November to 3.0% in December and is expected to remain around 3.0% in the short term. CPI inflation is projected to fall back gradually but remain above the 2% target in the next few years.

b) Longer Term Interest Rates

Given the nature of the Authority's portfolio and liquidity requirements forecasting longer term interest rates is a low priority for this function. However, the Bank of England's view appears to be that inflation will exceed the 2% over the next two years. It judges that Bank Rate will increase over that period. However, the rise will be limited and gradual. But that view is an expectation only and policy will be determined by actual economic circumstances.

8) Short term considerations

8.1 Capital Finance

The Authority may have a requirement to finance capital expenditure in relation to the acquisition of new software licences or similar. Such expenditure will ultimately be financed from the Fund.

8.2 Debt Rescheduling

The Authority has no debt.

8.3 Temporary Investments

Cash flow requirements and changes in base rates will be closely monitored and investments made accordingly:

- a) kept short if it is anticipated that interest rates will rise, enabling returns to be compounded more frequently
- b) weighted to longer periods, with a view to enabling returns to be maintained, in a falling market.

Investments will be restricted to those funds and institutions which meet the criteria laid down in the Annual Investment Strategy.

8.4 Utilisation of Amounts Set Aside for Debt Redemption

The Authority has no debt.

8.5 Other issues

8.5.1 The Authority had deposits with Icelandic banks or their UK subsidiaries in 2008 at the time of their collapse. Both capital and interest due on these deposits was written off within its 2008/09 accounts.

8.5.2 The final balance of Icelandic Kronur held from the Glitnir deposit was released in June amounting to a final receipt of £21,200 on 30 June 16. The KSF claim was sold in April 16 for just over £62,000.

The only claim now left outstanding is the Heritable bank. The recovery so far is 98% and there is hope of a final, small payment in the next 12 months resulting in a return of roughly 98/99p/£ in total.

APPENDIX II

SOUTH YORKSHIRE PENSIONS AUTHORITY

DETERMINATION OF AFFORDABLE BORROWING LIMIT 2018/2019

- 1) Background Information
 - 1.1 Under Section 3(1) of the Local Government Act 2003, those local authorities covered by the Act, must determine on a rolling basis, for the following financial year and two successive years, an affordable borrowing limit which is the amount of money which the Authority can afford to borrow.
 - 1.2 This limit must be determined by the Authority and cannot be delegated to committees or officers.
- 2) Proposed Limit for 2018/2019
 - 2.1 In accordance with the Act, the following determinations are proposed for 2018/2019:
 - a) an overall borrowing limit of £250,000
 - b) the proportion of interest payable at variable rates should be set at 100%
 - 2.2 It should be noted that it is open to the Authority to vary the above limits at any time during the year.

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APPENDIX III

SOUTH YORKSHIRE PENSIONS AUTHORITY

MINIMUM REVENUE PROVISION POLICY STATEMENT 2018/19

1. The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt and until 2007/08, the basis of the calculation was specified as 4% of the capital financing requirement, which represents the Authority's underlying need to borrow for capital expenditure.
2. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 came into force on 31 March 2008 and replaced the above statutory calculation with a more general duty for the Authority to make an amount of MRP which the Authority considers "prudent".
3. Prudent provision is not defined within the Regulations but the guidance sets out several options which could be considered, although the overriding principle is that the charge to revenue should be linked to the lives of the assets funded by borrowing.
4. MRP commences in the year following the one in which the capital expenditure is incurred.
5. In accordance with the guidance, the MRP policy recommended for 2018/19 is as follows:
 - a) For capital expenditure incurred before 1 April 2008, MRP will be based on 4% of the Capital Financing Requirement
 - b) For capital expenditure incurred after 1 April 2008, for which borrowing is undertaken, MRP will be calculated based on equal annual instalments over the estimated life of the asset. The estimated life of each asset will be assessed each year based on the type of expenditure.
 - c) MRP will be deferred for new capital projects until the year after the asset is complete and therefore operational rather than the year in which the capital expenditure is undertaken. This approach is beneficial for building projects which take more than one year to complete.

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APPENDIX IV

SOUTH YORKSHIRE PENSIONS AUTHORITYLIST OF BORROWERS: APRIL 2017 – FEBRUARY 2018

Banking institutions rated F1 or above as per Fitch Ratings Ltd

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.

AUSTRALIA & NEW ZEALAND BANKING GROUP	F1+	AUSTRALIA
BANK OF MONTREAL	F1+	CANADA
DBS BANK LTD	F1+	SINGAPORE
DZ BANK AG	F1+	GERMANY
HSBC BANK PLC	F1+	UK
LANDESBANK HESSEN THUERINGEN (HELABA)	F1+	GERMANY
LLOYDS BANK PLC	F1	UK
NATIONAL BANK OF CANADA	F1	CANADA
OVERSEA CHINESE BANKING CORP LTD	F1+	SINGAPORE
RABOBANK	F1+	NETHERLANDS
SOCIETE GENERALE	F1	FRANCE
SUMITOMO MITSUI BKG CORP EUROPE LTD	F1	UK
UNITED OVERSEAS BANK LTD	F1+	SINGAPORE

Debt Management Office

DMO was used on **26 occasions**.
The maximum amount lent was £20 million

Local Authorities

CORNWALL COUNCIL
KIRKLEES COUNCIL
LEEDS CITY COUNCIL
LONDON BOROUGH OF HARINGEY
LONDON BOROUGH OF NEWHAM
STOCKPORT MBC
SUFFOLK CC

Money Market Funds

HSBC STERLING LIQUIDITY FUND	AAA rated
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SOUTH YORKSHIRE PENSIONS AUTHORITY

15 March 2018

Report of Clerk

MEETINGS OF THE AUTHORITY AND BOARDS IN 2018/19

1. Purpose of the Report

To consider the proposed schedule of Authority and Board Meetings during 2018/19.

2. Recommendations

Members are recommended to approve the cycle of meetings for 2018/19.

3. Information

3.1 Meetings of the Authority and Boards are currently fixed up to the Annual Meeting on 7 June 2018.

3.2 Attached as an Appendix to this report is a cycle of meetings for 12 months from June 2018.

3.3 **It should be noted that as Barnsley MBC meetings are held on a Thursday, the meeting dates in the Appendix have been produced against the 2018/19 Barnsley MBC meeting cycle. Where possible, the dates have also been checked against the meeting calendars of the other three districts.**

3.4 As in previous years, it may be necessary to arrange additional meetings to facilitate decision making around the investment transition to BCPP.

4. Implications and risks

- Financial - None
- Legal - None
- Diversity - None

D Terris
Clerk

Officer responsible: Gill Richards Senior Democratic Services Officer
BMBC Joint Authorities Governance Unit
01226 772806 g-richards@syjs.gov.uk

Background papers: None

Other sources and references: None

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PENSIONS AUTHORITY MEETINGS 2018/19

Pensions Authority	Corporate Planning & Governance Board	Investment Board	Local Pension Board
	2018		
7 June (Annual)			7 June
	14 June		
		21 June	
	19 July		
		13 September	
4 October			4 October
	18 October		
22 November			
		13 December	
	2019		
17 January			17 January
	14 February		
		7 March	
14 March			14 March
6 June (Annual)			
	13 June		
		20 June	

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SOUTH YORKSHIRE PENSIONS AUTHORITY

15 March 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. This is the latest in a series of reports providing on our progress towards implementation.

4. GDPR – Project Update

4.1 The previous update reports have concentrated on general subject headings. As the implementation project is now well underway we can now report on specific areas of work being undertaken as follows;

Work Undertaken	Progress
ICO Data Controller Assessment	This has been completed and has identified the tasks that must be completed in order to attain compliance
Information Asset Register	Managers are currently identifying the information assets they hold and are completing the register. All staff have been directed to identify and review personal information they hold and delete if not required. All retained information will appear on the information asset register.
Privacy Statement	A new member privacy statement is being developed which will incorporate the wording suggested to the LGA from their legal advisers, Squire Patton Boggs
Data Processing Contracts	All existing data share contracts are being reviewed to ensure the data controllers are GDPR compliant
Secure E-Mail	Egress Switch secure e-mail now fully implemented
Data Protection Officer	BMBC are considering our request to have part-time access to their Data Protection Officer
Accreditation	Cyber Security Essentials accreditation achieved following an independent audit. Cyber Security Essentials Plus will be sought towards the conclusion of the GDPR project
Pensions Systems	Internally developed pensions systems in use at SYPA and by external customers are being updated with additional GDPR compliant functionality

External IT Provision	SY Police are to conduct an IT vulnerability assessment of SYPA infrastructure to test the service that we provide to the oPCC situated in Police HQ at Sheffield.
Staff 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. Staff who do not undertake the training or who fail the test will be denied access to the network until they comply.

5. Implications and risks

- **Financial** - GDPR is an issue effecting 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.

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 March 2018

Review of the Authority's Pensions Administration Strategy

1. Purpose of the Report

To provide Members with the opportunity to approve and ratify, as the definitive current version, the revised Pensions Administration Strategy Document attached to the Report presented to them in draft form at the meeting of 18 January 2018.

2. Recommendations

Members are recommended to approve and ratify the revised Pensions Administration Strategy Document.

3. Background Information

3.1 Members were presented with a report at their meeting of 18 January 2018 that gave the background and reasoning to the need to revise the Authority's Pensions Administration Strategy. The draft version of the Strategy contained the proposed revisions and the report placed the main revisions into context. Members approved the revisions and the draft without further comment.

4. The Consultation

4.1 The consultation period with Employers ended on the 12 February 2018 having run officially since the 1 January 2018 although in reality the consultation began when the revisions were presented to Employers on 28 November at their annual forum. The Local Pension Board were also consulted on the revised

5. Commentary received

- 5.1 Only one employer responded with comments during the consultation period. The comments received centred around that employer's concerns over the imposition of increased financial penalties in the future for employers failing to meet the key aspects of their duties as an employer (in which this employer has historically struggled).
- 5.2 A considered response has been issued to the employer concerned stressing that financial penalties are a last resort following the provision by the Authority of as much assistance, training and guidance as possible. It concluded by stating that the Authority would not be revisiting the amendments as it was intended that they should stand as written in the draft.

6. Authority Approval

6.1 Officers now offer the unchanged draft document for Members' final approval. If approved this version of the Strategy will go "live" on 16 April 2018.

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
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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, 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 issue 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 Dependents 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).

- 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.

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

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

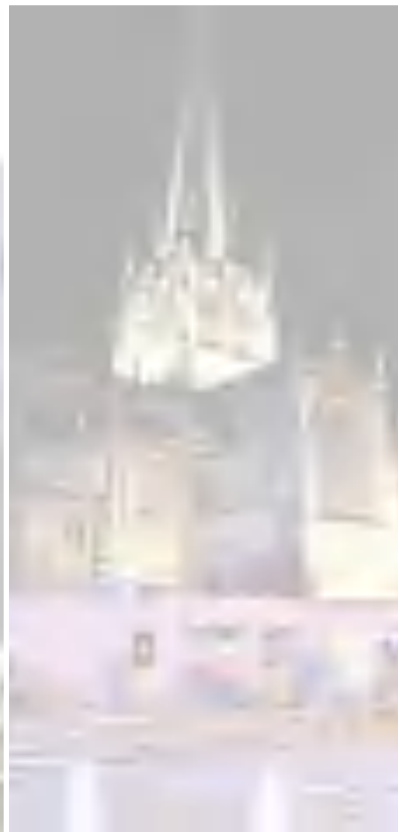
Penalties

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

15 MARCH 2018

Report of the Fund Director

POOLING UPDATE

1) Purpose of the report

To update members of the Authority on progress towards the pooling of the Fund's assets within the Border to Coast pool.

2) Recommendation

a) **That the Authority note the progress being made towards BCPP becoming operational.**

b) **That the Authority delegate to the Fund Director, having consulted the advisers, and, in consultation with the Chair and Vice Chair, the authority to authorise the transition of assets to the BCPP investment pooling structures.**

3) Background information and Analysis

3.1 This report provides a public summary of the progress being made in making BCPP operational. Papers being considered confidentially at the BCPP Joint Committee meeting which was held on 13th March are contained in a confidential appendix, elsewhere on the agenda.

Key Areas of Progress

3.2 Key decisions since the last meeting include the completion of shareholder resolutions, recommended by the Company's Board in relation to:

- The company's pension arrangements which the Authority considered at its last meeting, and
- The appointment of KPMG as the auditor for both the company and its investment structures. As this follows a procurement process it is essentially a routine matter.

3.3 The company continues to build up the team with staff moving into key roles such as Head of Finance and Head of Operations, while also putting in place key infrastructure such as operational bank accounts and accounting systems. As a result of this progress BCPP is now in a position to draw down the cash flow loan from the Authority which was agreed in principle some time ago and which is guaranteed by the shareholders.

3.4 As previously reported the company has secured a permanent office base very close to the main line station. While negotiation of the lease is ongoing design work and the work necessary to ensure the space is fitted out in line

with the required timetable is in hand. It is expected that the Company will move in during May and in the meantime staff are operating from a temporary office nearby.

Investment Related Progress and Issues

3.5 Other key developments in terms of the Company's investment related activities include:

- The appointment of Northern Trust to provide a range of middle and back office services including, depositary, custodian and transfer agent. Essentially these functions provide the facility for BCPP to undertake transactions within the various fund structures that it is looking to create.
- The selection of Bloomberg as the key investment operational IT platform.
- Submission of the application for approval of the company by the FCA. This is a pre-requisite to being able to seek approval for the ACS and its various sub funds.
- Completing the outline ACS prospectus.

3.6 These are all important practical steps towards BCPP being able to "run money" in line with the planned timetable. However, there is a significant amount of work remaining and there are key risks around the processes run by the FCA where delays outside BCPP's control could knock the programme off the critical path. Alongside these key practical steps BCPP have identified seven key pieces of strategic work which need to be undertaken prior to the scheduled June "go live".

- Agreeing the sub funds to be launched, and then completing all the various pieces of paperwork required in order to get them approved (see below).
- Defining the Border to Coast investment process, which will require significant input from the three funds with existing in house teams, and a number of workshops have been arranged to support this process.
- Governance for approving asset transitions (see below).
- The approach to transition management.
- The process for selecting external managers.
- Design of reporting and the oversight process for BCPP.
- The what, how and when of Alternatives capability. This is a particularly important piece of work for South Yorkshire as this is the area where any savings which the fund might accrue from this process are likely to occur.

3.7 Individually each of these are significant pieces of work which need to be undertaken alongside building the infrastructure of a new business. This places considerable pressure both on the team within BCPP and on the teams within the individual pension funds. As a result of this the BCPP team have been giving thought to how best to mitigate some of the risk that exists around the process for rolling out sub-funds with a view to reducing both overall workload and costs bearing in mind that the marginal cost of a sub fund is £75-£100k, and that Northern Trust can only launch up to 4 sub funds for BCPP each quarter.

3.8 These proposals, which in essence moves internally managed assets into the pool within a simplified series of sub funds more quickly were discussed by

the Investment Board at its meeting on 8th March. The Board's views will be reported at the meeting. An initial discussion with the Fund's advisers indicated that while there was understanding for BCPP's proposals as a pragmatic approach there were a number of concerns:

- The fact that the reduced number of sub funds could become the final answer almost by default and consequently the need for a written commitment to the eventual launch of the full agreed menu of funds, subject to stakeholders agreeing prior to work on the fund launch commencing that the sub fund is still required.
- The danger that during the transition phase there will be a tendency to "hug" the benchmark and thus effectively generate passive performance at a period of increased costs. In South Yorkshire's case this would give "less performance for more cost".
- The difficulty within the arrangements proposed of maintaining the various portfolio tilts for example in the case of South Yorkshire to mid-cap in the UK and towards Asian emerging markets overseas. Arguably these are tactical calls, but equally it can be argued that these are strategic calls about the type of investment that is most likely in the medium to longer term to meet the growth objectives for which the Fund holds equities.

3.9 Fundamentally the issue here is about the fact that BCPP is proposing to move away from a position agreed with all funds of mirroring their initial asset allocation, although they do make the reasonable point that funds will be reviewing their allocations after the 2019 valuation which is during BCPP's transition phase. This goes to a key debate in the evolution of pooling which has not been resolved, which is how to define strategic asset allocation.

3.10 Having established which assets will transition to which sub funds in what timescales BCPP will be in a position to produce a comprehensive prospectus for the Authorised Contractual Scheme (ACS) the legal fund structure in which the assets will be held. This document has to be approved by the FCA and is highly technical. Consequently BCPP have recommended that the Officer Operations Group rather than the Joint Committee approve the document. The Joint Committee's view will be reported at the meeting.

3.11 A further aspect of the process of moving assets to the new pooled vehicles which needs to be defined is the due diligence process to be undertaken before each client fund authorises transfer of its assets. It is important for South Yorkshire and the other client funds that this is not a simple process of nodding things through simply because the same people will be running the money in the new world as in the old world, or because a commitment has already been made to BCPP. SYPA will want to be assured that:

- BCPP has investment guidelines for any sub fund in place which reflect the product we have agreed in principle to buy. For example our current equity mandates broadly target a return of benchmark plus 1% so if BCPP were looking to put our assets in a sub fund targeting benchmark plus 2% then that would be a significant change in risk profile. In addition to the pure investment guidelines material will need to be provided which sets out the likely tracking error, portfolio concentration and so on and any limits which BCPP intends to apply to these.

- BCPP has a robust investment process and appropriate means of monitoring adherence to that process.
- BCPP has robust arrangements for the custody of assets, the processing of trades in and out of any sub-fund and remitting any income due to the Fund.

3.12 All of this will require detailed review by SYPA. Given conflict of interest rules this work cannot be carried out by the transferring staff and will therefore have to be carried out by staff remaining with SYPA, who may need to call on the Independent Advisers for assistance. BCPP intend through early engagement with the client funds to be able to provide a standard set of information to all clients which reduces the burden of the due diligence process. While it is right that each fund has to carry out their own process having a common basis on which to do this should make this a less burdensome task. Given the timescale for this work and the timing of meetings it is recommended that subject to consultation with the advisers authority be delegated to the Fund Director in consultation with the Chair and Vice Chair to authorise the transfer of assets to the BCPP investment structures when they become operational.

Staffing Matters

3.13 A process of engaging with staff within the three internal investment teams has begun with a workshop designed to identify differences between the investment processes used by each team with a view to arriving at a common process which will meet the requirements of clients. Over the coming months staff within these teams will increasingly be drawn into “new world” activity, for example procurement exercises for service providers, such as a proxy voting service. This is an inevitable part of the process that is being undertaken and it is wholly in SYPA’s interest that members of the current team engage in such activity in order that our views and requirements are properly addressed.

3.14 Now the Company has agreed its terms and conditions detailed work on the TUPE process can begin with the exchange of information on current terms and conditions and the design by the Company of “measures” to address any items where there is a mismatch that cannot be accommodated.

3.15 Following agreement of the Company’s pension arrangements and the approval of BCPP as eligible for admission to the South Yorkshire Fund by the Secretary of State the Authority will need to complete the guarantees to the Fund in relation to BCPP’s participation and to the Company protecting BCPP’s regulatory capital from any pension deficit.

Non-Executive Directors

3.16 The Joint Committee was asked to agree the appointment of two additional Non-Executive Directors to be elected by the Joint Committee at its next meeting using the exhaustive ballot process. These roles will be remunerated by the Company at £10-15k per annum. Members should note that there are a range of conflict of interest issues which might limit their involvement in some facets of the authority’s business (for example the Investment Board) should they wish to consider putting themselves forward for these roles. A copy of the report dealing with this matter and containing the relevant job description is at Appendix A.

Tax Strategy

3.17 Following approval by the Company's Board and the Joint Committee the Tax Strategy will be published on the Company's website. This sets out, as a matter of good governance, BCPP's overall approach to taxation, which is broadly to pay the right amount, at the right time, in the right place. The strategy does, however, recognise the potential for Corporation Tax in particular to represent a "drag" on the shareholder pension funds and therefore identifies the need to engage with HMRC and government around this unintended consequence of pooling, although as there will be tax losses in the early years of operation this is not immediately urgent.

4) Implications

4.1 Financial

The proposals being made by BCPP could result in a reduction in the costs incurred in setting up the various sub fund structures and the level of costs to be recovered through fees going forward. However, given SYPA's low cost starting point this simply reduces the scale of the cost increase the Authority faces in this area.

At this stage it is anticipated that the set up costs will be within the resources previously agreed by the participating funds.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

This Board is the formal decision-making body for investment issues relating to the Fund. It has the responsibility to ensure that the Fund maintains an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities.

George Graham
Fund Director

Contact telephone: 01226 772887

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

Other sources and references: BCPP

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BCPP Joint Committee

Date of Meeting: 16 January 2018

Report Title: Additional Non-Executive 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 a proposed role profile for two additional non-executive directors to be selected by the Joint Committee. The paper then makes proposals for the selection of those directors and deals with ancillary matters such as the conduct of the selection process and length of term to be served by the selected individuals.

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 Members should agree the Role Profile as set out in Annex 1 to this paper

2.1.2 That Administering Authorities should be sent an invitation to put forward suitably qualified candidates for election to non-executive director roles

2.1.3 That those candidates should be asked to circulate a short supporting statement to all members of the Joint Committee (through the Secretariat) not less than 14 days before the next meeting of the Joint Committee

2.1.4 That Members should be balloted at the July meeting of the Joint Committee to select two candidates to be put to the Company's board for approval and then to the Shareholders for consent to their appointment

3.0 Background:

3.1 At the last Joint Committee the Company were asked to prepare a Role Profile for the proposed additional non-executive directors. The Profile was then to be circulated to the Administering Authorities to allow potential candidates to consider whether they wished to put themselves forward as potential directors in the light of the role description.

3.2 The Profile has been developed in consultation with the Company and is attached at Annex 1. It will be circulated to Administering Authorities if it is approved by the Joint Committee. The Profile reflects the wishes of the Board in establishing the principle

of additional directors and of the Joint Committee as discussed at the last meeting on the detail of the appointment and term.

- 3.3 Where the Joint Committee has been asked to select candidates for roles in the past it has done so by exhaustive ballot and this is deemed to be an appropriate method here if there are more than two candidates for the roles. It is noted that the roles of Chair and Vice-chair of the Joint Committee will be due to be selected at the same meeting. As it has been agreed that the members selected as directors should not continue to sit on Joint Committee it is suggested that the ballot for the directors should be held first. For the avoidance of doubt the any selected candidates from the Joint Committee will be eligible to continue to participate in the meeting as they will not be directors of the Company until approved by the Company Board and Shareholders.
- 3.4 The Company Board has considered the question of remuneration for these roles (which ultimately is a matter for determination by the Company subject to overall budget approval by Shareholders) and has determined that this will be in region of £10-15k per annum.
- 3.5 The Company has requested that appointments should give a degree of continuity for the Board. To that end one of the initial appointments will be for two years and the other for one. In the absence of agreement between the selected candidates it is suggested that this determined by drawing lots. No director appointed through the Joint Committee will be allowed to serve more than two consecutive terms.

Conclusion

- 4.0 It is recommended that:
- a) that the Joint Committee, having accepted the Company's wish to have additional directors nominated by the Administering Authorities, should adopt the role description put forward by the Company;
 - b) that candidates for the roles should be invited to apply and be subject of a selection procedure at the next meeting of the Joint Committee and then subsequently be formally adopted by the Company and subjected to shareholder consent.

Report Author:

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

Further Information and Background Documents:

Draft Role Profile

Draft Role Profile

Role Profile for Additional Non- Executive Directors

The Company is seeking nominations for two additional Non-Executive Directors.

What the Company is seeking

When the concept was first introduced to the Joint Committee the Chris Hitchen said:

“However, it is the view of the Chair of BCPP that direct shareholder involvement in the Board would be invaluable, particularly at this critical stage in the company’s development. Unity of purpose and alignment of interest are vital if BCPP is to win and retain the confidence of its clients and shareholders, and, even more importantly, build a successful long-term-oriented investing institution. A shareholder voice in the Boardroom would greatly mitigate the risk of the Company setting itself at odds, however unintentionally, with stakeholder concerns, and would greatly assist mutual understanding. Shareholder involvement would also mitigate a concern that the Board as currently structured may not have sufficient numbers to populate the necessary committees whilst minimising conflicts of interest.” (Paper to Joint Committee October 2017)

This has since been discussed at successive Joint Committee meeting and officers are presently charged with developing the Role Profile for use in selection of the two additional non-executive directors.

Process

The process which selection will follow and the stages are as follows:

1. Nominations will be sought from Partner Funds through the Joint Committee. The criteria are that:
 - The nominee be an elected representative
 - The nominee be a fit and proper person in terms of FCA requirement
 - The nominee be able to commit a reasonable amount of time to the performance of the Director role
 - The nominee has the agreement of their “home” Council
2. The Joint Committee will select two candidates by a vote at their July Committee Meeting by exhaustive ballot.
3. Those nominees will be put to the Board and the Board will vote to accept their nomination.
4. The Shareholders will then be asked to approve the nominees by way of formal consent pursuant to the Shareholder Agreement. As these are additional directors at least 75% of the Funds must approve the nomination.

The Commitment

At present the Board is meeting most months in person and allowance is made for telephone meetings where urgent matters are under consideration. The full meetings usually last about 5 hours and meetings of the Remuneration and Nomination and the Audit and Risk Committee are

usually held (alternately) on the same day. Telephone meetings are shorter and are held to deal with urgent business.

From May it is intended that all meetings in person be held in the Company's office in Leeds.

Papers are circulated a week before the meeting and some reading time is required.

Qualifications

The Role will be classified as a CF2 (Controlled Function) Non-Executive Director by the FCA. This requires an application for approval to FCA for approval which is usually done on papers. The following is extracted from the FCA Handbook as at May 2017:

Approved persons have to:

- *meet and abide by the rules of our fit and proper test*
- *comply with the Statements of Principle and the Code of Practice*
- *report anything that could affect their ongoing suitability to us and the authorised firm via Form D (PDF)*

Statements of Principle and Code of Practice

These are the standards of behaviour we expect of approved persons. The code of practice outlines the behaviour that, in the regulators' opinion, will or will not meet a statement of principle.

An approved person:

- *must act with integrity in carrying out their controlled function*
- *must act with due skill, care and diligence in carrying out their controlled function*
- *must observe proper standards of market conduct in carrying out their controlled function*
- *must deal with all regulators in an open and co-operative way and must disclose appropriately any information of which we or Prudential Regulation Authority would reasonably expect notice*
- *performing a significant influence function (SIF) must take reasonable steps to ensure that the business of the firm for which they are responsible in their controlled function is organised so that it can be controlled effectively*
- *performing a SIF must exercise due skill, care and diligence in managing the business of the firm for which they are responsible in their controlled function*
- *performing a SIF must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.*

The Company has sought advice from its advisors on the suitability of members of the Joint Committee to perform these roles and have been advised that a reasonably experienced Chair of a Pension Committee should meet the requirement of the FCA.

Shareholder Directors would enjoy the benefit of the Company's Directors and Officers Insurance policy to cover them for any liabilities incurred as a result of becoming a director. The cover does not extend to personal dishonesty or criminal liabilities.

The Role

It is emphasised that individuals will sit as directors of the Company and provide expert input as such based on their personal knowledge and experience. They are not holding office as representatives of individual funds and will be expected to act in their view of the best interests of the Company.

Reporting back to the Joint Committee will generally be undertaken by the Chair and CEO. The Directors will be asked to stand down from the Joint Committee for the period of the term of office. Funds will be able to send an alternate to Joint Committee.

Shareholder Director Role Profile (Based on NED Role Profile used for initial recruitment)

Core Purpose

- Challenging and contributing to the development of strategy, performance and the management of risk with Border to Coast.

Primary Responsibilities

- Provide the necessary support and guidance to the executive team.
- Provide an independent oversight and scrutiny of Border to Coast
- Provide insight to the Board on the workings of Local Government and LGPS Funds with particular regard to ethos and governance
- Provide a breadth of experience and specialist knowledge to the Board
- Support the Chair and the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond

Detailed Role Specification

- Provide a view of Border to Coast and its operations, removed from the day-to-day running of the business from the perspective of shareholders and pension fund members
- To assist the Chair and CEO in their reporting to Joint Committee and the Partner Funds generally
- Challenge and contribute to the development of the strategy of Border to Coast
- Draw on wider experience, in public office and in particular in participating on the governance of LGPS Pension Funds, to provide Border to Coast with a breadth of understanding of its clients and of LGPS investment generally
- Use specialist knowledge to input to decision making processes
- Scrutinise the performance of the Board and other management in meeting objectives, including monitoring financial controls and risk management systems
- Support management in developing a suitable succession plan
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Provide insight into various stakeholder needs and ensure these are addressed at Board level
- To promote a culture of responsible investment and stewardship throughout the organisation

Requirements¹

- Elected member of the Pensions Committee (or equivalent) of an Administering Authority of one of the Partner Funds
- Demonstrable experience of working on pension committee of a partner fund
- Understanding of requirements of pooling and in particular the development of the pooling project by DCLG and Treasury
- Excellent inter-personal and communication skills
- Excellent understanding of working across multiple stakeholders
- Awareness of all of Border to Coast's clients and their particular needs (understanding of LGPS investment requirements).
- Ability to satisfy fitness and propriety test for Approved Person (and, in future, Senior Manager or Certified Person) status and to continue to satisfy test and comply with FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

Commitment

- The candidate will be expected to attend (within reason) all meetings of Border to Coast's board. At present these occur on a six weekly cycle with occasional "telephone" boards. In steady state the Board will meet [6] times a year. The meetings will usually be held at the Leeds office once established.
- To attend, if invited, Board Committees. These will usually be held on the same day and location as Board Meetings.
- To attend the annual general meeting of Border to Coast.
- The Shareholder Directors will be appointed for a term of two years and with a maximum of one renewal of term. It is possible that one initial appointment will be for one year to avoid both directors retiring at once.

Remuneration

- To be determined in the range of £10-15,000 pa subject to budget approval by Partner Funds

¹ Successful candidates will be required to step down from the Joint Committee for the period of their membership of the Board.

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