

SOUTH YORKSHIRE PENSIONS AUTHORITY

15 MARCH 2018

PRESENT: Councillor S Ellis (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: S Cox, K Richardson, A Sangar and I Saunders

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

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

Observers: G Boyington and J Thompson (SY Local Pension Board)

Apologies for absence were received from Councillor S Durant, Councillor K Harpham, Councillor T Hussain, Councillor J Mounsey, Councillor Z Sykes and Councillor K Wyatt

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

M McCarthy informed the Authority that, as the Chair could not attend the LGA's Cross Pool Open Forum on 27 March 2018, Cllr Saunders would be attending on behalf of the Authority.

As this was G Chapman's last Authority meeting, the Chair asked Members to stay behind at the end of the meeting for a presentation.

3 URGENT ITEMS

None.

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

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

- i) Item 16 – Pooling Update – Border to Coast Joint Committee
- ii) Item 17 – Accommodation
- iii) Item 18 – Debt Write-Offs

iv) Item 19 – Fund Directors Objectives and Appraisal

v) Item 20 – Amendments to the Post-Pooling Investment Staffing Arrangements

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 18 JANUARY 2018

RESOLVED: That the minutes of the Authority meeting held on 18 January 2018 be agreed and signed by the Chair as a correct record.

7 WORK PROGRAMME

The Authority considered its Work Programme.

M McCarthy informed Members that the Work Programme would be populated further if the Authority approved its 2018/19 meeting cycle later in the agenda.

RESOLVED – That the Work Programme be noted.

8 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

There was no Section 41 representative from Doncaster at the meeting. There was nothing to report from the Barnsley, Rotherham or Sheffield representatives.

9 APPOINTMENT OF HEAD OF PAID SERVICE

A report was submitted regarding the Appointment of the Head of Paid Service.

Members were informed that there was 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 was responsible for the overall corporate and operational functions performed by staff of the South Yorkshire Pensions Service. The Authority's Constitution designates this role to the 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.

RESOLVED:

i) That the report be noted.

ii) That the Authority approve the appointment of George Graham, Fund Director, as its Head of Paid Service with effect from 12 February 2018.

10 QUARTER 3 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Q3 Performance Snapshot report which was a summary of various information and statistics previously considered by the Authority's Boards.

G Chapman reported that Administration performance continued to improve despite a high level of sickness in December due to an outbreak of flu.

The numbers of employers continued to increase, particularly in the case of academies. The Authority was participating in a national group looking at how to improve the administration performance of academies.

G Graham informed the Authority that the Fund was now in excess of £8bn with a current funding level of between 100% and 102%, although this varied according to movements in the market.

RESOLVED- That the report be noted.

11 TREASURY MANAGEMENT STRATEGY STATEMENT 2018/2019

A report was submitted to seek Members' approval of the treasury management procedures and strategy followed by the Authority.

B Clarkson informed the Authority that higher amounts of cash were being held at the moment (4%), due to the process of moving funds from equities into alternatives but this was still within the benchmark limit.

The limit of £40m per borrower remained the same as did the strict credit rating criteria detailed in Appendix D.

Currently, £50m was being held in the Money Market Fund; more money had been lent to local authorities and the overdraft limit remained the same. The Debt Management Office had been used on 26 occasions during the period.

RESOLVED:

- i) That the Authority adopts the Annual Investment Strategy and Recommendations set out in Appendix 1.
- ii) That the Authority approves an Affordable Borrowing Limit of £250,000, being the maximum amount the Authority could afford to borrow, on a rolling basis for the forthcoming year and two successive years, as outlined in Appendix 2 and in accordance with Section 3(1) of the Local Government Act 2003.
- iii) Approves the Minimum Revenue Provision Policy Statement outlined in Appendix 3 and in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2008.
- iv) Notes the list of counterparties used in Appendix 4.
- v) Keeps the above under review.

12 MEETINGS OF THE AUTHORITY AND BOARDS IN 2018/2019

A report was submitted to consider the proposed schedule of meetings of the Authority and its Boards for 2018/19.

It was noted that, as Barnsley MBC meetings are held on a Thursday, the schedule had been produced against the 2018/19 Barnsley MBC meetings calendar. Where possible, the dates had also been checked against the meeting calendars of the other three districts.

As in previous years, it was noted that it may be necessary to arrange additional meetings to facilitate decision making around the investment transition to Border to Coast and the Investment Strategy Review.

When the transition to Border to Coast was complete there would also be a need to look at the governance framework to ensure that it remained fit for purpose.

RESOLVED – That the cycle of meetings of the Authority and its Boards in 2018/19 be approved.

13 GENERAL DATA PROTECTION REGULATION (GDPR)

A report was considered which updated Members on the work being undertaken to prepare for the implementation of the General Data Protection Regulation on 25 May 2018.

The project update contained within the report concentrated on specific areas of work being undertaken.

G Chapman confirmed that the project was on schedule.

It was hoped to supply training for Members in May.

RESOVLED – That the report be noted.

14 REVIEW OF THE AUTHORITY'S ADMINISTRATION STRATEGY

A report was submitted which provided Members with the opportunity to approve and ratify, as the definitive current version, the revised Pensions Administration Strategy which was presented to the Authority in draft form at the meeting of 18 January 2018. There had been no further changes to the draft strategy.

Members approved the revisions and the draft Strategy in January without further comment.

The consultation period with the Employers ended on 12 February 2018 having run since 1 January 2018. The Local Pension Board were also consulted on the revised Strategy.

Only one employer responded with comments which centred on concerns over the imposition of increased financial penalties. A considered response had been issued to the employer stressing that financial penalties were a last resort following the provision of as much assistance, training and guidance by the Authority as possible.

If approved the Strategy would go "live" on 16 March 2018.

RESOLVED: That the Authority approve and ratify the Pensions Administration Strategy.

15 POOLING UPDATE

A report was submitted to update the Authority on progress towards the pooling of the Fund's assets within the Border to Coast Pool.

The report covered key areas of progress, investment related progress, staffing matters, non-executive directors and tax strategy.

With regard to investments, the Authority were informed that BCPP had proposed to reduce the number of sub-funds at launch. The issue was that BCPP was proposing to move away from a position agreed with all Funds of mirroring their initial asset allocation. The Investment Board had discussed the implications in depth at their meeting the previous week and had reluctantly agreed to the proposal but with several conditions.

Cllr Sangar questioned the need for some of the BCPP meeting papers to be in private, for example the tax strategy. At present the Company did not feel particularly open and transparent.

A Frosdick remarked that during the transitional phase there were numerous sensitive decisions to be made, but agreed that BCPP appeared to be using excessive caution.

The Chair agreed that the matter needed clarification.

G Warwick expressed disappointment that there was no reference anywhere in the papers to Trades Union representation and pointed out that the Unions had seats on the Shadow Advisory Board. It was important that Trade Unions were involved in their members' pensions.

The Chair replied that she had made South Yorkshire's position very clear but unfortunately had lost the vote; the matter would be reviewed in the future. The Chair suggested that the Unions approach Board members with a view to securing a place on BCPP's Board.

A Frosdick commented that BCPP's governance structure had been settled; the Joint Committee's position was not to pursue the matter any further at this time although the issue would be revisited in due course.

The Chair commented that she had support from other Funds and would keep pressing for Trades Union representation when the time was right.

The Authority discussed the decision of the Joint Committee to agree to the Board's request to appoint two non-executive directors who would be Shareholder representatives on the Board, i.e. an elected member from any of the Partner Funds.

It was noted that this created a potential conflict of interest and it had already been decided that a Member could not be a member of the Joint Committee and sit on BCPP's Board.

A Frosdick pointed out that the person did not have to be an Authority Member but could be any elected member with experience of the LGPS.

The local authorities could nominate someone but it was up to them to take their own view. Some local authorities from other Funds had already decided not to nominate anyone.

The Chair suggested that Members take advice from their Districts and that a paper would be brought to the June meeting of the Authority to make a decision as to whether the Authority should nominate a Member for the post of non-executive director of BCPP.

RESOLVED:

- i) That the Authority notes the progress being made towards BCPP becoming operational.
- ii) That the Authority delegate to the Fund Director, having consulted the advisors, and in consultation with the Chair and Vice-Chair, the authority to authorise the transition of assets to the BCPP investment pooling structure.

16 POOLING UPDATE - BORDER TO COAST JOINT COMMITTEE

A report was considered to provide Members with the details of the reports covered by the BCPP Joint Committee.

Then reports attached as appendices were:

- The regular progress and budget report.
- A Strategic Update which dealt with the issues surrounding which sub-funds would be created and when.
- The Authorised Contractual Scheme prospectus and the process for approving it.
- The Company's Tax Strategy.

RESOLVED: That the report be noted.

17 ACCOMMODATION

A report was submitted which informed the Authority of BMBC's offer to relocate the Authority to Gateway Plaza.

Members were informed that BMBC, the Authority's landlord, had indicated that they wished to use the Authority's current accommodation for other operational purposes and had offered to relocate the Authority to Gateway Plaza.

The Authority discussed the financial and practical implications also noting that the move would create the opportunity to work as a single organisation all on the same floor.

G Graham commented that the move would not be without challenges but that a full equality impact assessment would be carried out.

RESOLVED: That the Authority

- i) Accept, in principle, the offer from Barnsley MBC for the Authority to relocate to Gateway Plaza.
- ii) Authorise the Fund Director to investigate the practicality of a salary sacrifice scheme for staff car parking and if practical implement such a scheme.
- iii) Authorise the Fund Director to negotiate appropriate terms with Barnsley MBC and to incur expenditure on removals and the relocation of ICT equipment up to a maximum of £75,000.
- iv) Agree to a maximum initial lease term of 5 years with the intention of conducting a further review of the Authority's requirements and the options for meeting them during this period.

18 DEBT WRITE-OFFS

A report was submitted to request the Authority to write-off two outstanding rent accounts as detailed within the report.

RESOLVED: That the Authority authorise the write-off of the two debts as detailed in the report.

19 FUND DIRECTOR'S OBJECTIVES AND APPRAISAL

A report was submitted requesting that formal arrangements be put in place to set the Fund Director's Objectives and Appraisal.

Members were informed that the Authority currently did not have a formal mechanism in place for setting objectives and monitoring the progress of the Fund Director. The Fund Director had requested that such a mechanism be developed.

As the Fund Director had recently taken up their post it was an appropriate time to set objectives for the first year. Suggested areas for detailed objectives which balanced the three aspects of the role were:

- Oversight of the Fund's assets and development of the Investment Strategy.
- The delivery of services to members and employers.
- The running of the organisation.

Taking this balance into account the suggested areas in which detailed objectives, each of which was supported by a number of detailed deliverables were contained within the report.

Progress in achieving the tasks set would be evident to Members throughout the year through reporting to the Authority and its Boards. However, a formal appraisal mechanism was necessary for the Fund Director and it was suggested that the Clerk develop appropriate arrangements in consultation with the Chair and Vice-Chair.

RESOLVED: That the Authority:

- i) Note the areas in which it was proposed to set objectives for the Fund Director.
- ii) Delegate to the Clerk, in consultation with the Chair and Vice-Chair, the establishment of formal arrangements for the setting of objectives for and appraisal of the Fund Director.

20 AMENDMENTS TO THE POST-POOLING SYPA INVESTMENT STAFFING ARRANGEMENTS

A report was submitted requesting amendments to the post-pooling SYPA staffing arrangements.

Members were informed that following the agreement of the Authority's equity protection strategy, the appointment of the new Fund Director and greater clarity about the scale of the various residual investment portfolios, a review of the level of professional investment resources available to the Authority, post-pooling, had been carried out and proposals for some changes to the arrangements previously agreed by Members were detailed within the report.

The report detailed the activities that the new style investment function would be required to undertake and the resources needed to be able to facilitate this.

RESOLVED: That the Authority:

- i) Note the changes to the considerations influencing the level of professional investment resource required by the Authority since they were previously considered.
- ii) Approve the replacement of the post of Investment Performance Manager with a post of Head of Investment Strategy at Grade SM3 (subject to job evaluation), to be filled through a ring fenced recruitment process.
- iii) Approve the establishment of an additional post of Investment Analyst at Grade J (subject to job evaluation), and note the arrangements proposed in the event of difficulties in recruiting to this role.
- iv) Note the budgetary implications would be contained within cash limits in 2018/19 and that a pressure of £87K would be reflected in the 2109/20 budget.

CHAIR