

SOUTH YORKSHIRE PENSIONS AUTHORITY

4 OCTOBER 2018

PRESENT: Councillor M Stowe (In the Chair)
Councillors: A Bainbridge, A Hurst, A Sangar, I Saunders,
R Wraith and K Wyatt
Trade Unions: D Patterson (UNITE) and G Warwick (GMB)
Officers: J Bailey (Head of Pensions Administration), N Copley
(Treasurer), A Frosdick (Monitoring Officer), G Graham (Fund
Director), M McCarthy (Deputy Clerk) and G Richards (Senior
Democratic Services Officer)
J Thompson (Chair, SY Local Pension Board) (Observer)
Apologies for absence were received from Councillor S Ellis,
Councillor S Cox, Councillor S Durant, Councillor J Mounsey,
Councillor A Teal and N Doolan-Hamer

1 APOLOGIES

M Stowe, Vice-Chair of the Authority, informed Members that the Chair had been delayed by a flight cancellation and therefore he would be chairing the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

G Graham informed Members that the Annual Fund meeting would be held on Thursday 18 October 2018 at the Carlton Park Hotel, Rotherham at 5.30pm. All were welcome to attend.

3 URGENT ITEMS

None.

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

RESOLVED: That item 22, 'Senior Management Arrangements' would be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE ANNUAL AUTHORITY MEETING HELD ON 7 JUNE 2018

M McCarthy informed the Authority that there were two outstanding matters to resolve from the Annual meeting.

It was confirmed that Cllr A Sangar would be the s41 substitute for Sheffield CC.

It was proposed that Cllr R Wraith would be appointed to the Investment Board and Cllr A Teal be appointed to the Corporate Planning and Governance Board. This was carried by a majority vote; Cllr A Sangar voted against.

RESOLVED:

- i) That Cllr A Sangar be appointed as the s41 substitute member for Sheffield CC.
- ii) That Cllr R Wraith be appointed to the Investment Board.
- iii) That Cllr A Teal be appointed to the Corporate Planning and Governance Board.
- iv) That the minutes of the Annual Meeting held on 7 June 2018 be agreed and signed by the Chair as a correct record.

7 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 7 JUNE 2018

RESOLVED: That the minutes of the Ordinary meeting held on 7 June 2018 be agreed and signed by the Chair as a correct record.

8 MINUTES OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 14 JUNE 2018

RESOLVED: That the minutes of the Corporate Planning and Governance Board held on 14 June 2018 be noted.

9 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 19 JULY 2018

RESOLVED: That the minutes of the meeting of the Corporate Planning and Governance Board held on 19 July 2018 be noted.

10 MINUTES OF THE INVESTMENT BOARD HELD ON 21 JUNE 2018

Cllr Sangar queried when the agriculture portfolio would be reviewed. G Graham replied that this would be done alongside the Investment Strategy Review and be presented to the Authority and the end of 2019/beginning of 2020.

If it was decided to hold the portfolio it would have to be decided the best way to manage and structure the portfolio. If it was decided not to hold the portfolio the best way to dispose of the assets would have to be decided in conjunction with advisors.

RESOLVED: That the minutes of the meeting of the Investment Board held on 21 June 2018 be noted.

11 MINUTES OF THE LOCAL PENSIONS BOARD HELD ON 7 JUNE 2018

RESOLVED: That the minutes of the meeting of the Local Pension Board held on 7 June 2018 be noted.

12 WORK PROGRAMME

The Authority considered its Work Programme. Members were reminded that their contributions of additional items for the Work Programme would be welcomed.

RESOLVED: That the Work Programme be noted.

13 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Members from Barnsley and Rotherham noted an increase in questions from constituents. Members were reminded that G Graham and J Bailey were happy to provide responses if so required.

14 PERFORMANCE SNAPSHOT REPORT 2018/19: Q1

The Authority considered the Performance Snapshot Report for 2018/19 Quarter 1.

Members noted the improved performance of the Administration team.

It was also noted that the staff turnover figures were artificial; 6 staff members had left but had TUPE transferred to Border to Coast.

The Fundamentals training percentage was lower than normal due to new Members not yet having completed the training; the training would be held over the coming months.

RESOLVED: That the report be noted.

15 SOUTH YORKSHIRE LOCAL PENSION BOARD ANNUAL REPORT 2017/18

The Chair welcomed Jill Thompson, Chair of the Local Pension Board, to the meeting to present the Board's Annual Report.

J Thompson highlighted the Board's work throughout the year, including assisting in the development of a Reporting Breaches of the Law procedure.

Attendance had been good throughout the year with 6 members attending every meeting, although it had been difficult to get the district councils to either appoint or attend on a regular basis.

Training events had been well attended including the recent Seminar and several Board members would be attending the Fundamentals training in the coming months.

J Thompson thanked G Boyington and members for their commitment to the Board.

In answer to a question from a Member, M McCarthy explained that, as major employers, the district councils had been offered two places on the Board on a two-

year rotation. From the outset attendance had been poor and this year one Authority had failed to appoint. Discussions were ongoing amongst officers to try and resolve the situation.

The Chair thanked J Thompson for attending to present the report.

RESOLVED: That the report be noted.

16 CP&GB AUDIT COMMITTEE FUNCTIONS ANNUAL REPORT 2017/18

The Authority considered the Corporate Planning and Governance Board's Audit Committee Function Annual Report.

The report covered the Board's:

- Roles and responsibilities.
- Membership.
- Meetings and attendance; and
- Achievements and outcomes.

The report was intended to provide reassurance in support of good governance.

RESOLVED: That the report be noted.

17 GOVERNANCE ARRANGEMENTS

A report was submitted which set out various immediate and longer term changes to the Authority's governance arrangements.

Members were reminded that the Chair, Cllr S Ellis, had been appointed as a Non-Executive Director of the Border to Coast Board.

Whilst a good result in terms of composition of BCPP's Board, the appointment raised conflicts of interest issues for the Authority. Also, an individual elected as a NED of BCPP was specifically excluded from membership of the BCPP Joint Committee.

Longer term, the Authority's current governance arrangements were designed for a very different organisation to the one that pooling would create.

It was proposed to disestablish the Investment Board and the Corporate Planning and Governance Board and deal with all business, with the exception of audit, through the full Authority.

An Audit Committee, comprised of the s41 members and one Councillor not from the majority party, would be constituted and would meet three times per year to deal with all internal and external audit matters.

It was also proposed to constitute a Staffing, Appointments and Appeals Committee to be chaired by the Chair of the Authority and with a remit to deal with staffing matters to make specific officer and other appointments (such as the appointment of Independent Advisors), and handle appeals which required to be heard by members).

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The proposed arrangements would reduce the number of meetings by nearly 40%. The freeing up of time would provide the opportunity to run more informal sessions for members for either learning and development or policy development.

Another issue to be resolved was how to address shareholder matters and decision making in relation to routine shareholder resolutions relating to Border to Coast which fell outside the Authority meeting cycle. The two options proposed were:

- a) The Fund Director (or other appropriate officer) would advise the Chair on the detailed subject of the resolution and recommends how the Authority should vote; or
- b) As option (a), but with additional consultation, either with the Vice-Chair or the s41 members.

Another item absent from the Authority's governance arrangements was an "urgent business procedure". It was proposed that in the event of a decision being required to be taken urgently, they be taken by the relevant statutory officer (Clerk, Fund Director, Monitoring Officer or Treasurer) in consultation with the Chair and Vice-Chair and then reported at the next meeting of the Authority.

The Authority discussed the proposals in detail and, whilst recognising there was further work to be done on the finer details, generally accepted the proposals.

RESOLVED:

- a) To approve the changes to the arrangements for the chairing of the Authority's Boards for the remainder of the municipal year as set out in paragraph 3.3 of the report.
- b) That the Vice-Chair of the Authority will represent the Authority on the Border to Coast Joint Committee and act as the Authority's shareholder in the operating company until the end of the municipal year.
- c) That Cllr Ian Saunders would act as substitute to the Vice-Chair in the event he was unable to attend a meeting of the Joint Committee.
- d) To approve the disestablishment of the Investment Board and the Corporate Planning and Governance Board with effect from the beginning of the next municipal year, with their functions being passed to the full Authority.
- e) To approve the establishment of an Audit Committee to meet 3 times per year constituted as described in paragraph 3.10(b) of the report.
- f) To approve the establishment of a Staffing, Appointments and Appeals Committee with the role and membership as described in paragraph 3.10(c) of the report.
- g) That routine shareholder decisions in relation to Border to Coast which fall outside the Authority meeting cycle may be taken by the Fund Director in consultation either with the Vice-Chair or the s41 members.

- h) That officers bring forward an amended constitution for adoption at the Authority's next Annual Meeting.
- i) To approve the institution of an Urgent Business Procedure as set out in paragraph 3.17 of the report.

18 CONTRACT STANDING ORDERS

A report was submitted to seek approval of updated Contract Standing Orders.

Members were informed that the Authority's Contract Standing Orders were last reviewed in 2016. Recent procurement exercises had identified some deficiencies in the Contract Standing Orders, in particular the fact that they did not accommodate recent regulations requiring the use of electronic tendering.

The revised Contract Standing Orders fully incorporated e-procurement as the standard means by which the Authority would operate, and in addition the Authority had signed up to Yortender, the regional procurement portal to facilitate that.

Further work was being done with Barnsley MBC's procurement team to finalise a complete contract register which would be published on the Authority's website.

RESOLVED: That the Authority approve the revised Contract Standing Orders, as set out at Appendix A to the report, for immediate inclusion in the Authority's constitution.

19 GENDER PAY GAP

The Authority considered report which provided details of the organisation's gender pay gap.

Members noted that in terms of action to be taken to address the pay gap, steps would be considered as part of the HR and Organisational Development Strategy which was to be developed as part of the corporate planning process.

RESOLVED: That the report be noted.

20 GOVERNMENT ACTUARY'S DEPARTMENT SECTION 13 VALUATION

A report was submitted to make members aware of the result of the Government Actuary's 2016 Section 13 Valuation of the Local Government Pension Scheme and highlight implications for the Authority.

GAD look at LGPS as a whole and the individual funds using four themes.

Compliance: GAD concluded that the aims of s13 had been met in the local valuations. They commented that more consistency in presentation and the definitions used in valuations had been achieved.

Consistency: GAD made a recommendation for the fund actuaries in terms of the presentation of disclosures within the valuation reports. They made a recommendation that the Scheme Advisory Board look to achieve greater consistency in assumptions unless specifically justified by local factors.

Solvency: With regard to solvency, GAD noted an overall improvement in funding levels but noted issues with a number of individual funds which are furthest away from full funding or are potentially at risk in a stress situation. South Yorkshire was one of the four funds flagged as amber in relation to an asset shock test. GAD had determined that they would flag funds where an asset shock would result in a contribution increase for statutory employers of 3% or more of core spending power. Members were reminded that SYPA had put in place its equity protection strategy in, consultation with the statutory employers, to protect the fund against the sort of shock that GAD was testing in this case. Officers had made this point to GAD who acknowledged this in their report in positive terms.

Long-term cost efficiency: GAD noted the overall improvement in funding levels, but highlighted some funds which had extended their deficit recovery periods and recommended that funds reviewed their funding strategy statements to ensure that the treatment of surpluses/deficits were fair to both current and future taxpayers.

RESOLVED: That the report be noted.

21 POOLING UPDATE

The Fund Director gave members an update on activities within the Border to Coast Pooling Partnership (BCPP).

- Shareholder resolutions had been received to approve the appointment of Cllrs Sue Ellis and John Weighell as non-executive directors of BCPP.
- The last of the three equity transitions, the emerging markets portfolio, was currently taking place. It was noted that the cost of the previous transfers had been well within limits and the emerging markets was expected to be similar.
- The next meeting of the Joint Committee would be in November. Key items on the agenda included:
 - Practical measures for securing scheme member representation on the Joint Committee .
 - Annual review of the Responsible Investment policy and voting guidelines. This would be brought back for approval from the individual funds.
 - Officers had begun discussing the BCPP budget and business plan for the coming year. This would require a shareholder resolution early next year
 - BCPP continued to recruit to fill the gaps in their structure which was mainly at the moment junior investment roles.
 - The first performance report from BCPP was expected to be presented to the next meeting of the Investment Board. It was expected that BCPP's CIO would attend to present the report.

22 SENIOR MANAGEMENT ARRANGEMENTS

A report was considered which sought to secure the Authority's approval for changes in the senior management arrangements.

RESOLVED: That the Authority approve:

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- a) The flexible retirement of the current Head of Finance on the basis set out in the report.
- b) The establishment of a fixed term role (to 31.12.20) at 0.4 FTE of Head of Transition.
- c) The redeployment of the current Head of Finance into the above mentioned role.
- d) The re-designation of the Head of Finance role as Head of Finance and Corporate Services from 31.01.19, and approve arrangements for recruitment into that role.
- e) The proposed changes to reporting lines and other restructuring proposals affecting the Finance Team as set out in the report.

CHAIR