



**SOUTH YORKSHIRE
PENSIONS AUTHORITY**

Diana Terris
Clerk

Gateway Plaza
Barnsley
South Yorkshire
S70 2RD

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 Meeting Room 14, Town Hall, Barnsley, S70 2TA on Thursday 17 January 2019 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), A Bainbridge, S Cox, S Durant, A Hurst, J Mounsey, A Sangar, I Saunders, M Stowe, A Teal, R Wraith and K Wyatt.

Contact Details

For further information please contact:

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 JANUARY 2019 AT 10.00 AM IN MEETING ROOM 14, TOWN HALL, BARNSELEY,
S70 2TA

Agenda: Reports attached unless stated otherwise

| | Item | Page |
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| 1 | Apologies | |
| 2 | Announcements | |
| 3 | Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated. | |
| 4 | Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting). | |
| 5 | Declarations of Interest. | |
| 6 | Minutes of the Authority meeting held on 22 November 2018 | 1 - 6 |
| 7 | Draft Minutes of the meeting of the Investment Board held on 13 December 2018 - for noting | 7 - 12 |
| 8 | Work Programme | 13 - 14 |
| 9 | Section 41 Feedback from District Councils | |
| 10 | Compliance with the Principles for Investment Governance: Self-Assessment | 15 - 20 |
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| 12 | Meetings of the Authority in 2019/20 | 29 - 32 |

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SOUTH YORKSHIRE PENSIONS AUTHORITY

22 NOVEMBER 2018

PRESENT: Councillor S Ellis (Chair)
Councillor M Stowe (Vice-Chair)
Councillors: A Bainbridge, S Cox, A Hurst, A Sangar,
I Saunders, A Teal, R Wraith and K Wyatt

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

Officers: J Bailey (Head of Pensions Administration),
B Clarkson (Head of Finance), G Graham (Fund Director),
M McCarthy (Deputy Clerk), G Richards (Senior Democratic
Services Officer) and I Rooth (Head of Financial Services,
BMBC)

Apologies for absence were received from Councillor S Durant,
Councillor J Mounsey and N Copley

1 APOLOGIES

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST.

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 4 OCTOBER 2018

RESOLVED: That the minutes of the Authority meeting held on 4 October 2018 be agreed and signed by the Chair as a correct record.

7 MINUTES OF THE INVESTMENT BOARD HELD ON 13 SEPTEMBER 2018

The Fund Director gave the Authority an update on the BCPP Joint Committee meeting which had been held the previous day including the approval of the Responsible Investment Policy and Voting Guidelines and the agreement to allow just

one Scheme member to sit on the Committee as a participating observer. A briefing note would be sent to Members that afternoon.

RESOLVED: That the minutes of the meeting of the Investment Board held on 13 September 2018 be noted.

8 MINUTES OF THE MEETING OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 18 OCTOBER 2018

RESOLVED: That the minutes of the meeting of the Corporate Planning and Governance Board held on 18 October 2018 be noted.

9 MINUTES OF THE LOCAL PENSION BOARD HELD ON 4 OCTOBER 2018

With regard to the Annual Fund meeting, Councillor Wraith expressed disappointment that transport for members had not been provided as it had in past years.

J Bailey commented that the focus had been on attracting more active and deferred members. A more easily accessible venue would be chosen for 2020 and the issue of providing transport would be re-visited.

RESOLVED: That the minutes of the meeting of the Local Pension Board held on 4 October 2018.

10 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED: That the Work Programme be noted.

11 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

In the absence of the s41 representative or his deputy, Cllr Cox commented that there was nothing to report from Doncaster MBC. Similarly, there were no issues from Barnsley MBC, Rotherham MBC or Sheffield CC.

12 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Performance Snapshot report for 2018/19 Quarter 2.

Members noted the following:

- Reduction in performance in relation to transactions with members was due to resources deployed to complete Year End work (for the final time).
- Fund value was up – the equity protection was doing its job.
- There had been two staff leave during the period.
- Sickness was slightly down compared to the previous quarter.
- Five complaints had been received during the quarter.
- Four new employers had joined the Scheme.

With regard to member training, the Fund Director asked members for feedback on all training to ensure the events were relevant and value for money.

Members commented that the recent BCPP 2-day Annual Conference had been geared more to professionals and was also not interactive enough.

The Fund Director commented that under the new governance arrangements there would be free time in the calendar to arrange internally run training sessions which, by their nature, were more interactive.

RESOLVED – That the report be noted.

13 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted that provided Members with an update of Freedom of Information requests.

Members noted that 23 requests had been received during 2017/18 one more than the previous year; most related to information on investment holdings, mainly in respect of private equity holdings or to issues surrounding them.

Members were informed that the Authority had responded to all requests within the 20-day time limit required by the Act; at least 50 hours of officer time had been spent completing the requests.

To reduce the requirements for requests to be made, the Authority had begun to schedule the production of some information which was regularly requested as part of its normal reporting processes and publish the information on the website so it was readily available.

In answer to a question from a Member, G Graham commented that over time as investments gradually move to BCPP Ltd, requests should decrease.

RESOLVED: That the report be noted.

14 REVENUE BUDGET FOR 2019/20 AND REVISED BUDGET FOR 2018/19

A report was submitted to secure approval of the Authority's draft revenue budget for 2019/20 and to approve the levy under the Levying Bodies (General) Regulations 1992.

Members were reminded that one of the Authority's key strategic objectives was to operate cost effectively. Published data, which was summarised in a graph within the report, showed that the South Yorkshire Fund's total costs (including full investment costs) fall below the average.

The Head of Finance reminded Members that the report was presented against a background of the transfer of more than 50% of the Fund's assets into the Border to Coast Pensions Partnership. The remaining assets to transfer would do so over the period to 2020.

The 2018/19 budget had been set based on a number of assumptions about the costs that would be transferred to Border to Coast and the charges received from them. The costs resulting from the transfer of assets are now clearer and would become

clearer as Border to Coast finalised their budget. However, while the transfer of the Investment Team and associated changes resulted in reduced costs, the fees which came back to SYPA are a direct charge to the Pension Fund thus there appears to be a significant reduction in the Authority's budget.

Members were informed that the Authority had consistently achieved underspends over the last few years. The underspends had, where possible, been added to reserves in order to provide resources for investment and to meet one-off costs such as the changes to accommodation in the current year.

In answer to a question from a Member, J Bailey confirmed that the cost of the office move was not expected to exceed the previously agreed £75,000.

The report set out the revenue estimates on a 'continuation of service' basis for 2019/20 together with a revised estimate for 2018/19. A forecast for the Fund Account for 2018/19 and 2019/20 was also provided which showed how the Authority's costs together with those charged directly to the Fund were forecasted to change over the period.

The budget was presented in a new cost centre format which more clearly aligned budgets with individual managerial responsibilities.

RESOLVED: That the Authority:

- i) Approve the revised budget for 2018/19 in the sum of £5,336,300.
- ii) Approve a total levy of £436,000 for 2019/20 in accordance with The Levying Bodies (General) Regulations 1992, allocated to the District Councils as set out in paragraph 5.1 of the report.
- iii) Note the draft budget for 2019/20, and refer it to the District Councils for comment.

15 FRAMEWORK FOR THE 2019 ACTUARIAL VALUATION

A report was submitted to initiate a process of consultation on the framework within which the 2019 valuation would be carried out.

Members were reminded that the triennial valuation of the Fund would take place based on the position at 31 March 2019.

The Fund Director informed members that the Fund embarked on the 2019 valuation in a significantly different position to previous valuations with very significant progress having been made toward eliminating the deficit. It was therefore important that this progress was not put at risk through over-optimistic assumptions, whilst also recognising the financial pressures under which the employers were operating.

The broad methodology which Mercer, the Fund's actuary, would use to carry out the valuation was the same as in 2016 with the key assumption around the discount rate being based on an estimate of CPI inflation plus a percentage (previously an average CPI +2.2%).

Other key assumptions and issues to consider were:

- Pay awards – assumptions are made around the level of pay awards.
- Demographics – assumptions about how long people will live.
- Commutation – this is around the degree to which members choose to convert pension to lump sum.
- Ill health arrangements – assumptions around ill health retirement.
- Academies – it may be appropriate for the Authority to consult on changes around the treatment of Academies.
- Deficit recovery.
- Exit credits.
- Employer and covenant related issues.

Members noted the next steps in the process which were:

- Secure feedback from employers on the broad framework of assumptions and other changes set out in the report (to end January 2019).
- Consider and discuss feedback with the Actuary (ongoing).
- Present the final framework for approval by the Authority (March 2019).
- Reflect assumptions etc. in the Funding Strategy Statement which would be formally consulted on in the September to January period 2019 with the final version approved before the end of March 2020 when the new contribution rates come into effect.

RESOLVED: That the Authority approve consultation with employers within the Fund and the Local Pension Board on the various issues for the 2019 Valuation identified in the report.

CHAIR

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Agenda Item 7

SOUTH YORKSHIRE PENSIONS AUTHORITY

INVESTMENT BOARD

13 DECEMBER 2018

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

Officers: F Bourne (Administration Officer), N Copley (Treasurer), A Frosdick (Monitoring Officer), G Graham (Fund Director), G Richards (Senior Democratic Services Officer), M Shah (Investment Analyst) and S Smith (Head of Investments)

Trade Union Members: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: L Robb

D Booth (Chief Investment Officer) and A Stone (Client Relationship Manager) (BCPP Ltd)

Apologies for absence were received from: Councillor I Saunders, T Gardener, D Patterson and M McCarthy

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS.

The Board was informed that the Clerk to the Pensions Authority and Chief Executive of Barnsley MBC, Diana Terris, would be retiring in May 2019.

The Fund Director informed Members that if anyone wished to view the Authority's new offices, they could do so after the meeting.

3 URGENT ITEMS.

None.

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

It was noted that Appendix B to item 11, 'Pooling Alternative Investments' was an exempt item.

5 DECLARATIONS OF INTEREST.

Cllr Ellis commented that as a Non-Executive Director of BCPP Ltd she would be mindful of any potential conflicts.

6 MINUTES OF THE MEETING HELD ON 13 SEPTEMBER 2018

RESOLVED – That the minutes of the meeting held on 13 September 2018 be agreed and be signed by the Chair as a true record.

7 WORK PROGRAMME

The Board considered its Work Programme.

The Fund Director informed the Board that it was hoped to arrange a presentation on the work of LAPFF at 10am before the next Investment Board meeting; the meeting would then follow the presentation.

RESOLVED – That the Work Programme be noted.

8 INVESTMENT STRATEGY STATEMENT - AMENDMENT

A report was submitted to seek the Board's approval to the amendment to the Investment Strategy Statement to make direct reference to the new investment management arrangements with Border to Coast Pensions Partnership (BCPP). It was reported that it was a statutory requirement to make changes to the Investment Strategy Statement within six months of a major change of this sort.

Members were informed that there was no change to the underlying Investment Strategy but changes had been made throughout the document to take out reference to internal investment management and to reference the investment management arrangements now in place with BCPP.

RESOLVED – That the amendments to the Investment Strategy Statement be approved.

9 QUARTERLY PERFORMANCE REPORT

The Board considered the quarterly report to 30 September 2018.

It was noted that for the quarter, the Fund returned 1.6% against the expected return of 1.4% with the Fund valuation rising from £8210.5m to £8333.5m.

The upside that was given up for the comfort of equity protection strategy was equivalent to 0.4% of performance. Markets had fallen recently and the equity protection had then added an extra 1% in performance.

RESOLVED – That the report be noted.

10 BORDER TO COAST PRESENTATION

The Chair welcomed Daniel Booth, Chief Investment Officer, and Andrew Stone, Client Relationship Manager, from BCPP Ltd.

They delivered a presentation which included:

- Border to Coast - Progress Update
- Key Economic Themes
- Equity Fund Management Approach
- UK Listed Equity Fund – Q3 Update
- Responsible Investment
- Overseas Developed Equity Fund – Q3 Update
- Performance since inception/post Q3
- Alternative Asset Platform

The Board were informed that during the next few months Border to Coast would need:

- Approval to form subsidiary companies of Border to Coast (Q1 2019) – Shareholder (100% approval)
- Approval of the implementation and operational budget as part of the Strategic Plan (Q1 2019) - Shareholder (75% approval)
- Approval of the Limited Partnership Agreement and associated legal documentation (Q1 2019) e.g. subscription agreement, powers of attorney – Pensions Committee/Officers
- Investment commitments – Private Equity (Q1 2019). Infrastructure (Q1 2019), Private Debt (Q2 2019) and Diversified Alternatives (Q2 2019)

The Chair thanked D Booth and A Stone for an interesting and informative presentation.

11 POOLING ALTERNATIVE INVESTMENTS

A report was submitted to seek embers' endorsement of the proposed approach to the pooling of alternative investments within structures provided by the Border to Coast Pensions Partnership.

Previous reports to the Board had highlighted the broad approach to the pooling of alternative investments proposed by Border to Coast. The report now being considered represented the next stage of the process of committing to investment in the Border to Coast Alternatives proposal and dealt with:

- The legal structure of the investment;
- The “mandate” in relation to Private Equity which would be the first asset class to be launched within the alternatives framework; and
- The level of commitments the Fund would be making to these asset classes to continue to meet the current strategic asset allocation.

The Fund Director reminded the Board that Alternative investments were inherently illiquid. The Authorised Contractual Scheme already provided by Border to Coast

had to meet a range of legal requirements in relation to liquidity and therefore could not be used to hold investments of this sort.

Border to Coast had considered four options using the criteria detailed within the report. After a detailed appraisal a structure based on the use of limited partnership vehicles was identified as the best fit against the criteria; these were illustrated at Appendix A to the report. The various “general partner” legal entities required would need to be incorporated as subsidiaries of Border to Coast and this would need the approval of a shareholder resolution by all 12 partner funds. The partner funds had commissioned independent legal advice on both the overall structure and on the various legal agreements that would need to be signed on entering this structure.

The report also detailed how the proposed structure would operate, the investment mandate, concentration limits and commitment pacing. With regard to commitment pacing, the Head of Investment Strategy had carried out an exercise to model the cash flows into and out of each existing investment and made a range of assumptions about the overall value of the Fund to arrive at a sustainable level of commitment for the medium term. Border to Coast had been notified of SYPA’s commitment to Alternatives in each of the next three years. Members noted that these figures would be reviewed in light of the review of the Investment Strategy which could increase the allocation to Alternatives.

G Graham informed the Board that both of the Authority’s advisors approved of the proposed structure.

L Robb commented that the proposals made sense, BCPP already had expertise in this area and could access a wider range of investments at lower cost due to scale.

RESOLVED: That the Board:

- i) Endorse the structural approach to the pooling of Alternative investments proposed by Border to Coast and, subject to the receipt of appropriate legal advice, the approval by the Authority of the necessary shareholder resolutions.
- ii) Note the proposed mandate in relation to Private Equity and receive the views of the Advisors thereon.
- iii) Note the proposals of the Head of Investment Strategy in relation to the pace of commitments to the various Alternative asset classes, in order to maintain the current strategic asset allocation.

12 RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW

A report was considered which presented the annual review of the Authority’s Responsible Investment Policy together with the annual review of Border to Coast’s Responsible Investment Policy and Voting Guidelines for approval.

Members were informed that this year for the first time the Policy was being reviewed in the context of pooling with all of the Authority’s listed equity assets now being managed within the Border to Coast pool. This meant that responsible

investment and stewardship responsibilities are now exercised operationally by Border to Coast as the Fund Manager. Border to Coast had developed their own collective Responsible Investment policy and Voting Guidelines with the 12 partner funds; these were presented as appendices to the report.

Other than the changes to reflect the changed responsibilities from pooling, the Border to Coast Voting Guidelines had been drawn up, with advice from their advisor Robeco, to reflect that shares will now be voted globally, resulting in changes to reflect practice across the differing markets.

RESOLVED: That the Board approves the updated Responsible Investment Policy as detailed at Appendix A to the report.

CHAIR

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South Yorkshire Pensions Authority – cycle of future meetings

Authority Meetings

| Agendas | 4 October 2018 | 22 November 2018 | 17 January 2019 | 14 March 2019 |
|---------------------------|---|---------------------------------------|--------------------------------|---------------------------------------|
| Business Items | Minutes | Minutes | Minutes | Minutes |
| | Work Programme | Work Programme | Work Programme | Work Programme |
| | S41 Feedback | S41 Feedback | S41 Feedback | S41 Feedback |
| | Local Pension Board Annual Report | | | Meeting Dates of Authority and Boards |
| | Senior Management Arrangements | | | |
| Board Scrutiny | Call-Ins | Call-Ins | Call-Ins | Call-Ins |
| Governance Matters | CP&GB Audit Committee Functions Annual Report | FoIA Annual Report Publication Scheme | Members Self-Assessment Report | Treasury Management Statement |
| | Gender Pay Gap | Budgets and Revised Estimates | Budgets and Revised Estimates | Corporate Plan |
| | Governance Arrangements | | | Pay Policy Statement |
| | Contract Standing Orders | | | |
| | Government Actuary's Dept S13 Valuation | | | |

| | 4 October 2018 | 22 November 2018 | 17 January 2019 | 14 March 2019 |
|-----------------------------------|-----------------------|--|-----------------------------------|--------------------------|
| Service Delivery | Q1 Snapshot Report | Q2 Snapshot Report | | Q3 Snapshot Report |
| | Pooling Update | Framework for the 2019 Actuarial Valuation | | Actuarial Valuation 2019 |
| Training & Development | | | Presentation by the Fund Director | |

SOUTH YORKSHIRE PENSIONS AUTHORITY

17 January 2019

Report of the Clerk

COMPLIANCE WITH THE PRINCIPLES FOR INVESTMENT GOVERNANCE: SELF-ASSESSMENT

1) Purpose of the report

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

2) Recommendations

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

3) Contents

Main Report

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

4) Background Information

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

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

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

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

- 4.3 Members adopted a system of self-assessment in October 2011 and agreed to use a template to gauge compliance.
- 4.4 The self-assessment process consists of three separate forms:
- (i) Assessment of Authority Members.
 - (ii) Assessment of the Board Chair by Members of the Investment Board.
 - (iii) Assessment of the Board Chair by the Members of the Corporate Planning and Governance Board.
- 4.5 In order to benchmark, forms will be personalised to show the scores given in the previous year by individual members.
- 4.6 Assessment forms will be circulated to all Authority Members immediately after the Authority meeting on 17 January. Members are asked to complete and return the forms before the end of March 2019.

5. Development Needs

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

6 Implications

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

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

D Terris
Clerk

Officer responsible:
G Richards
Senior Democratic Services Officer
01226 772806

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

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

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

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

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

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

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 January 2019

Report of the Treasurer

REVENUE ESTIMATES 2019/20

1 Matter for consideration

Following various consultations, to formally confirm the draft budget proposals considered by the Authority on 22 November 2018.

2 Recommendations

The Authority is asked to formally confirm the budget proposals and approve the budget of £5,445,600 for 2019/20.

3 Background Information

- 3.1 At its meeting on 22 November, the Authority considered draft budget proposals for the 2019/20 financial year. The key elements of these proposals were subsequently the subject of consultations with various interested parties and no changes were suggested.
- 3.2 A summary of the amended draft budget as considered at the Authority meeting on 22 November is attached at Appendix A. No changes have been made to those figures. The full report considered by members at that meeting can be accessed on the Pensions website.
- 3.3 This report is concerned only with the Authority's operating budget. The report presented in November also contained a forecast for the Fund Account over the coming year which reflects those costs, such as investment management fees, charged directly to the Pension Fund. This forecast is being updated to reflect the final Border to Coast budget proposals which are currently going through the shareholder approval process. These final proposals result in no material change to the bottom line forecast for the Fund Account.

4 Other Implications

- 4.1 Legal
None
- 4.2 Diversity
None
- 4.3 Risk
None

N Copley
Treasurer

Officer responsible: Bev Clarkson, Head of Finance, South Yorkshire Pensions Authority
Background papers used in the preparation of this report are available for inspection at the South Yorkshire Pensions Authority.

Other sources and references: none

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SOUTH YORKSHIRE PENSIONS AUTHORITY

APPENDIX A

| BUDGET REPORT | 2018/19 | | | | | 2019/20 | | | | | | | | |
|----------------------------------|----------------------------|----------|------------------------|------------------|---------------|---------------------------|------------------------------------|--------------------|----------------|----------------|----------------------------|----------|----------------|------------------|
| | Original Estimate 18/19 | Adjust | Restated Base 18/19 | Variance | Virements | Revised Est Base 18/19 | Inflation 2% pay 2.5% prices | Volume & others | Growth | Savings | Original Estimate 19/20 | | | |
| INVESTMENTS | 5,790,700 | - | 4,835,300 | 955,400 | - | 39,400 | - | 916,000 | 19,700 | 4,900 | 188,500 | - | 383,600 | 784,900 |
| FINANCE | - | | 497,000 | 497,000 | 52,800 | - | | 549,800 | 19,500 | 11,000 | 3,000 | | - | 530,500 |
| ADMINISTRATION | 3,190,600 | - | 411,500 | 2,779,100 | - | 26,700 | - | 2,752,400 | 102,400 | 71,300 | 25,000 | - | 20,000 | 2,957,800 |
| IT | - | | 631,000 | 631,000 | 8,800 | - | | 639,800 | 21,500 | 20,500 | 34,100 | - | 200 | 706,900 |
| MANAGEMENT & CORPORATE COSTS | - | | 373,250 | 373,250 | 26,900 | - | | 400,150 | 9,400 | - | - | | - | 382,650 |
| DEMOCRATIC REPRESENTATION | - | | 81,250 | 81,250 | - | 3,100 | - | 78,150 | 1,600 | - | - | | - | 82,850 |
| | 8,981,300 | - | 3,664,300 | 5,317,000 | 19,300 | - | - | 5,336,300 | 174,100 | 107,700 | 250,600 | - | 403,800 | 5,445,600 |
| TOTAL AUTHORITY BUDGET | | | | | | | | | | | | | | 5,445,600 |
| BUDGETED DRAW DOWN FROM RESERVES | | | | | | | | | | | | | | |
| NET AUTHORITY BUDGET | | | | | | | | | | | | | | 5,445,600 |

SOUTH YORKSHIRE PENSIONS AUTHORITY

| BUDGET REPORT | 2018/19 | | | | | 2019/20 | | | | | | | |
|---|----------------------------|----------|------------------------|----------------|---------------|---------------------------|------------------------------------|--------------------|--------------|----------------|----------------------------|----------------|----------------|
| | Original Estimate 18/19 | Adjust | Restated Base 18/19 | Variance | Virements | Revised Est Base 18/19 | Inflation 2% pay 2.5% prices | Volume & others | Growth | Savings | Original Estimate 19/20 | | |
| INVESTMENTS | | | | | | | | | | | | | |
| Staffing | 938,300 | - | 633,400 | 304,900 | 48,700 | - | 353,600 | 10,500 | 4,900 | 188,000 | - | 194,100 | 314,200 |
| Training Exps | 18,000 | - | 13,500 | 4,500 | 1,000 | - | 5,500 | - | - | - | - | - | 4,500 |
| Other Indirect EE's Expenses | 8,100 | - | 4,750 | 3,350 | 9,900 | - | 13,250 | - | - | - | - | - | 3,350 |
| Rent & Service Charge | 49,000 | - | 32,000 | 17,000 | - | - | 17,000 | 400 | - | - | - | - | 17,400 |
| Transport Expenses | 12,500 | - | 6,250 | 6,250 | - | - | 6,250 | - | - | 500 | - | - | 6,750 |
| Equipment, Furniture & Materials | 7,000 | - | 4,050 | 2,950 | - | - | 2,950 | - | - | - | - | - | 2,950 |
| Publications | 5,000 | - | 1,000 | 4,000 | - | - | 4,000 | - | - | - | - | 1,500 | 2,500 |
| Printing & Stationery | 3,000 | - | 1,650 | 1,350 | - | - | 1,350 | - | - | - | - | - | 1,350 |
| Communication & Computing | 12,300 | - | 12,200 | 100 | - | - | 100 | - | - | - | - | - | 100 |
| Subsistence & Conferences | 1,500 | - | 500 | 1,000 | - | - | 1,000 | - | - | - | - | - | 1,000 |
| Subscriptions | 52,000 | - | 2,000 | 50,000 | - | - | 50,000 | - | - | - | - | - | 50,000 |
| Professional Fees | 66,000 | - | 10,000 | 56,000 | - | - | 56,000 | - | - | - | - | - | 56,000 |
| Miscellaneous Expenses | 2,000 | - | 1,000 | 1,000 | - | - | 1,000 | - | - | - | - | - | 1,000 |
| | 1,174,700 | - | 722,300 | 452,400 | 59,600 | - | 512,000 | 10,900 | 4,900 | 188,500 | - | 195,600 | 461,100 |
| INVESTMENT MANAGEMENT FEES | | | | | | | | | | | | | |
| Internal Information Systems | 399,000 | - | 399,000 | - | 103,000 | - | 296,000 | 6,100 | - | - | - | 180,000 | 225,100 |
| Internal Management Fees | 259,000 | - | 258,000 | 1,000 | 1,000 | - | 2,000 | - | - | - | - | - | 1,000 |
| External Management Fees | 3,958,000 | - | 3,855,000 | 103,000 | 3,000 | - | 106,000 | 2,700 | - | - | - | 8,000 | 97,700 |
| | | | | - | | | | | | | | | |
| TOTAL INVESTMENT MANAGEMENT EXPENSES | 4,616,000 | - | 4,113,000 | 503,000 | 99,000 | - | 404,000 | 8,800 | - | - | - | 188,000 | 323,800 |
| Total Investment | 5,790,700 | - | 4,835,300 | 955,400 | 39,400 | - | 916,000 | 19,700 | 4,900 | 188,500 | - | 383,600 | 784,900 |

SOUTH YORKSHIRE PENSIONS AUTHORITY

| BUDGET REPORT | 2018/19 | | | | | 2019/20 | | | | | |
|---|----------------------------|------------------|------------------------|-----------------|---------------|---------------------------|------------------------------------|--------------------|---------------|-----------------|----------------------------|
| | Original Estimate 18/19 | Adjust | Restated Base 18/19 | Variance | Virements | Revised Est Base 18/19 | Inflation 2% pay 2.5% prices | Volume & others | Growth | Savings | Original Estimate 19/20 |
| Admin inc District Offices | | | | | | | | | | | |
| Staffing | 2,171,500 | 40,300 | 2,211,800 | - 63,700 | - 24,000 | 2,124,100 | 96,400 | 46,300 | - | - | 2,354,500 |
| Training Exps | 14,000 | 1,300 | 15,300 | - | - | 15,300 | - | - | 5,000 | - | 20,300 |
| Other Indirect EE's Expenses | 24,500 | 1,900 | 26,400 | 8,000 | - | 34,400 | 600 | - | - | - | 27,000 |
| Rent & Service Charge | 162,000 | 28,400 | 190,400 | - | - | 190,400 | 4,700 | - | - | - | 195,100 |
| Transport Expenses | 10,000 | 1,500 | 11,500 | 5,000 | - | 16,500 | 400 | - | 5,000 | - | 16,900 |
| Equipment, Furniture & Materials | 15,900 | 1,600 | 17,500 | - | - | 17,500 | - | - | - | - | 17,500 |
| Publications | 500 | - | 500 | - | - | 500 | - | - | - | - | 500 |
| Printing & Stationery | 76,000 | 1,200 | 77,200 | - 20,000 | - 20,000 | 37,200 | - | - | - | - 20,000 | 57,200 |
| Communications & Computing | 236,000 | - 131,000 | 105,000 | 83,000 | 83,000 | 271,000 | - | - | - | - | 105,000 |
| Subsistence & Conferences | 2,200 | 300 | 2,500 | - | - | 2,500 | - | - | - | - | 2,500 |
| Subscriptions | 10,000 | - | 10,000 | - | - | 10,000 | 300 | - | - | - | 10,300 |
| Professional Fees | 157,000 | - | 157,000 | - | - | 157,000 | - | 25,000 | 15,000 | - | 197,000 |
| Miscellaneous Expenses | 9,000 | - | 9,000 | - | - | 9,000 | - | - | - | - | 9,000 |
| Central Expenses | 416,000 | - 416,000 | - | - | - | - | - | - | - | - | - |
| Local Pension Board | 15,000 | - 15,000 | - | - | - | - | - | - | - | - | - |
| Gross Expenditure | 3,319,600 | - 485,500 | 2,834,100 | 12,300 | 39,000 | 2,885,400 | 102,400 | 71,300 | 25,000 | - 20,000 | 3,012,800 |
| Miscellaneous Income | | | | | | | | | | | |
| Payroll Admin | 33,000 | - | 33,000 | - | - | 33,000 | - | - | - | - | 33,000 |
| Other Miscellaneous Income | 1,000 | - | 1,000 | - | - | 1,000 | - | - | - | - | 1,000 |
| District Council Recharge | 8,000 | - 8,000 | - | - | - | - | - | - | - | - | - |
| IT Network Charges | 65,000 | - 65,000 | - | - | - | - | - | - | - | - | - |
| IAS19 charges | 20,000 | - | 20,000 | - | - | 20,000 | - | - | - | - | 20,000 |
| Fees & Charges | 2,000 | - 1,000 | 1,000 | 39,000 | 39,000 | 79,000 | - | - | - | - | 1,000 |
| Total Income | 129,000 | - 74,000 | 55,000 | 39,000 | 39,000 | 133,000 | - | - | - | - | 55,000 |
| Total Net Expenditure Admin inc District Offices | 3,190,600 | - 411,500 | 2,779,100 | - 26,700 | - | 2,752,400 | 102,400 | 71,300 | 25,000 | - 20,000 | 2,957,800 |

SOUTH YORKSHIRE PENSIONS AUTHORITY

| BUDGET REPORT | 2018/19 | | | | | 2019/20 | | | | | | |
|-----------------------------------|----------|----------------------------|--------|------------------------|---------------|-----------|---------------------------|------------------------------------|--------------------|---------------|------------|----------------------------|
| | Division | Original Estimate 18/19 | Adjust | Restated Base 18/19 | Variance | Virements | Revised Est Base 18/19 | Inflation 2% pay 2.5% prices | Volume & others | Growth | Savings | Original Estimate 19/20 |
| FINANCE | | | | | | | | | | | | |
| Staffing | - | 420,100 | | 420,100 | 5,300 | - | 425,400 | 18,300 | 11,000 | - | - | 449,400 |
| Training Exps | - | 13,500 | | 13,500 | - | - | 13,500 | - | - | 3,000 | - | 16,500 |
| Other Indirect EE's Expenses | - | 4,750 | | 4,750 | 47,000 | - | 51,750 | - | - | - | - | 4,750 |
| Rent & Service Charge | - | 32,000 | | 32,000 | - | - | 32,000 | 800 | - | - | - | 32,800 |
| Transport Expenses | - | 6,250 | | 6,250 | 500 | - | 6,750 | - | - | - | - | 6,250 |
| Equipment, Furniture & Materials | - | 4,050 | | 4,050 | - | - | 4,050 | - | - | - | - | 4,050 |
| Publications | - | 1,000 | | 1,000 | - | - | 1,000 | - | - | - | - | 1,000 |
| Printing & Stationery | - | 1,650 | | 1,650 | - | - | 1,650 | - | - | - | - | 1,650 |
| Communication & Computing | - | 200 | | 200 | - | - | 200 | - | - | - | - | 200 |
| Subsistence & Conferences | - | 500 | | 500 | - | - | 500 | - | - | - | - | 500 |
| Subscriptions | - | 2,000 | | 2,000 | - | - | 2,000 | 100 | - | - | - | 2,100 |
| Professional Fees | - | 10,000 | | 10,000 | - | - | 10,000 | 300 | - | - | - | 10,300 |
| Miscellaneous Expenses | - | 1,000 | | 1,000 | - | - | 1,000 | - | - | - | - | 1,000 |
| Total Finance | - | 497,000 | | 497,000 | 52,800 | - | 549,800 | 19,500 | 11,000 | 3,000 | - | 530,500 |
| IT | | | | | | | | | | | | |
| Staffing | - | 469,000 | | 469,000 | 6,200 | - | 462,800 | 17,800 | 5,500 | 7,100 | 200 | 499,200 |
| Training Exps | - | - | | - | - | - | - | - | - | 5,000 | - | 5,000 |
| Other Indirect EE's Expenses | - | - | | - | - | - | - | - | - | - | - | - |
| Rent & Service Charge | - | - | | - | - | - | - | - | - | - | - | - |
| Transport Expenses | - | - | | - | - | - | - | - | - | - | - | - |
| Equipment, Furniture & Materials | - | - | | - | - | - | - | - | - | - | - | - |
| Subsistence & Conferences | - | - | | - | - | - | - | - | - | - | - | - |
| Subscriptions | - | - | | - | - | - | - | - | - | - | - | - |
| Professional Fees | - | - | | - | - | - | - | - | - | - | - | - |
| Miscellaneous Expenses | - | - | | - | - | - | - | - | - | - | - | - |
| Support Services | - | 11,000 | | 11,000 | - | - | 11,000 | 300 | - | - | - | 11,300 |
| IT Costs | - | 217,000 | | 217,000 | - | - | 217,000 | 3,400 | - | 22,000 | - | 242,400 |
| Total Gross IT Expenditure | - | 697,000 | | 697,000 | 6,200 | - | 690,800 | 21,500 | 5,500 | 34,100 | 200 | 757,900 |
| Income | - | 66,000 | | 66,000 | 15,000 | - | 51,000 | - | 15,000 | - | - | 51,000 |
| Total Net IT Expenditure | - | 631,000 | | 631,000 | 8,800 | - | 639,800 | 21,500 | 20,500 | 34,100 | 200 | 706,900 |

SOUTH YORKSHIRE PENSIONS AUTHORITY

| BUDGET REPORT | 2018/19 | | | | | 2019/20 | | | | | |
|---|----------------------------|--------------------|------------------------|---------------|-----------|---------------------------|------------------------------------|--------------------|----------------|------------------|----------------------------|
| | Original Estimate 18/19 | Adjust | Restated Base 18/19 | Variance | Virements | Revised Est Base 18/19 | Inflation 2% pay 2.5% prices | Volume & others | Growth | Savings | Original Estimate 19/20 |
| Management & Corporate | | | | | | | | | | | |
| Staffing | - | 47,250 | 47,250 | - | - | 47,250 | 1,600 | - | - | - | 48,850 |
| Total Other Indirect EE's Exps | - | - | - | 1,900 | - | 1,900 | - | - | - | - | - |
| Professional Services | - | - | - | 25,000 | - | 25,000 | - | - | - | - | - |
| Support Services | - | 326,000 | 326,000 | - | - | 326,000 | 7,800 | - | - | - | 333,800 |
| Total Management & Corporate | - | 373,250 | 373,250 | 26,900 | - | 400,150 | 9,400 | - | - | - | 382,650 |
| Democratic Representation | | | | | | | | | | | |
| Staffing | - | 47,250 | 47,250 | - | - | 47,250 | 1,600 | - | - | - | 48,850 |
| Other Indirect EE's Exps | - | - | - | 1,900 | - | 1,900 | - | - | - | - | - |
| Democratic Rep Costs | - | 19,000 | 19,000 | - | - | 19,000 | - | - | - | - | 19,000 |
| Local Pension Board | - | 15,000 | 15,000 | 5,000 | - | 10,000 | - | - | - | - | 15,000 |
| Total Democratic Representation | - | 81,250 | 81,250 | 3,100 | - | 78,150 | 1,600 | - | - | - | 82,850 |
| TOTAL AUTHORITY BUDGET | 8,981,300 | - 3,664,300 | 5,317,000 | 19,300 | - | 5,336,300 | 174,100 | 107,700 | 250,600 | - 403,800 | 5,445,600 |
| | | 4,113,000 | to fund | | | | | | | | |
| | | 448,700 | Districts | | | | | | | | |

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SOUTH YORKSHIRE PENSIONS AUTHORITY

17 January 2019

Report of Clerk

MEETINGS OF THE AUTHORITY IN 2019/20

1. Purpose of the Report

To consider the proposed schedule of Authority meetings during 2019/20.

2. Recommendations

Members are recommended to approve the cycle of meetings for 2019/20.

3. Information

- 3.1 Attached as an Appendix to this report is a schedule of meetings for 2019/20.
- 3.2 It is proposed to move the Annual and Ordinary meetings scheduled for 6th June 2019 to 13th June 2019.
- 3.3 The meeting of the Corporate Planning & Governance Board scheduled for 13th June 2019 has been cancelled and replaced with an Audit Committee meeting on 18th July 2019.
- 3.4 Member seminars and conferences have been included in the schedule for information.
- 3.5 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.

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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SOUTH YORKSHIRE PENSIONS AUTHORITY PROGRAMME OF MEMBER MEETINGS AND EVENTS 2019/20

| | Authority | Audit Committee | Staffing Appointments and Appeals Committee | Member Seminar | External Events | Local Pension Board | BCPP Joint Committee |
|----------------|---|------------------------------------|--|--------------------------------------|---|---|----------------------|
| May 2019 | | | | | PLSA Local Authority Conference (13 th - 15 th Cotswolds) | | |
| June 2019 | 13 th Annual and Ordinary Meetings | | 27 th Appointment of Independent Advisers | | | CIPFA Annual Local Pension Boards Event (26 th London) | 4th |
| July 2019 | | 18 th Accounts Approval | | 11 TH Valuation | | 25th | |
| August 2019 | | | | | | | |
| September 2019 | 12 th | | | | LGC Investment Summit (7 th -8 th provisional Celtic Manor) | | 11 th |
| October 2019 | | 24 th | | 31 st Investment Strategy | Border to Coast Conference (10 th – 11 th Leeds) PLSA Annual Conference (16 th - 18 th Manchester) | 24 th | |
| November 2019 | 14 th (Levy) | | | | SPS Annual Northern Investment Conference for Pension Funds (21 st Leeds) | | 20th |

SOUTH YORKSHIRE PENSIONS AUTHORITY PROGRAMME OF MEMBER MEETINGS AND EVENTS 2019/20

| | Authority | Audit Committee | Staffing Appointments and Appeals Committee | Member Seminar | External Events | Local Pension Board | BCPP Joint Committee |
|---------------|---------------------------|-----------------|---|--|--|--|----------------------|
| December 2019 | | | | 12 th Corporate Strategy and Budget | LAPFF Conference (3 rd – 5 th provisional Bournemouth) | 11 th | |
| January 2020 | 24 th (Budget) | | | | LGA LGPS Governance Conference (18 th - 19 th provisional Bristol) | | |
| February 2020 | | | | | | LPB meeting 13 th CIPFA Local Pension Boards Spring Seminar (26 th provisional Leeds or Manchester) | |
| March 2020 | 19 th | 5 th | | | | | 9 th |
| April 2020 | | | | | | | |