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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Diana Terris
Clerk

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Barnsley
South Yorkshire
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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority to be held in Meeeting Room 14, Town Hall, Barnsley, S70 2TA on Thursday 14 March 2019 at 10.00 am for the purpose of transacting the business set out in the agenda.

Diana Terris

Diana Terris
Clerk

This matter is being dealt with by: Gill Richards 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

14 MARCH 2019 AT 10.00 AM IN MEEETING ROOM 14, TOWN HALL, BARNSLEY, S70 2TA

Agenda: Reports attached unless stated otherwise

SOUTH YORKSHIRE PENSIONS AUTHORITY

17 JANUARY 2019

PRESENT: Councillor S Ellis (Chair)
Councillor M Stowe (Vice-Chair)
Councillors: A Bainbridge, S Cox, A Hurst, J Mounsey, 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), N Copley (Treasurer), A Frosdick (Monitoring Officer), G Graham (Fund Director) and G Richards (Senior Democratic Services Officer)

Apologies for absence were received from M McCarthy

1 APOLOGIES

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

2 ANNOUNCEMENTS

There was no announcements.

3 URGENT ITEMS

None.

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

None.

5 DECLARATIONS OF INTEREST.

There was no declarations of interest.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 22 NOVEMBER 2018

RESOLVED: That the minutes of the Authority meeting held on 22 November 2018 be agreed and signed by the Chair as a correct record.

7 DRAFT MINUTES OF THE MEETING OF THE INVESTMENT BOARD HELD ON 13 DECEMBER 2018

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

8 WORK PROGRAMME

The Authority considered its Work Programme.

The Fund Director reported that at the next Authority meeting there would be a comprehensive Work Programme for the whole municipal year which would reflect the changes in the governance arrangements.

RESOLVED: That the Work Programme be noted.

9 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

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

A report was submitted to update Members on the CIPFA Code of Practice on public service pensions finance knowledge and skills and the self-assessment against the Principles for Investment Governance.

Members were reminded that the Regulations did not now make for provision to report against the principles but the Authority had previously decided to continue with self-assessment to evidence that the principles of good governance were being maintained.

RESOLVED:

i) That the Authority note the contents of the report.

ii) That Members confirm their commitment to the self-assessment process.

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

11 REVENUE ESTIMATES 2019/20

A report was submitted to request the Authority to formally confirm the draft budget proposals that had previously been considered at its meeting on 22 November 2018.

B Clarkson informed Members that the key elements of the proposals had been the subject of consultations with various interested parties; no changes had been suggested.

The report was only concerned with the Authority's operating budget. The report presented in November also contained a forecast for the Fund Account over the coming year which reflected those costs, such as management fees, charged directly to the Pension Fund. This forecast was being updated to reflect the final Border to Coast budget proposals which were currently going through the shareholder approval process. The final proposals result in no material change to the bottom line forecast for the Fund Account.

The Chair commented that the new format for the report was not easy to read, and while appreciating the enhanced transparency of the report, requested that the format be looked at again.

RESOLVED: That the Authority formally confirm the budget proposals and approve the budget of £5,445,600 for 2019/20.

12 MEETINGS OF THE AUTHORITY IN 2019/20

A report was submitted to consider the proposed schedule of Authority meetings for 2019/20.

The schedule reflected the changes to the governance arrangements and also included Member seminars and external training events and conferences.

RESOLVED: That the schedule of Authority meetings for 2019/20 be approved.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 March 2019

Report of the Fund Director

FEEDBACK FROM THE BORDER TO COAST JOINT COMMITTEE

1) Purpose of the Report

To provide members with feedback from the recent meeting of the Border to Coast Joint Committee.

2) **Recommendations**

Members are recommended to:

a) Note the feedback of the Authority's representative on the Joint Committee and comment on any issues raised by that feedback

3) Background Information

3.1 The latest meeting of the Border to Coast Joint Committee took place on 11 March at County Hall in Northallerton. The Authority was represented by Cllr Stowe. Cllr Ellis also attended in her capacity as a non-Executive Director of the Border to Coast operating company elected by the Shareholders.

3.2 Members have been provided with access to the papers for the Joint Committee meeting, and had the opportunity to raise issues before the meeting with the Fund Director and Cllr Stowe. Given the timing of meetings and the deadline for the circulation of papers this report simply lists the issues to be considered by the Joint Committee, Cllr Stowe will provide feedback on the issues discussed and decisions made. In addition Cllr Doug McMurdo the Chair of the Joint Committee, and Chair of the Bedfordshire Pension Fund will be in attendance at this meeting and will be able to answer members' questions.

3.3 The major items discussed at the Joint Committee were:

- The result of the election of the Scheme Member Observer on the Joint Committee

- Arrangements for the election of Chair and Vice Chair of the Joint Committee and a Non-Executive Director to replace Cllr John Weighell from North Yorkshire. Cllr Weighell has resigned due to issues of conflict of interest with his role as Chair of the Pension Committee. In South Yorkshire arrangements have been made to address these conflicts which satisfy the Monitoring Officer.
- Consideration of a response to the consultation on MHCLG's draft statutory guidance on pooling. A separate but complementary South Yorkshire response was considered at the recent Investment Board meeting.
- A discussion of the Pool's governance arrangements focussing on the distinction between the shareholder and investor roles.
- An update from the Chief Executive on the development of Border to Coast as an organisation and overall performance.
- The plan for future transition of assets into pooled structures.
- Reports considering detailed matters concerning the products currently being developed, externally managed global equity, alternatives and Fixed Income.

3.4 The next meeting of the Joint Committee is scheduled for 4 June. This is prior to the Authority's Annual Meeting and therefore Councillor Stowe will attend on behalf of the Authority.

4) Implications and risks

- Financial – There are no specific financial implications arising from this report.
- Legal – There are no legal implications directly arising from this report.
- Diversity – There are no diversity implications directly arising from this report.
- Risk – The various items considered by the Joint Committee specifically addressed the risk implications of each issue considered.

George Graham
Fund Director

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

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Business Planning and
Performance Framework 2018/19
for the Pensions Service
and Pensions Authority

Performance Snapshot Report
2018/19: Q3

ISSUED: March 2019

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	19,277 cases of which 80% were on target. This compares with 16,052 cases at 81% achieved during Q2.	97%	Reduction in performance from Q2 coincides with the formation of the team to deal with the backlog aggregation exercise although production increased substantially overall.

2. Investment Returns

Area under Review		Target	Status/Comment
Fund Value	£8089.8m	N/A	£8333.5m at end September.
Performance Against Benchmarks	Qtr -2.8% Equity protection added to the return by 2.2% YTD 1.4% Equity protection added to the return by 1.0%	Qtr -4.2% YTD 0.2%	Global economic growth prospects have deteriorated in the last few months. The slowdown has been broad based with trade disputes, Brexit, rising interest rates and the strong dollar all playing a part in this. There was a sharp correction in equity markets with the MSCI All world index falling by 10.6%. This fall was driven by high valuations, weaker earnings expectations, a sharp fall in the oil price and a reduction in risk appetite with a noticeable rotation away from highly valued

			momentum stocks into more defensive value-oriented stocks. Bond yields declined as investors looked for safer homes for their money.

3. Responsible Investment

Area under Review	Activity During Quarter	Target	Status/Comment
Responsible Investment	Investment Strategy statement was revised to make direct reference to the new investment management arrangements with Border to Coast Annual Review of the Authority's Responsible Investment Review in conjunction with Border to Coast.		
Shareholder Engagement	Voting is now implemented through the arrangement with Border to Coast who use Robeco as adviser. Shares are now voted on globally.		

4. Valuing Our Employees

Area under Review	Activity During Quarter	Target	Status/Comment
Staff Turnover	3 Leavers 0 New Starters	Annual 4.25%	The UPM Team Manager left the Authority for personal reasons in November, as did the Technical Team Manager. One (p/t) junior pensions officer

			also left following a short illness.
Staff Training	One pensions officer sat and passed the internal retirements exam and is now studying/being trained for the next exam on the schedule in late March 19.	Plan 100% up to date	Technical team have provided a number of training sessions on topics to small specific staff groups as well as refresher sessions to larger groups.
Sickness Monitoring	3.4% total	None	A further modest reduction in sickness of 0.3% compared with previous quarter.

5. Pensions Planning

Area under Review	Activity During Quarter	Target	Status/Comment
Interactive Facilities	12 new employer contacts registered for EPIC this period MyPension	N/A	490 employers now registered for Epic. There are 3 employers (covering 27 active members) not registered. Registration is still on the increase with 1,908 new registrations this quarter taking the number of members registered in total to 13,881.
Face to Face Communication	349 Advisory Sessions held represents a 27% reduction in appointments from the previous quarter. Efforts continue to reduce unnecessary	Less than 0.5% complaints	6 complaints received – 4 were relating to employer delays, 2 were related to aggregation issues (being addressed by the project).

	appointments without reducing the service to members where face to face meetings are requested.		
Employer Activity	7 New Employers (all Academies) 0 Terminations	N/A	There are currently 504 employers, of which 493 have active members.

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
External Audit **Reports /Plans**	October – 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		100% Up to date	
Financial Reporting	October - Budget Monitoring report considered by CP&GB	100% achievement of reporting schedule	On target.
Annual Governance Statement Conclusion		No Significant Weaknesses	Actions continuing.
Annual Self-Assessment			No significant issues

Area under Review	Activity During Quarter	Target	Status/Comment
Member Training	October – 1 member attended LGC Investment Seminar November – 5 members attended BCPP Annual Conference November – 1 member attended DCLG Infrastructure event November – 1 member attended SPS Investment Conference November – 2 members attended Schroders Trustee training	100% Induction & fundamentals training &	92% had induction. 67% had fundamentals training

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 March 2019

Report of the Fund Director

CORPORATE PLANNING FRAMEWORK

1) Purpose of the Report

To secure approval from the Authority of the various documents which make up the Corporate Planning Framework for the next three years.

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2) **Recommendations**

Members are recommended to:

a) **Approve the following documents appended to this report as constituting the Authority's Corporate Planning Framework**
   - **The Corporate Strategy (Appendix A)**
   - **The Medium Term Financial Strategy (Appendix B)**
   - **The Human Resources Strategy (Appendix C)**
   - **The ICT Strategy (Appendix D)**
   - **The Equality and Diversity Scheme (Appendix E)**

b) **Note the intention that future reporting of corporate performance should reflect progress against the action plans within each of these documents as well as performance against specific measures and changes in identified risks**

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3) Background Information

3.1 A report to the Authority's meeting in June 2018 set out an intention to refresh the Corporate Planning Framework to ensure that it addressed the issues currently facing the Authority and provided a robust foundation for the future performance management framework. This report presents the outcome of this work for approval.

3.2 The Corporate Planning Framework comprises the following documents which are inter-related and which support each other in the achievement of the Authority's overall objectives.

- The Corporate Strategy which sets out the Authority's overall mission and objectives and the actions that will be taken over the coming three years in order to achieve these objectives, as well as the risks that might present a barrier to achieving these objectives. This is supported by the following more detailed strategies covering specific areas.
- The Medium Term Financial Strategy which in addition to setting out a range of financial forecasts also sets out a framework of rules within which the Authority will determine the resources which it has available to fulfil its functions.
- The Human Resources Strategy which sets out the steps to be taken to develop, recruit, retain and develop a workforce equipped to deliver the organisation's overall objectives.
- The ICT Strategy which sets out how the Authority will improve the way in which it utilises technology to deliver the organisation's overall objectives.
- The Equality and Diversity Scheme which sets out the steps that the organisation will take in order to ensure that it meets its responsibilities under equality legislation and how these steps relate to the organisation's overall objectives.

3.3 Taken together these documents set out the organisation's development agenda for the coming three years focussed on the achievement of the revised statement of purpose:

"*To deliver a sustainable and cost effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions."*

3.4 In simple terms everything that the Authority does should contribute in some way to achieving this purpose, and the various documents making up the corporate planning framework have been drawn up with this in mind.

3.5 The Corporate Strategy has been drawn up by the Senior Management Team following engagement with staff and elected members and limited consultation with other key stakeholders during the Fund Director's induction process. The supporting documents have not been consulted on directly but have been drawn up with the relevant professional leads within the Organisation in parallel with the Corporate Strategy thus ensuring that they support delivery of the overall objectives in the Corporate Strategy.

3.6 It is important that these documents do not just “sit on the shelf” and that they influence the objectives set for individuals through the appraisal process and the delivery plans of individual teams, and that members are able to hold officers to account for delivery of the full range of actions set out in the various plans. In order to achieve this it is proposed to develop a new form of Quarterly Corporate Report, which will be supported by more detailed quarterly reports covering investment issues (developed from the current report) and administration issues which will be the focus of regular discussion at the Local Pension Board. This new Corporate Report will contain information on the progress made in delivering the projects within the corporate strategy, service and corporate performance, budget monitoring and treasury management information and a quarterly update on the risk register. As such it will provide members with a regular review of both delivery and performance in one place. The first such report will be produced to cover the year end position for 2018/19 and will be reported to the first meeting of the next municipal year in June.

3.7 In this initial iteration no specific proposals requiring resources beyond those included in current budgets are proposed. However, it will be necessary to reprioritise resources (either within or between budgets) in line with the Authority’s financial regulations in order to ensure that specific priorities can be delivered.

3.8 A key focus in the first year, in addition to practical activity associated with processes such as the triennial valuation will be around people and culture. If it is possible to develop a culture within the organisation which truly reflects the values set out in the Corporate Strategy the organisation will be more able to continuously adapt itself to the changing environment it faces.

4) <u>Implications and risks</u>

- Financial – By refreshing the Corporate Planning Framework the Authority has the opportunity to more closely align resources with its priorities. The budget process for future years will need to be amended in order to ensure that provision for investments aimed at furthering the Goals of the Corporate Strategy is accommodated within the relevant financial targets on a business case basis.
- Legal – The Authority is not required by law to have a corporate strategy. However, good governance practice requires that organisations clearly set out their objectives and performance measures so that they can be effectively held accountable for delivery.
- Diversity – The Equality and Diversity Scheme highlights a number of diversity related issues, particularly focussed on the workforce which the Authority needs to address in the coming years.

- Risk – The Corporate Risk Register forms part of the Corporate Strategy and reflects the latest assessment of the baseline level of risk to the delivery of the Corporate Strategy over the coming three years. This will be reviewed and reported on as part of the quarterly monitoring of the delivery of the Corporate Strategy over the coming year.

George Graham
Fund Director

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

Appendix A

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Corporate Strategy

2019/20 to 2021/22

Commitment to Excellence

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Contents

Foreword

South Yorkshire Pensions Authority exists solely to meet the needs of its customers, whether they are scheme members or scheme employers. The purpose of this corporate strategy is to set out how we are going to approach that task over the next three years.

This strategy is the product of the first significant review of our strategy and how we go about our business for some time prompted by the introduction of the pooling of investment assets and the improvement in the overall funding position over the last three years, together with significant changes in the Authority's senior management personnel.

While change and review are and must remain a constant our core purpose remains the same as it has always been to act as stewards of the pension savings of our scheme members. But, in doing this we do not exist in a bubble. We are and must remain a part of the local government family in South Yorkshire and it is important that we do not lose sight of this connection. We are not immune as an organisation to financial constraints, they are just different to the constraints placed on a council or FE College, and it is right that we should face the same challenges around improving productivity and reducing costs that have faced our largest employers since the advent of austerity.

As a consequence of this our strategy over the next three years focuses on four key areas for development:

- Building a strong performance management framework
- Growing our capacity to deliver change
- Exploiting the opportunities of technology and automation
- Managing customer contact

This is an ambitious agenda, but one that will move us to the next level in meeting the needs of our customers which after all is what we are here for.

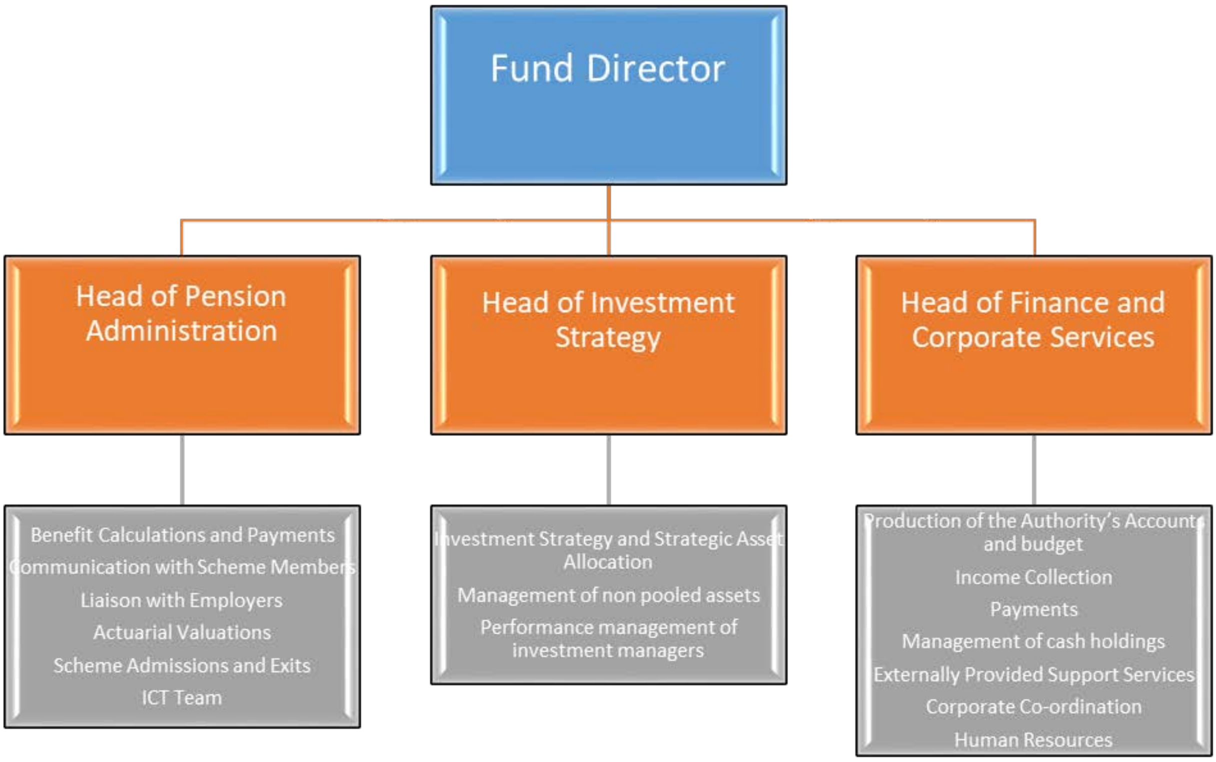
Cllr Sue Ellis
Chair
South Yorkshire Pensions Authority

Background

South Yorkshire Pensions Authority came into being on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. It is unique amongst the administering authorities in the local government pension scheme in that it is the only democratically accountable free standing pensions organisation in the UK. While a number of other administering authorities are not councils their "boards" include appointed experts rather than being entirely made up of councillors.

The Authority has 12 members drawn from the four South Yorkshire districts (Barnsley, Doncaster, Rotherham and the City of Sheffield) roughly in proportion to their population.

The Authority is organised fairly conventionally for a pension fund as set out in the diagram below:



In addition to the roles set out in the above diagram the Authority's statutory officers and democratic services are provided under service level agreements by Barnsley MBC. In total the Authority employs just over 100 people and has small teams based in each of the four districts, with the bulk of staff based at the Authority's headquarters in Barnsley. The core dimensions of the Authority's operations are set out in the box below:

Number of Scheme Members (at 31.3.18)	156,880
Number of Pensioners Paid (at 31.3.18)	49,982
Number of Scheme Employers (at 31.3.18)	479
Proportion of employers that are local authorities	1.7%
Proportion of members from the 4 District Councils	68%
Value of Assets under Management (31.3.18)	£8.030 bn
Annual Value of Investment Income (2017/18)	£197 m
Annual Value of Contributions to the Fund (2017/18)	£304 m
Annual Value of Benefits Paid from the Fund (2017/18)	£270 m

South Yorkshire is a big pension fund by any dimensions and historically this has meant that it has been able to realise significant economies of scale, being one of the lowest cost funds within the local government pension scheme.

The Fund has also delivered successful investment performance returning 8.8% pa on average over the first 30 years of the Pensions Authority's existence.

What we are here for and what we need to do to achieve it

Our mission, or what SYPA as an organisation is here for is

"To deliver a sustainable and cost effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions."

We only exist because of our customers and given that we only do one thing, run the pension scheme, we owe it to them to provide the best possible performance while maintaining costs within reasonable levels.

In order to achieve this mission there are a number of things we need to do or, our objectives, which are:

Customer Focus
to design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders
to ensure that stakeholders' views are heard within our decision making processes.

Investment Returns
to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment
to develop our investment options within the context of a sustainable and responsible investment strategy.

Effective and Transparent Governance
to uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

How are we going to go about fulfilling our objectives?

How we go about doing our job is also important. The way we go about doing our job reflects a series of values which are outwardly reflected as behaviours, as shown below:

Values	**Behaviours**
Honest and Accountable	Telling it like it is, and taking responsibility for our actions even when we have made a mistake
Progressive	Welcoming of change, while taking sensible risks and learning from our mistakes and from others
Professional	Being highly skilled and competent and managerially applying rationality to decision making processes
Empowering	Providing the freedom for individuals to identify and implement solutions to problems

These values and behaviours reflect how we wish others, whether customers or professional peers to see us and the degree to which each member of staff reflects these values in carrying out their role forms part of the appraisal process. These values also significantly influence the culture of the organisation, which in essence is how it feels to work for SYPA.

What we are going to do over the next three years

Our planning process looks over three years because that is the period between valuations of the Pension Fund and the valuation is the event that initiates many of our major processes, such as the investment strategy.

The pages that follow set out:

- A number of things we want to achieve, or outcomes;
- Which of the corporate objectives those outcomes relate to;
- The tasks we need to undertake in order to achieve an outcome, sometimes called outputs;
- The timescale for delivering each task; and
- The member of the Senior Management Team responsible for delivery of the task.

Outcome	Links to Corporate Strategy Objectives	Outputs	Timescale	Responsibility
Implementation of a Revised Investment Strategy	***Investment Returns*** *– To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.*	• Agree through discussion with elected members, investment beliefs, risk appetite and responsible investment stance • Engage professional support for the strategy review. • Produce cash flow model to determine the cash requirements that the investment strategy will need to deliver • Determine Strategic Asset Allocation that will deliver the identified cash flow requirements • Reflect all of the above in revised policy documents • Implement changes in asset allocation required by the new strategy	Formalised by Sept 2019 Q1 2019 March 2019 By March 2020 March 2020 From March 2020	FD Hd IS Hd IS Hd IS Hd IS Hd IS
An organisation adapted to the requirements of the post-pooling world	***Investment Returns*** *– To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities* ***Responsible Investment*** *– To develop our*	• Develop appropriate mechanisms for holding Border to Coast accountable for their performance in managing SYPA's assets • Design and implement effectively controlled processes for processing investment transactions which do not require the current level of investment in organisational infrastructure • Review SYPA's VAT partial	Ongoing development process through the plan period Oct 2020 largely driven by the pace of the transition process Oct 2020 largely driven by the pace of the	FD / Hd IS Hd F&CS Hd F&CS

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	investment options within the context of a sustainable and responsible investment strategy. ***Effective and Transparent Governance*** *– To uphold effective governance showing prudence and propriety at all times.*	exemption method post pooling and agree changes with HMRC • Ensure safe transition of appropriate legacy assets and the property portfolio into Border to Coast pooling structures • Review structure and resourcing of the Finance Team in the light of the transition of the property portfolio to Border to Coast and any decisions made in relation to the agricultural portfolio.	property transition By start of 2021, dependant on Border to Coast timetable Final quarter of 2020, following property transition	Hd IS Hd F&CS
Decision on the future of the Agricultural Property Portfolio	***Investment Returns*** *– To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.*	• Engage professional adviser to conduct the review • Assess options for the future including different ways of managing the portfolio • Implement agreed recommendations	By June 2019 By March 2020 By January 2021	FD Hd IS Hd IS
Secure improvements in the Environmental, Social and Governance impacts of the Fund's investments	***Investment Returns*** *– To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.*	• Initiate discussions with Border to Coast partners about how best to achieve reductions in the level of carbon emissions from the Fund's equity portfolios • Implement any results of discussions • Improve understanding of the ESG impacts of the alternatives and private markets portfolios, and	Ongoing commencing in March 2019 Dependent on outcome above Work to commence during second half of	FD Hd IS Hd IS

	Responsible Investment *– To develop our investment options within the context of a sustainable and responsible investment strategy.*	identify any potential actions as a result. • Actively engage both with Border to Coast partners and through other routes such as LAPFF to influence the debate on ESG issues in line with SYPA's policy stance.	2019 Ongoing	 Hd IS
Improvements to the reporting of performance in all aspects of the Authority's work	***Effective and Transparent Governance*** *– To uphold effective governance showing prudence and propriety at all times.*	• Redesign reporting of investment performance to accommodate the introduction of pooling and a move away from internal management with a wider focus on the links to funding, cash flow and impact. • Redesign reporting of administration performance to focus on customer service and statutory compliance and highlight improvement initiatives • Introduce a new form of corporate performance report providing a balanced scorecard type approach to the overall work of the Authority • Identify appropriate internal and external benchmarks and identify appropriate targets against external measures	To be developed on a continuing basis during 2019/20 April 2019 To be developed on a continuing basis during 2019/20 Benchmarks identified by April 2019	Hd IS Hd PA FD/ Hd F&CS FD/ All Heads of Service
Increased take up of methods of communication that do not rely on either paper or face to face contact	***Customer Focus*** *– To design our services around the needs of our customers (whether scheme members or employers).* ***Listening to our***	• Move to electronic communication as the default for communication with members, while continuing to support customers with other preferences • Implement a "new" website and improved self-service functionality	Ongoing process End August 2019	Hd PA Hd PA

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	stakeholders *– To ensure that stakeholders' views are heard within our decision making processes.*	• Increase the number of transactions which members and employers can undertake without assistance from SYPA staff • Introduce a systematic approach to the handling of incoming enquiries whether by phone, e mail or traditional post by developing a customer centre to handle the first point of enquiry	Ongoing December 2019	Hd PA Hd PA
A well trained and motivated workforce that reflects the community we serve	***Valuing and engaging our Employees*** *– To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.*	• Conduct a comprehensive review of all HR policies and procedures • Re-establish an appraisal system across all parts of the organisation • Equip all staff in managerial and supervisory roles with tools to support them in fulfilling their role in key policies such as appraisal, absence and performance management • Implement actions intended to both increase the diversity of the workforce and address any identified "pay gap" issues • Formalise arrangements for the management of Health and Safety • Review and refresh the current Career Development scheme to enable more flexible progression and link them to national initiatives such as apprenticeships	To be completed by end of 2020 Operational from April 2019 By end August 2019 and then an ongoing process of updates Ongoing over the plan period By June 2019 By Dec 2019	FD FD FD FD FD Hd PA

		• Develop a skills matrix across the organisation that links to individual training and development plans	To be ready for implementation April 2020	FD
A new way of engaging with employers and scheme members	***Customer Focus*** *– To design our services around the needs of our customers (whether scheme members or employers).* ***Listening to our stakeholders*** *– To ensure that stakeholders' views are heard within our decision making processes.*	• Identify activities falling within the scope of engagement • Reallocate resources to support these activities, including a review of the role and function of all existing administration and ICT teams (including the District Offices) • Implement the new approach • Review approach and adjust in the light of feedback.	April 2019 August 2019 August – Dec 2019 August 2020	Hd PA Hd PA Hd PA Hd PA
A well governed organisation	***Effective and Transparent Governance*** *– To uphold effective governance showing prudence and propriety at all times.*	• Implement revised governance arrangements from the beginning of the 2019 Municipal Year, including a revised constitution and scheme of delegation. • Institute a pattern of informal member seminars for both policy development and learning and development • Refocus the agenda for the Local Pension Board in line with TPR requirements towards Administration and Data Quality issues • Review procurement activities following the introduction of the new procurement rules in 2018. • Formalise all service level	From May 2019 From May 2019 From May 2019 Annually from Dec 2019 Complete by Dec 2019	Clerk / FD FD FD / Hd PA FD Hd F&CS

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		agreements for support services and benchmark costs • Create a more structured learning and development programme for Authority and Pension Board members	June 2019 and review annually	FD/Clerk
An organisation which exploits technology to the greatest extent possible to achieve its objectives	***Customer Focus*** *– To design our services around the needs of our customers (whether scheme members or employers).* ***Effective and Transparent Governance*** *– To uphold effective governance showing prudence and propriety at all times.*	• Relaunch a single integrated "web presence" for SYPA incorporating a refreshed corporate identity • Review business systems with a view to identifying and implementing an appropriately scaled and affordable fully integrated solution, covering finance, HR, payroll and procurement. • Replace current telephony infrastructure with Voice over IP and call management. • Continually review existing processes to maximise efficiency through appropriate application of technology	April 2020 Review and recommendations complete by March 2020 December 2019 Ongoing	Hd PA Hd F&CS Hd PA All Heads of Service
A longer term plan for meeting the Authority's accommodation requirements	***Customer Focus*** *– To design our services around the needs of our customers (whether scheme members or employers).* ***Valuing and engaging our Employees*** *– To ensure that all our employees are able to develop a career with*	• Complete the relocation to Gateway. • Develop an accommodation specification to meet the needs of the organisation beyond the lease break for Gateway • Commission work to identify means of delivering the specification. • Deliver the preferred option identified.	December 2019 December 2019 Jan 2020 2022 following lease break	Hd PA FD FD FD

	SYPA and are actively engaged in improving our services.			
Delivery of Valuation 2019 and the associated stable and affordable levels of employer contributions	***Listening to our stakeholders*** – *To ensure that stakeholders' views are heard within our decision making processes.* ***Investment Returns*** – *To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.* ***Effective and Transparent Governance*** – *To uphold effective governance showing prudence and propriety at all times.*	• Consult stakeholders on "framework for the valuation" • Ensure data integrity is maximised as part of the valuation • Review the operation of the "ill health captive" arrangement and implement any recommended improvements • Review the arrangements for dealing with employer generated actuarial costs and implement recommended changes. • Consult stakeholders on valuation results and the Funding Strategy Statement • Implement valuation results	April to July 2019 April to July 2019 July to Dec 2019 Complete by March 2020 for implementation July 2019 to March 2020 March 2020	FD Hd PA Hd PA Hd PA / Hd F&CS FD Hd PA / Hd F&CS
Ensure that the Fund operates with accurate data which gives a fair picture of its liabilities.	***Customer Focus*** – *To design our services around the needs of our customers (whether scheme members or employers).*	• Identify level of compliance with the Regulator's data quality standards • Produce a Data Improvement Plan • Implement actions which target areas where the Fund's liabilities may be overstated	April 2019 April 2019 From March 2020 and then ongoing	Hd PA Hd PA FD / Hd PA

	Effective and Transparent Governance *– To uphold effective governance showing prudence and propriety at all times.*	• Ensure plan in place to achieve full compliance with Code of Practice 14	April 2020	Hd PA

Key:
FD Fund Director
Hd F&CS Head of Finance and Corporate Services
Hd IS Head of Investment Strategy
Hd PA Head of Pensions Administration

How we will know if what we have done has had an impact

All of the tasks we have identified to undertake over the next three years are intended to make SYPA a better organisation and make us better at delivering our mission, but we need to know that doing these things has had an impact on how good we are at what we do.

Changes in the following indicators will be used to help us understand whether the changes we have made have had an impact. Each indicator has been linked to one of the corporate objectives.

Customer Focus
to design our services around the needs of our customers (whether scheme members or employers).

- Deliver an upward trend in customer satisfaction with the administration service.
- Meeting targets for the processing of transactions within specified timescales.
- Retention of Customer Service Excellence accreditation
- Numbers of complaints and compliments
- Numbers of appeals against Authority decisions and the proportion upheld.

Listening to our stakeholders
to ensure that stakeholders' views are heard within our decision making processes.

- Achieve a rising trend in the actuarial funding level.
- Achievement of stability in employer future service contribution rates.

Investment Returns
to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

- Fund level investment returns v benchmark and actuarial assumption.
- Investment returns by asset class v the asset class specific benchmark
- An increasing trend in the level of investment income achieved relative to assets under management.

Responsible Investment
to develop our investment options within the context of a sustainable and responsible investment strategy.

- Achieve a downward trend in the level of carbon emissions from the equity portfolios, and a position better than reflected in the benchmark indices
- Achieve a rising ESG score from the equity portfolios and a position better than reflected in the benchmark indices.

Effective and Transparent Governance
to uphold effective governance showing prudence and propriety at all times.

- Aim to keep investment costs as a proportion of assets below 40bps.

- Aim to maintain costs below the CEM peer group median and below the CEM benchmark median.
- Aim to maintain administration costs per member at a level less than the England Average
- Aim to maintain the total cost of running the Fund as a proportion of assets below the England and UK averages.

Valuing and engaging our Employees
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

- Levels of sickness absence
- Aim to show an improving trend in staff engagement from staff survey data.
- Volume of training per member of staff (days).
- Aim for 100% of staff to receive an appraisal.

In addition to these indicators which we will use to understand the impact the work we are doing is having we will continue to monitor a range of process indicators for the administration service which are used to facilitate national comparisons.

What are the things which might stop us from achieving our objectives?

These are the risks that something might go wrong. The table on the following pages lists the various risks facing us and shows how the work that we are undertaking is intended to reduce the risk that we do not achieve our overall objectives.

Each risk has been scored by the Senior Management Team, and individual scores have been reviewed by functional specialists.

This risk register set the baseline position for this planning period and it will be reviewed on a regular basis over the next three years with changes reported to the members of the Authority as necessary.

South Yorkshire Pensions Authority Risk Register

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner
G1	Governance	Failure to ensure that the elected Members knowledge and understanding of pensions related activities is robust and meets the statutory requirements in terms of Section 248a of the Pensions Act 2004.	Leading to… Improper scrutiny and challenge by elected Members; Mistakes, errors and omissions and non-compliance with statutory requirements; Failure to ensure contributions are collected; Failure to ensure benefits are calculated properly; Failure to ensure surplus monies are properly and prudently invested; Reputational damage in terms of censure from regulators.	Clerk to the Authority	Induction training provided to new Members which comprises a three day external training course; One day internal refresher course in 2013; Periodic awareness presentations delivered to Members; A self-assessment framework for Members and Chairs is in operation but needs refining – this should assist in identifying training requirements; Lead member for training identified; Working to the spirit of CIPFA Code of Practice (Code of Practice on Public Sector Pensions Finance, Knowledge and Skills, revised in 2013) – Treasurer is the nominated CIPFA officer; Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training.	5	I = L P = M	6	I = L P = VL	Review of Member self-assessments.	Clerk to the Authority
I1	Investment and Funding	Failure to ensure that the Authority has appropriate access to its cash resources to meet its commitments to make payments. (Liquidity and credit risk.)	Leading to… Financial loss; Negative impact on overall financial viability of the Scheme; Inability to meet pensioner payroll costs and investment commitments. Reputational damage.	Fund Director	The Fund has immediate access to its cash holdings with the majority of cash being deposited for no longer than a week.	5	I = M P = L	6	I = L P = L	Levels of cash holding are monitored daily. Treasury activity reviewed weekly by management and twice yearly by elected members with an annual review of limits. Treasury Management Strategy sets limits for the duration and risk profile of deposits with financial institutions. Triennial actuarial review considers contribution rates and cash flow requirements. Fund actuary is due to provide a new software tool (pfaroe) which will allow the more detailed modelling of cash flow requirements using detailed liability data.	Fund Director
I2	Investment and Funding	Failure to maintain the gains in funding levels achieved since the 2016 valuation, either as a result of falls in the market value of investments or an increase in the value of liabilities.	Leading to….. The need to maintain high (and possibly unaffordable) levels of deficit contributions. The need to increase future service contribution rates which may create financial difficulties for employers given the economic environment in which they operate. Critical review by the Government Actuary as part of their s 13 Valuation.	Fund Director / Head of Investment Strategy	An equity protection strategy was implemented in March 2018. The Investment Strategy already looks to shift out of more volatile “growth” assets into less volatile income earning assets.	3	I = H P = L	5	I = H P = VL	First principles review of the Investment Strategy to be undertaken alongside the triennial valuation from April 2019 for implementation from April 2020. Options for containing or reducing liabilities (e.g. a trivial commutation review) will be examined following the actuarial valuation. However, in the meantime data cleansing activity will be focussed on areas that impact the value of liabilities.	Fund Director / Head of Investment Strategy
I3	Investment and Funding	Failure to implement effective arrangements for the oversight of investment management functions being undertaken by Border to Coast Pensions Partnership	Leading to…. Inability to adhere to Authority policies and potentially not be able to fulfil the Investment Strategy	Head of Investment Strategy	BCPP is an FCA regulated body and as such is expected to adhere to the Stewardship Code and work within stipulated guidelines as set out in prospectus. These guidelines were set with discussion with underlying funds Alignment of policies with underlying fund policies Ensured that BCPP have sub funds to allow SYPA to fulfil its strategy	1	I = VH P = M	5	I = M P = L	Ongoing collaboration about policy Ongoing collaboration regarding potential changes to Authority strategy Analysis of investment performance on a monthly/quarterly basis with detailed analysis on an annual basis	Head of Investment Strategy
I4	Investment and Funding	Failure to secure products through Border to Coast which address the requirements of the Fund’s investment strategy	Leading to. Failure to achieve required investment return Erosion of the overall value of the Fund Negative impact on contribution rates at valuation points	Head of Investment Strategy	Ongoing dialogue with both Border to Coast and partner funds in order to influence product development Monitoring of developments in the market place and where appropriate championing these within discussions with Border to Coast and partner funds	3	I = H P = L	5	I = M P = VL	Engagement with Border to Coast as an “implementation partner” in the development of the investment strategy	Head of Investment Strategy
O1	Operational	Failure to ensure the Authority protects the data it owns and the data it handles.	Leading to… Loss of personal information resulting in reputational damage and censure by Information	Fund Director	Data backup undertaken daily and backed up information removed from site; Disaster Recovery Procedures and Business Continuity Plan in place;		I = H P = L		I = M P = L	Bi-Annual review of Business Continuity Plan. Data breached being reported to	IT Manager Head of

Risk No	Risk Type	Risk Title	Risk Consequences	Risk Owner	Existing Control Measures	Current Score	Probability & Impact	Target Score	Probability & Impact	Risk Mitigation Action	Owner
			Commissioner; Loss of trust from partner organisations; Successful attacks by hackers or third parties; Disruption and delays		External audit by third party organisations the Authority works with; Security of emails via GSX accounts or the use of Mimecast software; IT Security Policy in place; Reporting of Incidents to Information Commissioner; Information Governance training included in the training programme; BOLD training available via BMBC; Independent Data Protection Officer established; Contract management arrangements regarding the software provided by SY Pensions to third parties includes performance management consideration; Physical security of offices improved following relocation to Gateway Plaza. Mandatory data protection training in place.	3		5		Local Pension Board for scrutiny Roll out of Windows 10 to enable hard drives to be encrypted Review of where data is stored to ensure that it cannot be encrypted Provision of GDPR Training when available Annual IT health checks through penetration testing from external assessor	Pensions Administration IT Manager IT Manager IT Manager IT Manager
O2	Operational	Failure to meet statutory requirements for disclosure of information to scheme members	Leading to…. Poor customer service and reputational damage. Censure and potential fines from the Pensions Regulator and other statutory bodies. Potential for inaccurate data to flow into the 2019 actuarial valuation process and to impact the correct calculation of member benefits	Head of Pension Administration	Production of the ABS is dependent on receipt of timely returns from employers. The updated Administration Strategy from March 2018 incorporates SLA's and improves upon them in terms of fines being levied for employers who are non-compliant. Production process for 2018 was brought forward to ensure sufficient contingency time. Joiner/leaver processes configured to meet statutory disclosure requirements.	3	I = H P = L	6	I = L P = VL	Introduction of monthly data collection from April 2018 removes reliance on year-end returns so production process can begin in May rather than July from 2019. ABS's to be issued online from 2019 which further reduces the production schedule further Administration performance reporting to Authority to focus on statutory compliance from 2019-20 Data Quality Improvement Plan to be implemented	Head of Pensions Administration
O3	Operational	Closure of Government Guaranteed Minimum Pension service and reconciliation exercise	Leading to… Significant under/overpayments of existing pensions in payment causing member hardship and reputational damage Workload pressures of adjustment to excess volumes of member records. Failure to maintain adequate records going forward	Head of Pensions Administration	Reputable external provider appointed to meet initial HMRC deadline of 31 October 2018 . Reconciliation queries currently with HMRC before exercise can be progressed.	2	I = H P = M	5	I = M P = L	Liaison with LGPS funds to aim to ensure consistent approach to rectification once reconciliation finalised.	Head of Pensions Administration
P1	People	Failure to maintain a suitably qualified and experienced workforce which reflects the community which the Authority serves	Leading to…. Continuing imbalances in the Authority's workforce which create the potential for a sudden loss of a significant amount of experience. Skills gaps through a lack of succession planning. Reputational damage through criticism of the lack of diversity in the workforce. Impact on productivity and organisational resilience.	Fund Director	A structured career grade scheme supported by highly structured and exam based training is in place for a key group within the pension administration workforce. Procedures within pension administration are well documented.	2	I = M P= H	5	I = L P = M	Develop and implement HR and Organisational Development Strategy Formalise workforce and succession planning arrangements	Fund Director

Key: P = Probability I = Impact. VL (1) = Very Low, L (2) = Low, M (3) = Medium, H (4) = High, VH (5) = Very High

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What's it all going to cost?

SYPA's budget is not like that of a local authority in that it is not funded from council tax and business rates, and any costs that are incurred can be charged to the pension fund. However, that does not mean that we can operate free of financial constraints, we have a responsibility to spend as little as we can to ensure that stakeholders benefit to the maximum degree possible from the performance of the pension fund.

Our medium term financial strategy, which has been produced alongside this corporate strategy sets out our overall financial forecasts and a series of self-imposed rules which we will use to minimise the impact of our costs on the Fund. Equally, though we need to accept that in order to deliver some of the improvements we want to see we will need to invest up front in some projects.

The table below sets out our financial forecast for the coming three years for both the Authority's costs and the costs chargeable directly to the pension fund (such as investment management fees).

Operating Budget

	2018/19 Restated £	2019/20 Original £	2020/21 Forecast £	2021/22 Forecast £
Employees	3,460,400	3,715,000	3,789,300	3,865,090
Running Costs	2,059,900	1,836,600	1,861,390	1,886,520
Gross Expenditure	5,520,300	5,551,600	5,650,690	5,751,610
Income	-184,000	-106,000	-106,000	-106,000
Net Expenditure	5,336,300	5,445,600	5,544,690	5,645,610
Membership	156,880	161,900	167,081	172,428
Cost Per Member	£34.02	£33.64	£33.19	£32.74

This forecast has been prepared on a continuation of service basis, i.e. excluding growth and savings and with no forecast headcount increase. It shows the operating budget meeting the targets set out in the Medium Term Financial Strategy for constraining costs by a considerable degree. It is, however likely that the activities identified in this Corporate Strategy will generate continuing pressure for investment over the planning period, most likely in the following areas:

- Investment to address the various workforce challenges facing the Authority. These challenges include the age structure of the current workforce and the need to invest in developing the skills of managers across the organisation, where there has been no investment for some considerable time.
- Investment in ICT to facilitate improvements in customer service, in particular the integration of voice and data to support the introduction of a customer centre over the course of the current planning period.
- Investment to modernise the Authority's back office systems as investment pooling changes the nature of the back office, to become more of a traditional support service than an adjunct to the investment function.

- Investment to support the transfer of transactions with members on line.

In addition to these investment pressures much work already in hand will generate cashable and non-cashable savings and cost avoidance which will be reported on an ongoing basis in the Authority's financial reports.

The Pension Fund

The table below sets out a financial forecast for the Pension Fund including the Operating Budget and all other costs incurred in the running of the Fund.

	Forecast 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £
Dealings with members, employers and others directly involved in the scheme	257,752,210	216,639,320	203,934,360	208,995,340
Benefits payable	288,261,140	295,702,420	301,911,550	308,590,470
Net additions/(withdrawals) from dealings with members	(30,508,930)	(79,063,100)	(97,977,190)	(99,595,130)
Management Expenses	30,829,970	32,955,710	34,968,550	36,883,500
Net returns on investments	398,613,730	463,459,190	464,270,330	480,393,560
Net increase/(decrease) in the Fund during the year	337,274,840	351,440,380	331,324,600	343,914,940
Net assets of the Fund at 1 April	8,030,353,240	8,367,628,080	8,719,068,460	9,050,393,060
At 31 March	8,367,628,080	8,719,068,460	9,050,393,060	9,394,308,000

This forecast shows investment costs remaining within the target set in the Medium Term Financial Strategy. However, more importantly in terms of how the Fund is managed and strategy going forward is the increasing imbalance between contribution income and benefit expenditure which needs to be met from investment income. This will be a dominant theme in all the work undertaken by the Authority in relation to investment strategy over the planning period.

What about our people?

While they do not appear on our balance sheet our people are SYPA's most valuable asset, we will deliver none of the projects outlined in this corporate strategy without their engagement and commitment. At the same time while rewarding staff fairly and treating them with respect and compassion we do need to continually review our employment policies to ensure that they support us in being the sort of organisation we want to be.

Following the transfer of the Investment Managers to Border to Coast we employ 104 people (86.91 full time equivalents) who have an average length of service of nearly 16 years. Our workforce is on average older, whiter and more female than the communities we serve and in particular the age composition of the workforce presents challenges for us going forward with a significant number of retirements likely over the planning period.

A number of the actions set out in the Action Plan within this corporate strategy reflect our response to these challenges and more detail is set out in the Human Resources Strategy which has been published alongside this document sets out much more detail both on the challenges we face and the specific actions we propose to take, across three themes:

- Developing the current workforce to meet the needs of the organisation
- Recruiting a workforce for the future
- Retaining a high quality workforce

The degree of change which we face over the planning period means that ensuring that this work is an extremely high priority if we are to successfully achieve the broader objectives set out in this Corporate Strategy.

Appendix B

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Medium Term Financial Strategy

1920 - 2122

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CUSTOMER SERVICE EXCELLENCE
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Contents

1. Foreword

1.1 This document is the first medium term financial strategy produced by the South Yorkshire Pensions Authority covering the period from the 2019 Actuarial Valuation. This period will see not just the valuation which will take place in the context of a significantly different funding position but also the transition of the Authority's investment assets into the pooling structures provided by the Border to Coast Pensions Partnership.

1.2 The strategy covers both the costs of running the Authority's operations and the income and expenditure of the pension fund, although this is significantly more difficult to forecast than routine running costs such as staff salaries.

1.3 Any financial strategy is based on a series of key assumptions and throughout this document these assumptions are highlighted, and will be subject to ongoing review as the process of producing this strategy develops over time.

1.4 The financial strategy (and the budget which is the annual expression of the strategy) is, put simply, the financial expression of the policy position set out in the corporate strategy. Hence this strategy will be updated each year as the Corporate Strategy is updated to reflect changed circumstances.

1.5 While SYPA is less exposed to the wider constraints on the public sector financial environment than our colleagues in the major employing organisations within the Pension Fund we still have a responsibility to manage the resources for which we are responsible in such a way that our expenditure does not negatively impact on the overall performance of the Pension Fund. This strategy sets out how we aim to achieve this in as transparent a way as possible.

2. Setting the context for the medium term financial strategy

2.1 Public Sector Finance

2.1.1 The public sector financial environment is, probably, the most significant factor defining the context in which this strategy is developed. Key issues like the level of pay awards impact on some aspects of the fund's liabilities as well as elements of the Authority's cost base.

2.1.2 The main factors affecting the Authority and the Fund are concerned with local government finance. In general terms growth in local government spending tends to lag growth in the generality of government spending, although pay tends to mirror the headline change in public sector pay.

2.1.3 While there has been some relaxation of the downward pressure on pay in the last year which has been reflected in the recent two year agreement for the bulk of local government staff the consensus view of forecasters and treasurer's seems to be that there is unlikely to be any significant widening of the financial envelope for local government in the period up to the next scheduled general election in 2022.

2.1.4 What this means for the Authority and the Fund is that it is likely that headline pay increases in the medium term will be around the level of the recent agreement (c. 2%), and that major employers (and probably schools and colleges as well) will continue to need to identify significant year on year savings. This impacts on a number of areas, including the affordability of contribution rates, the balance of membership between active, deferred and pensioner members, and the number of early retirements on grounds of redundancy. These factors will influence the value of benefits in payment, the average lifetime in retirement and the value of lump sum "strain" payments into the Fund. All of these factors will need to be reflected in forecasts of income and expenditure and in the debate over contribution rates at each valuation.

2.2 The Pensions Sector

2.2.1 What is happening in the wider pensions sector impacts the Authority and the Fund in a less direct way, although no less significantly. For example a significant change in the funding level of the remaining private sector defined benefit schemes could change the value of certain assets classes used to address the results of the change (e.g. a search for index linked gilts if funding levels increased). This could impact on the potential rate of growth in the value of the fund or could make it harder to deploy capital into specific types of asset if other funds take up the supply of assets.

2.2.2 In addition trends in the wider pensions sector tend, over time, to influence developments within LGPS and in the wider public sector pension's space. These trends may arise from regulatory emphasis, such as the continuing focus on data quality, or from changes in technology such as the growing emphasis on various forms of e-communication, and methods of engaging with scheme members.

2.3 The Economic Environment

2.3.1 The wider economic environment impacts the Fund in terms of both its assets and its liabilities. Clearly the underlying economic environment impacts the performance of investments in the financial markets while key metrics such as inflation and interest rates feed in to the actuarial calculations which determine the Fund's liabilities.

2.3.2 It remains incredibly difficult to forecast the movements in key economic indicators therefore it makes sense for this strategy to use assumptions based on key factors already reflected in the financial framework such as the assumed level of investment return included in the actuarial valuation. This is not a protection against any forecast being wrong, it almost certainly will be, but it uses an underlying set of assumptions that have been subject to a more rigorous set of testing than it would be possible to achieve internally.

2.4 The Starting Point

2.4.1 The starting point has a significant impact on any strategy. In this case the starting point is reflected in the current cost base for the Authority's operations and its fund management arrangements and the level of funding within the scheme achieved since the 2016 valuation.

2.4.2 In some senses the starting point is possibly more influential than other aspects of the context, for example achieving full funding, or close to full funding would lead to an alteration to the strategic asset allocation moving funds out of equities into less volatile, preferably income generating assets. Unfortunately these tend to be more expensive assets to manage thus a change in the cost base is almost inevitable. Whether the focus is on net of fees return or gross fees is irrelevant because both will ultimately have the same impact on the value of and performance of the Fund.

2.4.3 For the South Yorkshire Fund the starting point is assumed to be close to full funding, although no change in asset allocation can be assumed until the completion of the review of the Investment Strategy which will be undertaken alongside the triennial actuarial valuation.

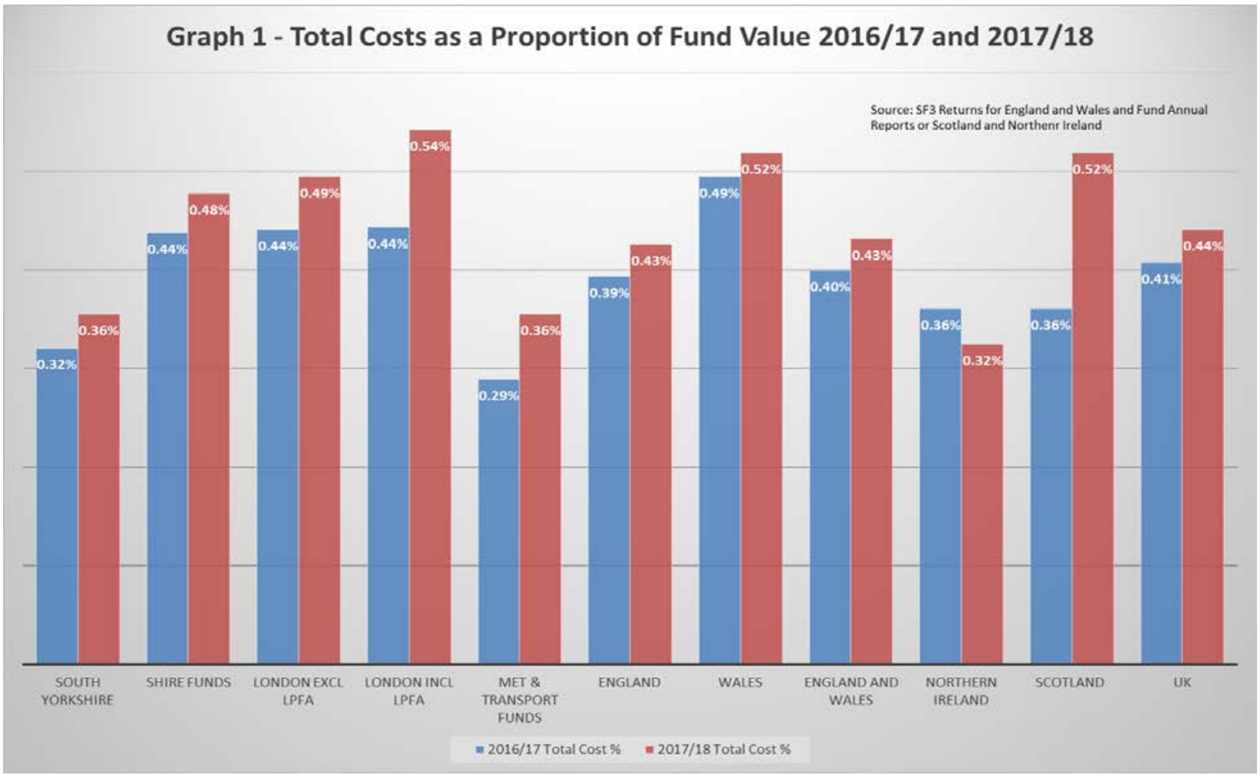
3. Financial objectives

3.1 For any strategy it is important to understand what you are aiming to achieve. This is no less true of this MTFS and this section sets out objectives in relation to the control of costs in the overall context of the Fund. In order to set these objectives we need to understand how SYPA's costs compare to the rest of the LGPS.

3.2 Comparative Costs

3.2.1 The only real source of data to compare SYPA with other LGPS funds is the annual SF3 return completed by all English and Welsh funds and submitted to MHCLG. Similar data for the Scottish and Northern Irish funds can be added to this from fund annual reports to give a UK wide comparison. There are flaws with this data, particularly with regard to the disclosure of non-invoiced investment costs, which are gradually being worked out of the system. However, it is the only comprehensive data set available and does give a broad indication of how SYPA compares with other LGPS funds.

3.2.2 Graph 1, below shows how SYPA's total costs compare with those of both the totality of other LGPS funds and of particular types of fund. This shows South Yorkshire squarely at the lower end of the spectrum of costs, although not quite as low as the average for the costs of the English Metropolitan and Transport funds.

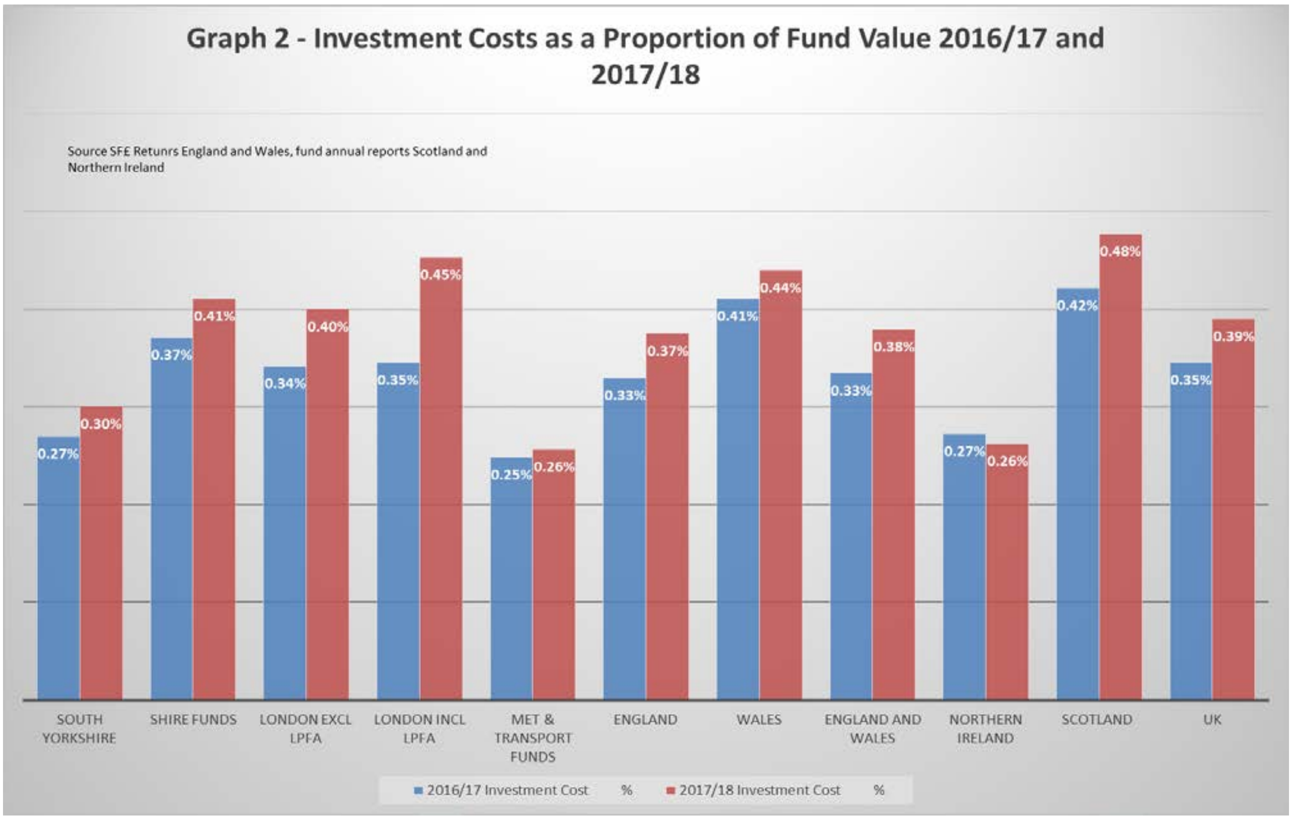


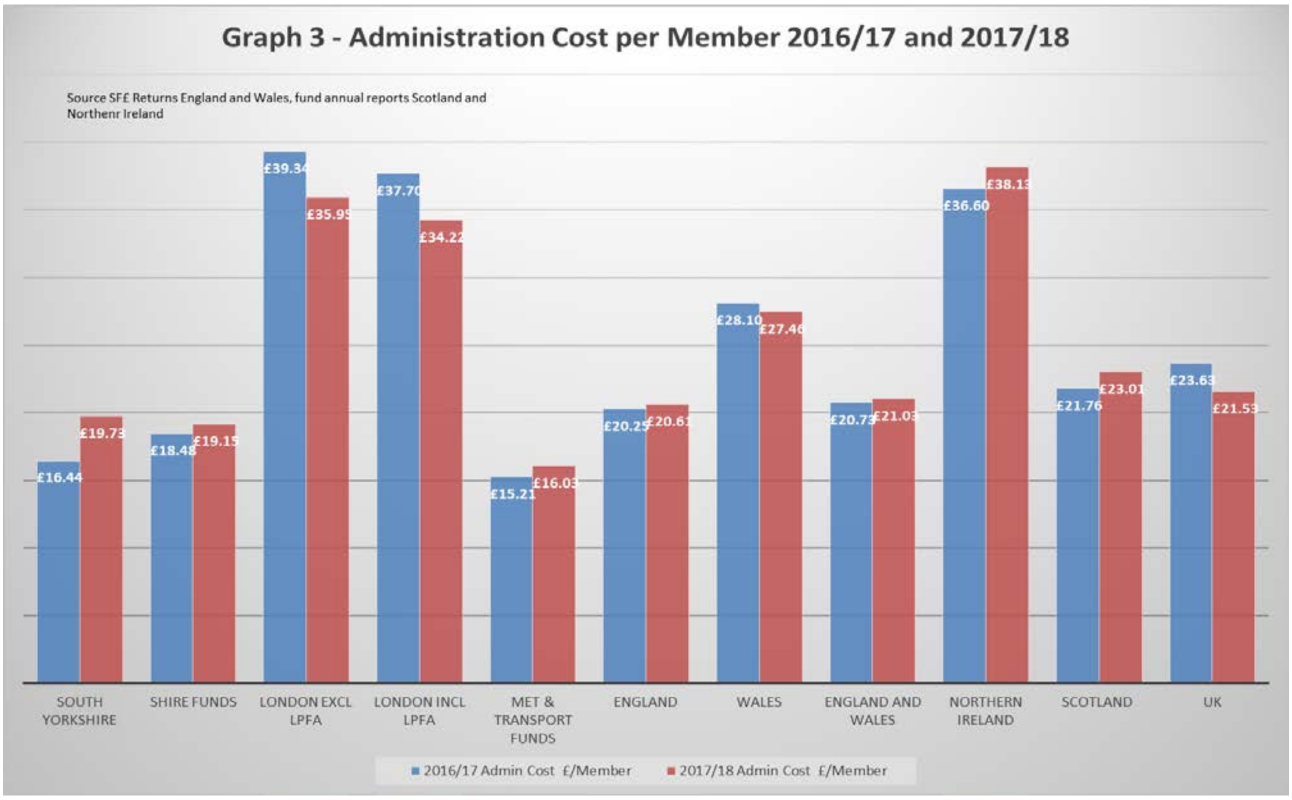
3.2.3 While this reflects good performance in controlling costs, particularly when matched with good long term investment performance it should not give rise to complacency as there are a number of factors which are likely to lead to a longer term increase in costs, in particular:

- The Fund's strategic asset allocation is moving more of the portfolio into unlisted assets such as private equity and infrastructure which in general tend to be more expensive to manage.
- The under-reporting of un-invoiced fees, which are deducted from NAV is gradually being reduced and while SYPA has already made significant progress with this further progress will increase reported (although not actual) costs, although the increase for South Yorkshire may well be less than for other funds.
- The Government's pooling initiative results in SYPA's listed assets in future being managed within pooled structures provided by Border to Coast, which while cheap in comparison to external managers are more expensive than the previous, admittedly unsustainable in house arrangements.

3.2.4 There are specific factors which might be expected to give rise to SYPA having a higher than average cost base, in particular the fact that it is a stand-alone pension organisation bearing its own corporate overheads, rather than sharing them with a council. In broad terms this does not seem to be borne out and SYPA's costs are materially lower as a proportion of the value of the Fund than the London Pensions Fund Authority which is the only other comparable free standing pension organisation in the English LGPS. The Northern Irish Fund (NILGOSC) is also a free standing organisation and while there are some issues with costs comparison SYPA also has lower cost than this organisation.

3.2.5 Looking at costs in a bit more detail the following two graphs illustrate how SYPA's administration and investment costs compare with the rest of the Local Government Pension Scheme across the UK.





3.2.6 Again at this more granular level South Yorkshire appears to be at the lower end of the spectrum of costs, with the difference from the lowest cost group in terms of investment costs likely accounted for by the mix of assets invested in, and a lower cost approach to the management of listed assets. The investment costs analysis does show the increasing impact of the greater disclosure of non invoiced costs on funds, in particular the year on year increases in London and Scotland are significantly driven by improvements in cost transparency.

3.2.7 In terms of administration it is clear that SYPA is benefitting from the economy of scale that comes from serving a large fund, while the much smaller London funds clearly see the diseconomies which arise from servicing much smaller funds. The significant increase in South Yorkshire's costs year on year is due to the inclusion of the full costs of the District Office teams for the first time due to the change in the focus of their work following the last restructure of the Administration function.

3.2.8 On one level it is hardly a revelation that South Yorkshire is a low cost fund that has benefited from economies of scale and the lower costs that come from an in house investment operation. On the other hand knowing the degree to which we are below the average is useful in planning how to address the potential cost pressures which we know we will face as a result of pooling. The challenge is how to use this information to set some clear objectives which will assist the Authority in managing its cost base while continuing to facilitate investment in the continued development and improvement of services to scheme members.

3.3 Financial Objectives

3.3.1 The Authority needs to set financial objectives which focus on the key streams of activity within its operations, administration and investment while bringing these together to focus on total cost. These objectives will mirror the financial constraint imposed on the district councils by the grant system, thus ensuring that SYPA is taking no more from the pension fund for its running costs than is absolutely necessary.

3.3.2 At the same time the Authority must be careful, as a small organisation, not to "shoot itself in the foot" by setting unachievable financial objectives which generate relatively large scale savings targets, which could not be delivered without impacting the customer experience.

3.3.3 In terms of administration the financial objective could be framed as follows:

"The annual increase in the budgeted cost per member for administration functions will be limited to an index made up of 70% local government pay and 30% August CPI."

3.3.4 This limits the rate of increase in costs while allowing the benefits of any increase in productivity to be re-invested in the quality of the service provided to members, which is broadly in line with the Authority's overall objectives. Such an approach also provides some buoyancy in the level of resources available in order to address the rising number of members and employers within the Fund. A similarly expressed objective could be placed on the Authority's overall operating budget, which would place a helpful constraint on corporate costs. These two objectives are illustrated in the table below:

	2019/20 Baseline £/ Member	**2020/21 Cash Limit £/ Member[3]**	**2021/22 Cash Limit £/ Member**
Administration Service[1]	£18.27	£18.65	£19.04
Authority Operational Budget[2]	£33.64	£34.34	£35.06

Notes:

1. This represents the per member cost of the Administration cost centre within the Authority's operational budget. This does not match the definition or accounting conventions used for the SF3 return but is used here for simplicity.
2. This is the total operational budget approved by the Authority at its meeting in November 2018.
3. Figures for future years are based on an annual inflationary increase of 2.1% (comprising 2% for local authority pay in line with the headline increase in the latest pay award and 2.3% for CPI inflation in line with the Actuary's assumptions).
4. Membership is assumed to increase in line with recent trends at 3.2% per year.

3.3.5 Following the transfer of staff to Border to Coast the Authority will incur very little investment related cost within its operating budget. The vast bulk of these costs will be incurred within the Fund either within legacy investments or the pooling structures. Given that broadly investment costs have a relationship to the value of invested assets it would be sensible to have an objective which recognised this, but also recognises the fact that the Authority's investment strategy is to move out of listed into unlisted and more expensive assets and also that the Authority's overall objective is to achieve the best possible net of fees risk adjusted returns meeting the actuarial return objective (currently c. 4.2%pa). This means that any financial objective around investment costs should not place an artificial constraint which prevents the Authority from making the right investment decisions.

3.3.6 Given the above framing an objective in relation to investment costs is quite difficult. However, something along the following lines could be appropriate:

"In any year the Authority will seek to limit the investment management expenses (excluding any transition costs) charged to the Fund to 0.40% of the Fund's closing net assets."

3.3.7 By excluding transition costs which are by their nature volatile and unpredictable this focuses on the underlying investment costs which can be influenced through negotiation and the pooling process. The upper limit chosen is the current calculated UK average shown in the graph above, rounded up. There is no science in this, having a limit above the current level of costs simply recognises the reality that SYPA faces both as a result of pooling and of changes in its investment strategy referred to above.

3.3.8 The targets set out in these financial objectives will be reviewed each year in the context of their impact on the Authority's overall financial position and their impact on the ability of the Authority to deliver its corporate objectives, while still driving improvements in efficiency. In addition to these objectives which can easily be measured in budget setting and which in effect place cash limits on the Authority's budget a number of financial performance measures related to comparative costs will be part of the suite of Corporate Strategy measures.

4. Financial forecasts

4.1 Forecast Assumptions

4.1.1 Any financial forecast is based on a series of assumptions. This is the first time that the Authority has produced a longer term financial forecast for its activities, hence the assumptions related to a number of highly volatile items (such as investment returns and transfer values) will need to be refined over time. The key assumptions are set out below:

- **Pay -** Pay awards will average 2% over the period in line with the headline increase in the most recent local government pay award.
- **Prices -** CPI inflation will be 2.3% over the period in line with Actuary's assumptions for the 2019 valuation. This impacts a small portion of the operational budget but is a key driver for the cost of benefits in payment.
- **Volume Driven Contribution and Benefit Costs / Income -** These are based on four year moving averages, adjusted where relevant for known large one off items such as the transfer of the Probation Service's portion of the Fund to the Greater Manchester Fund.
- For the operational budget the initial forecast is on a continuation basis with no provision for growth.
- Investment returns are assumed to be in line with actuarial assumptions.
- External investment management costs are initially assumed to increase in line with the increase in AUM plus CPI inflation. This assumption will be revised as Border to Coast comes out of its set up phase and its charges stabilise on a proportion of assets under management basis.
- Income budgets within the operational budget have not been inflated.

4.1.2 Based on current knowledge these assumptions are reasonable. However, considerable further work will be required over the next 12 months to develop and refine our forecasting techniques to provide a robust basis for resource planning.

4.2 Operational Budget Forecast

4.2.1 The Forecast for the Operational Budget is summarised in the table below:

	2018/19 Restated £	2019/20 Original £	2020/21 Forecast £	2021/22 Forecast £
Employees	3,460,400	3,715,000	3,789,300	3,865,090
Running Costs	2,059,900	1,836,600	1,861,390	1,886,520
Gross Expenditure	5,520,300	5,551,600	5,650,690	5,751,610
Income	-184,000	-106,000	-106,000	-106,000
Net Expenditure	5,336,300	5,445,600	5,544,690	5,645,610
Membership	156,880	161,900	167,081	172,428
Cost Per Member	£34.02	£33.64	£33.19	£32.74

4.2.2 These forecasts on a continuation of service basis meet the financial objective set out earlier in this document. While it is clearly good to maintain a downward pressure on the Authority's costs relative to membership there are a number of areas where some pressure for investment is likely to emerge over the planning period. These pressures will be addressed in each future budget round and in updates to this strategy, with preference being given to investment which is one off and can be funded from reserves or by the redirection of resources within the budget during the year. The likely areas of pressure for investment include:

- Investment to address the various workforce challenges facing the Authority. These challenges include the age structure of the current workforce and the need to invest in developing the skills of managers across the organisation, where there has been no investment for some considerable time.
- Investment in ICT to facilitate improvements in customer service, in particular the integration of voice and data to support the introduction of a customer centre over the course of the current planning period.
- Investment to modernise the Authority's back office systems as investment pooling changes the nature of the back office, to become more of a traditional support service than an adjunct to the investment function.
- Investment to support the transfer of transactions with members on line.

4.2.3 While there will be a continuing pressure for investment there is equally a need for the Authority to look to deliver savings and efficiencies. These will come through the delivery of work already in hand such as moves to reduce the volume of printing and postage and move to on line interaction with scheme members. However saving do not always come as direct reductions in the budget. If the administration team does not increase its total head count over the planning period this, all other things being equal, is a productivity improvement (based on the ongoing increase in membership) that equates to a little over 2 FTE each year. These sort of improvements will be captured and reported in future iterations of this strategy.

4.2.4 The key risks in relation to this forecast are as follows:

- Pay settlements and inflation running at a higher level than assumed in the forecast. This is clearly a risk, and in the case of pay there is significant pent up pressure in the system following a prolonged period of pay restraint. The forecasts used are prudent and reflect a broad consensus view. In the event of higher costs than forecast managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one off expenditure or avoid aspects of running cost expenditure. This is the usual process of budgetary control and it seems unlikely that any cost increases would be on a scale beyond that which measures of this sort could address.
- Deterioration in budgetary control. While there has been some change in managerial personnel at senior management level, with further change due in the coming year there is no evidence from ongoing budget monitoring of a significant change in the control environment.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

4.2.5 The operational budget is relatively low risk and is relatively simple in comparison to the Fund Budget being many times smaller and much less volatile. Consequently while it understandably receives specific scrutiny as a cost that, in effect, has to be borne by participants in the Fund variations are unlikely to have a material impact on the overall standing of the Fund

4.3 Pension Fund Forecast

4.3.1 The table below presents a summary of the forecast for the Pension Fund for the current and coming three years.

	Forecast 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £
Dealings with members, employers and others directly involved in the scheme	257,752,210	216,639,320	203,934,360	208,995,340
Benefits payable	288,261,140	295,702,420	301,911,550	308,590,470
Net additions/(withdrawals) from dealings with members	(30,508,930)	(79,063,100)	(97,977,190)	(99,595,130)
Management Expenses	30,829,970	32,955,710	34,968,550	36,883,500
Net returns on investments	398,613,730	463,459,190	464,270,330	480,393,560
Net increase/(decrease) in the Fund during the year	337,274,840	351,440,380	331,324,600	343,914,940
Net assets of the Fund at 1 April	8,030,353,240	8,367,628,080	8,719,068,460	9,050,393,060
At 31 March	8,367,628,080	8,719,068,460	9,050,393,060	9,394,308,000

4.3.2 In each year of the forecast investment costs (including those within the operational budget) are within the limit of 40 bps set out elsewhere in this strategy (rising from 33bps to 35 bps over the four years). However, this takes no account of any shift in strategic asset allocation which may take place from the end of 2019/20 when the review of the Investment Strategy is completed.

4.3.3 The forecast for the Pension Fund is much more susceptible to forecast error than that for the operational budget. In particular while there is some consistency in terms of data from previous years the Authority cannot control the numbers of members retiring in any year or the decisions which they make in relation to commutation of pension to lump sum, and similarly with the numbers of deaths amongst the membership of the Fund and the numbers of members transferring either into or out of the Fund. While the forecasts are based on historic information adjusting for known one off events and inflation where appropriate there is a significant amount of variability from year to year which it is extremely difficult to forecast.

4.3.4 The important message in the above forecast is that the anticipated decline in deficit recovery contributions from 2020/21 results in a significant increase in the requirement for the harvesting of investment income (at least £20m pa). This will have an impact on the review of the Investment Strategy possibly resulting in a prioritisation of investment in assets which generate a consistent long term income stream.

4.3.5 The key risks in terms of this forecast are as follows:

- Financial market volatility, which will impact on both the asset value of the Fund and on the level of investment income and large swings in asset value will result in significant variation from the forecast. This is a constant risk for pension funds and while steps have been taken both through the broad asset allocation and through equity protection to reduce the potential volatility in the Fund the risk of events which might cause significant market dislocation remains and, if anything, is at the current time heightened as a result of tensions around international trade and Brexit.

- A further significant wave of service reductions across major employers resulting in workforce reductions which have the effect of reducing the number of active members contributing and further increase the imbalance between contributions received and benefits paid. Other than changes in the Strategic Asset Allocation to focus on income generation and delivering investment returns above actuarial assumptions to build resilience into the Fund there are limited options available to the Fund in this area, although structuring contribution cash flows may provide some further assistance in dealing with the issue. The political and fiscal uncertainty evident at present heightens this risk.
- Failure of pooling to contain investment costs. While SYPA is not expecting to make any significant savings as a result of pooling in the short to medium term the expectation is that the process of pooling will contain costs. However, should the pool fail to achieve its objectives in this area there will be an impact on net of fees returns. To date, although it is very early, the evidence is that in this respect Border to Coast are delivering in line with their plan, and should the initial moves of other partner funds into the range of internally managed funds continue or increase there may well be the opportunity for costs in relation to listed assets to reduce towards the pre-pooling levels. Should the Pool fail to deliver cost savings as anticipated then further mitigation will come through the collective action of the 12 partner funds to address under-performance.

4.3.6 This forward forecast indicates a challenging position when looked at in the context of market conditions and uncertainty as at the time of writing. All economic forecasts indicate that we are moving into a somewhat lower return environment which is reflected in the actuarial assumptions used in producing the forecast. This results in the need for the Fund and the Pool to focus on securing good assets and sustained income streams within its revised strategic asset allocation.

5. Policy on reserves

5.1 Reserves are funds which are put aside:

- Either “just in case” a risk materialises and additional money is required; or
- To “save up” for a particular item or project.

5.2 All of SYPA’s costs are met by the Pension Fund therefore, unlike a local authority, the first contingency argument for holding reserves does not hold as costs incurred, for example, as a result of a building fire, would simply fall to the Pension Fund which is about 1,000 times the size of the Authority’s budget and such costs are therefore unlikely to be material.

5.3 The argument for holding reserves to save up for things does, though hold. In order to save up in this way managers will have had to underspend their budgets and thus the ability to use money thus saved acts as an incentive to manage within the available resources. However, there is a balance to be struck as reserves could be allowed to accumulate to a level where they became significant in the context of the Authority’s budget at which point they would in effect be depriving the Fund of cash to invest. Consequently some limitation on the level of reserves is necessary to maintain this balance. Thus:

“The Authority will maintain its reserves at a level equivalent to no more than 7.5% of its operational budget, the establishment of new reserves will be approved by the Authority on the recommendation of the Treasurer, and the level of reserves will be reviewed by the Treasurer each year as part of his report on the final accounts of the Authority”

5.4 Based on the 2019/20 budget this would allow total reserves of around £400k to be held. Following the commitment of reserves to various ICT developments and the relocation to Gateway Plaza they are considerably below this level. Setting the maximum level of reserves at this order of magnitude allows the Authority to save towards major projects, such as any future need to replace a major ICT system.

5.5 At the present time the Authority maintains two reserves:

- The Corporate Strategy Reserve, which exists to fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.
- The ICT Reserve, which exists to meet the costs of replacement ICT equipment and software on a cyclical basis. Any net income from sales of software to other LGPS funds is added to this reserve allowing either accelerated equipment replacement or the acquisition or enhancement of additional software.

5.5 Any commitment of funding from these reserves requires the approval of the Authority in response to a recommendation from the Treasurer.

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Appendix C

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Human Resources Strategy

2019 - 2022

lgps

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CUSTOMER SERVICE EXCELLENCE® CSE

1. Introduction

SYPA's workforce is central to our success as an organisation. This strategy focuses on how we will:

- Develop,
- Recruit, and
- Retain

a workforce that meets the needs of the organisation as it embarks on the next stage of its development.

To do this we need to pay attention not just on how we attract the best candidates for roles with SYPA from outside, although given the profile of our current workforce this will be important, but also focus on how we can develop the skills of the current workforce. More importantly than any of this, though, we need to focus on the culture of the organisation, how it feels to work here, and the way things are done. These are key factors that will determine whether people want to work for us and whether they want to stay with us and make a career with SYPA.

SYPA is a relatively small organisation, a fact which in itself has many benefits, for example in terms of the ability of management to be visible to staff, however it also has the disadvantages of small scale such as relatively limited resources to actually deliver some of the changes that we need to make. A great positive of the organisation's culture is that this latter point is simply seen as a challenge to be overcome rather than a barrier to achieving our objectives.

2. The current reality - Understanding our workforce

To achieve any objective it is necessary to understand the starting point. To facilitate this an analysis of the composition of the current workforce has been undertaken (at 31st March 2018). This is summarised in the table below and is available at http://meetings.southyorks.gov.uk/documents/s51912/Workforce%20Profile%20Appendix%20A.pdf?zTS=C

Characteristic	SYPA %	Barnsley %	South Yorkshire %
Gender			
Female	62%	51%	51%
Male	38%	49%	49%
Ethnicity			
Non-white	0%	2%	9%
White	100%	98%	91%
Disability			
Disability	5%	24%	21%
No Disability	95%	76%	79%
Age			
0-19	0.9%	23.5%	24.3%
20-29	13.9%	12.1%	14.4%
30-39	20.4%	11.9%	12.3%
40-49	32.4%	15.6%	14.6%
50-59	26.9%	13.2%	12.1%
60-69	5.6%	11.7%	10.7%
70+	0.0%	11.9%	11.7%

Broadly the current workforce at SYPA is older, whiter and more female than the community which the organisation serves. This is an issue which the Equality and Diversity Scheme highlights as requiring attention and achieving greater diversity in the workforce needs to be an objective of the recruitment element of this strategy.

The level of staff turnover is relatively low at 2.8% for 2017/18. This is both a strength and a weakness, a loyal workforce is a good thing, but a static organisation can become stale and people can become frustrated by lack of opportunity for promotion and development. These are challenges that will need to be addressed in the development and retention element of this strategy.

It is more difficult to understand how well qualified our workforce is both in terms of specific pensions issues and more generally because this data is not held in a structured form. Historically, however, there has been considerable emphasis on internal and external qualification processes in order to support the career grade scheme for Pensions Officers. Far less emphasis has been placed on other groups of staff and little or no emphasis on the development of management skills and competencies (whether through qualifications or other routes). These are issues reflected in feedback in the staff survey and are things which the development and retention aspects of this strategy will need to address.

The HR policy framework has also not received the degree of attention and review that would be expected over recent years, with no systematic updating of policies or review of working practices and this together with the deficits in terms of data related to the workforce will form an area of focus across all aspects of this strategy.

3. What we need our workforce to deliver - The future possibility

The Corporate Strategy sets out an ambitious agenda for SYPA over the coming years. This strategy is about providing the organisation with a workforce that can deliver this agenda. Consequently the key characteristics that we are looking for in our workforce are to be:

- Customer Focussed
- Highly skilled and technically knowledgeable
- Adaptable
- Engaged

These qualities have equal weight for staff in all areas of the organisation be that Pension Administration or Investment.

Over the coming years we will need not just to ensure that our current workforce possess these qualities but design recruitment processes to ensure that the staff we have to bring in to replace those who will be lost through retirement have them at the beginning of their career with us.

A well-motivated workforce exhibiting these qualities will ultimately drive change and improvement across the organisation in a self-sustaining way, making SYPA a more sustainable and resilient organisation.

The overall objective of this strategy is therefore to provide SYPA with a workforce capable of ensuring the delivery of the objectives set out in the corporate strategy.

Specifically this strategy supports the following corporate strategy objectives, although clearly there is a potential impact on all the objectives:

Customer Focus
to design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders
to ensure that stakeholders' views are heard within our decision making processes.

Valuing and engaging our Employees
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

4. Developing the current workforce to meet the needs of the organisation

Our current workforce are a significant asset to the organisation, and it is a fundamental responsibility of management to maintain and enhance the value of that asset. We can do this in a number of ways.

Supporting ongoing learning and development by:

- Identifying individual learning and development needs through the annual appraisal process *(by April 2019)*
- Creating structured development programmes for key groups such as pension officers (building on the current career grade scheme) and first line supervisors. *(Arrangements in place by June 2020)*

Encouraging staff to lead the organisation's improvement agenda by:

- Embedding the staff suggestion scheme and ensuring that each idea is considered by the relevant senior manager and feedback is provided. *(by June 2019)*
- Creating opportunities for staff to lead the implementation of their own suggestions. *(by June 2019)*
- Recognising staff for the improvements which they have delivered. *(by December 2019)*

Actively managing the pool of talent within the organisation by:

- Providing opportunities for internal secondments and "job swaps" in order to broaden experience and prepare individuals for promotion *(from April 2020).*
- Identifying opportunities for individuals to take on additional responsibilities within their current role in order to broaden experience and add to their skills *(from April 2020)*.
- Providing opportunities for staff to receive mentoring support from senior managers *(from April 2020)*.

Addressing identified skills deficits by:

- Providing resources to support the development of first line supervisors and managers across the organisation, including a "line managers essentials" programme for aspiring and current supervisors and team managers *(by December 2019).*
- Identifying and supporting a "cadre" of UPM "super users" within the various pension administration teams. *(by April 2020)*

Measuring success

The success of these steps will be measured through the overall level of morale and motivation within the organisation which will be assessed through the results of the staff survey, together with information on absence rates, staff turnover, grievance and complaint data and information from exit interviews.

5. Recruiting a workforce for the future

The structural imbalances within our current workforce mean that we will need, over the coming years, to devote time and effort to bringing the right people into the organisation to replace those who will be retiring. The costs of getting this wrong in terms of repeated recruitment exercises can be substantial and we can enhance our chances of success by:

Widening our recruitment net and turning more interest into applications by:

- Identifying and utilising different methods of advertising, such as social media, so as to reach a wider audience, including groups underrepresented in the current workforce *(by April 2019)*.
- Improving our recruitment material so that applicants have a greater understanding of the organisation they are applying to join *(December 2019)*.
- Reviewing the recruitment process to ensure that it provides as smooth and as short a "journey" as possible for the applicant *(By April 2020)*.

Planting the seeds to grow the workforce of the future by:

- Offering work experience placements for BTEC (and in future T Level) students *(From September 2019)*.
- Providing an apprenticeship route within pension administration *(formalised by December 2020)*.

Making sure that where we need to recruit at a senior or managerial level we get the right people by:

- Focussing not just on candidate's technical abilities but on their managerial skills and ensuring that these fit with SYPA's approach, through the use of values based recruitment *(by December 2019)*.
- Developing a specification for the "SYPA Manager" skill set which reflects the organisation's values and culture *(by December 2019)*.

Measuring success

We will know if these actions have made the desired impact if we see an increase in the diversity of the workforce, and an improvement in the assessment of the quality of management within the staff survey.

6. Retaining a high quality workforce

While the composition of our current workforce means that some level of recruitment activity is inevitable over the coming years we do want to retain staff and let people build a career with SYPA. There is a delicate balance here as we need to maintain sufficient staff turnover to avoid the organisation becoming stale and the level of turnover becoming destabilising. We can ensure that we retain a high quality workforce by:

Adopting modern HR policies and practices which strike a balance between flexibility for the employee and the business needs of the organisation, through:

- Reviewing all HR policies in the light of current legislation best practice, and the local labour market *(review completed by December 2020)*.

Ensuring that our staff are healthy and safe in the workplace by:

- Formalising the arrangements for managing workplace health and safety and reviewing and refreshing the Health and Safety policy *(by December 2019)*.
- Adopting a wider definition of health and safety which includes workplace well-being and supporting projects to support this *(ongoing from January 2019).*

Maintaining a fair pay and reward structure by:

- Ensuring the transparent evaluation of all new or revised job roles (including senior managers) resulting from the process of change within the organisation *(ongoing)*.
- Reviewing the pay spine in the light of the requirement to accommodate the latest national pay award and changes to the pay structure *(April 2019)*.
- Reviewing the wider benefit package available to staff *(April 2020)*.

Engaging and communicating with staff openly to allow them to influence the future direction of the organisation by:

- Providing an opportunity for all staff to hear from the Fund Director at least once a year about the overall performance and direction of the organisation, and ask questions and express views *(September each year)*.
- Maintaining and enhancing the recently developed communication methods including "stand up's", Director's updates, team meetings and 1:1's and ensuring that these are applied consistently across the organisation *(ongoing)*.
- Re-establishing the appraisal process on a consistent basis across the organisation.
- Maintaining a regular dialogue with the trade unions, and ensuring all staff are aware of the issues discussed *(from April 2019)*.
- Undertaking a staff survey bi-annually and ensuring that the results are acted upon *(next survey due June 2020)*.

Measuring success

We will know if these measures have been successful if we maintain a relatively low level of staff turnover and if the measures of staff satisfaction and engagement derived from the staff survey reflect positive progress. We would also expect to measure the degree of compliance with corporate policies such as conducting appraisals, 1:1's and team meeting.

7. Resourcing the strategy

The resources available to deliver this strategy are as follows:

	2019/20 £	2020/21 £	2021/22 £
Strategic HR SLA with Barnsley MBC	40,000	40,800	41,600
HR Officer (0.8 FTE)	24,200	24,700	25,200
Training Budget	46,300	46,300	46,300
Occupational Health Budget	2,300	2,300	2,300
Total	**112,800**	**114,100**	**115,400**

There are a number of areas where additional investment may well be needed over the coming years in order to deliver the wider objectives of this strategy, in particular the need to be able to generate and report management information which will necessitate investment in information systems over the period. This form of investment will be considered through a business case process when required.

Appendix D

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Information & Communications Technology Strategy

2019 - 2022

lgps

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CUSTOMER SERVICE EXCELLENCE® CSE

1. Introduction

Access to effective ICT systems and infrastructure is crucial to SYPA's ability to deliver its services successfully and to achieve improvements in the efficiency of our operations, whether that is in the administration of pension benefits, the investment of the funds money or the back office processes required to run the organisation.

This strategy sets out what we will do over the next three years to improve our technological base in a way that will support the delivery of the objectives set out in the Corporate Strategy.

Delivering for our customers is the focus of SYPA's mission statement and the focus of this strategy is about how we use technology to do that, whether that be:

- The networks and hardware we use;
- The applications and software we use and develop;

This strategy is constructed around 4 themes:

- Infrastructure and Agility
- Customer Access
- Business Processes
- Information Governance and Security

Achieving the objectives set in each area will contribute to achieving the improvements in service to our customers which we wish to see.

2. The current reality - understanding what we have now

The Authority's current ICT infrastructure is based on a resilient, secure and efficient 'on premise' datacentre comprising:

- A 1Gbps client / server hard wired network infrastructure (client speed limited to 100Mbps due to telephony integration).
- VMWare Server virtualisation technology enabling server consolidation and providing improved resilience and efficiency savings.
- A Storage Area Network (SAN) infrastructure to store all virtual servers and data, thereby improving resilience and data integrity in addition to enabling more effective disaster recovery processes.
- All remote offices are provided with a secure connection to the central local area network and subsequent systems.
- The Mimecast Cloud Service is used for Unified Email Management and Egress Switch provides email encryption and data loss prevention.
- Security of the Infrastructure and data is paramount and performed in accordance with ISO 27002 best practices, with assurance provided by annual IT Health Checks.

There is a standard replacement cycle of 4 years for desktop computers and 5 years for other IT hardware. Assessments are made every 12 months, taking into account all relevant factors including performance and reliability, and maintenance/support agreements.

Following relocation to Gateway Plaza all the Authority's staff now operate with dual screens.

Agile working is provided through a combination of Wi-Fi connectivity within Gateway Plaza, remote VPN access using multi-factor authentication and Blackberry Work for mobile devices. Remote access utilises Authority owned equipment provided to staff for use at home and away from their base.

ICT services are largely provided in house with specialist services bought in as required.

The Authority's key information system is the Civica UPM Pensions Administration system which is complimented by a range of in house developed software such as DART which assist in data cleansing.

Back office systems for finance are bought in from South Yorkshire Fire and Rescue Service while those for payroll and the management of attendance are externally supplied and hosted locally. There is no comprehensive HR system in place.

The Authority's web presence is split over two websites (www.sypensions.org.uk/ and www.southyorks.gov.uk/), with a differing look and feel. This makes information difficult to find and can create confusion for users. An intranet is supported through SharePoint and while some parts of the organisation have made significant progress in developing use of this facility take up has not been universal.

3. What we need our technology to deliver - The future possibility

The Corporate Strategy sets out an ambitious agenda for SYPA over the coming years. This strategy is about providing the organisation with the technological tools that will allow us to deliver this agenda. Consequently our technology must enable the organisation to be:

- Customer Focussed
- Agile
- An effective custodian of data
- Efficient and highly productive

These qualities have equal weight in all areas of the organisation be that Pension Administration, Investment, or support areas such as finance and HR.

Over the coming years we will need to ensure that all parts of the organisation fully embrace and exploit the opportunities presented by the technologies available and that we support staff to develop their skills in the use of technology to ensure that we get the best possible return on the investment that the Authority will be making.

The overall objective of this strategy is therefore to provide SYPA with technology solutions capable of ensuring the delivery of the objectives set out in the corporate strategy.

Specifically the ICT strategy addresses the following corporate objectives:

Customer Focus
to design our services around the needs of our customers (whether scheme members or employers).

Effective and Transparent Governance
to uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

The following pages set out the specific activities that will be carried out over the planning period, and these are each supported by more detailed operational plans.

4. Developing and maintaining our ICT infrastructure to meet the needs of an increasingly agile organisation

A sound ICT infrastructure is the key foundation for anything else that we as an organisation might want to do using technology. It would, for example, be pointless investing significantly in a piece of software if the network was unable to support it. Getting this supposedly “boring” stuff right will mean that we are able to deliver all the other parts of this strategy more easily. Over the coming years we need to:

- *Explore the way in which cloud technology could provide opportunities to reduce the reliance on our own network infrastructure and thus potentially provide greater resilience in areas such as*
  - *On line backup*
  - *Office 365*
  - *Skype for business*
  - *On line collaboration*
- *Investigate, and if appropriate implement, new technologies such as VDI to support flexible and agile working*
- *In the light of the implementation of cloud based technologies and new approaches to agility review the hardware replacement strategy to facilitate cost savings through efficiencies and new ways of working*
- *Undertake a review of software licensing requirements for Microsoft products and produce a roadmap for the future.*

All these pieces of work will span the lifetime of this strategy.

Measuring success

Success in this area will be measured through network reliability and the “total cost of ownership” for a desktop device. Each project will also have their own individual success criteria.

5. Using technology to support a step change in the way customers access our services

Fundamental to the Corporate Strategy is a new approach to customer access. While in part this is about reorganising how we provide some of our services this will only happen if we deliver a number of new technological solutions and develop some existing ones so that customers can access services in the most convenient way possible. This involves

- *The identification, implementation and management of a cloud based voice over IP telephony solution allowing the integration of voice and data to facilitate the introduction of a customer centre within Pensions Administration (operational from December 2019).*
- *Improvements to on line interaction with scheme members and employers by providing a "digital by default" service and actively reducing manual and paper based processes (Initial milestone at April 2019 with the launch of the new version of My Pension then roll out of additional facilities over the remainder of the strategy period).*
- *Development of a single integrated web presence to replace the current disjointed approach (Single web site in place from April 2020)*

Measuring success

Each project will have their own success criteria but overall success will be measured through customer satisfaction levels and the increased take up of on line services.

6. Using technology to deliver efficient business processes

The Authority has in recent years invested significantly in its core pension administration systems and will continue to do so. However, the introduction of investment pooling fundamentally changes the requirements for some elements of the core business systems and others are now overdue for review, or, as in the case of HR there are gaps which should be filled. This requires a programme of work over the coming years comprising

- *The identification and implementation of new core business systems covering Finance, HR, Payroll and Time and Attendance, preferably with a single integrated product (identification of options by December 2019, implementation by April 2021)*
- *Participation in the LGPS national framework for pension administration software in order to protect the Authority's longer term interests in this area through increased process automation (decision on future options in the context of the framework by February 2020)*
- *Maximisation of the return on investment in technology through a full review of existing systems and their embedding across all parts of the organisation (e.g. SharePoint, FlexiPay T&A and Webex) (Ongoing throughout the strategy period).*
- *Continuing to develop for our own use and sell to other LGPS funds our in house developed software suite. (Ongoing throughout the strategy period).*

Measuring success
Each project will have its own success criteria and the business case for each investment will need to show an appropriate return on investment.

7. Keeping data safe and secure

Data is fundamental to every aspect of the Authority's work, and the vast majority of the data which we handle is personal data of one sort or another. Consequently it is vital that we both maintain the integrity and security of this data and have systems in processes in place that prevent breaches of data protection rules. Over the next few years our focus in this area will be on:

- *Continuing to build and strengthen our cyber/information security capabilities, for example through annual IT Health Checks, training for IT staff, and the promotion of user awareness through mandatory training.(Annual exercises throughout the strategy period)*
- *Obtaining formal certification for our management arrangements in this area (e.g. ITIL and Cyber Security Essentials Plus). (Annual exercises throughout the strategy period).*

Measuring success

The measure of success in this area will be through the number of data breaches identified and the achievement and maintenance of the relevant accreditations.

8. Resourcing the Strategy

The resources available to deliver this strategy are as follows:

	2019/20 £	2020/21 £	2021/22 £
ICT Team (6.6 FTE)*	215,600	219,900	224,300
Corporate ICT Costs	106,100	106,100	106,100
Pensions Administration Systems	120,600	123,000	125,500
Finance Systems	27,000	27,500	28,100
Investment Systems	225,100	229,600	234,200
Income from provision of services to other organisations	-51,000	-51,000	-51,000
Total	**643,400**	**655,100**	**667,200**

Note * the level of staffing resource within the ICT team will be affected by proposals currently being considered for reorganisation of activities across the ICT, UPM and Technical teams. The impact of any changes once agreed will be reflected in the budget. These proposals seek to address an identified need to increase resource and skill levels in relation to business analysis and project management.

In addition to the above recurrent resources an ICT reserve is available to fund non-recurrent items such as hardware replacement. This reserve is largely funded through income generated by the sale of software to other LGPS pension funds.

There are a number of areas where additional investment may well be needed over the coming years in order to deliver the wider objectives of this strategy, in particular the ongoing upgrading of network infrastructure and the replacement of core business systems. These investments will be considered on a business case basis and approved as part of the annual budget process, and will undoubtedly lead to changes in the level of licence fees payable identified within the above figures.

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SOUTH YORKSHIRE
PENSIONS AUTHORITY

Equity & Diversity Scheme

2019 - 2022

1. Foreword

South Yorkshire Pensions Authority is a small specialist public authority responsible for administering and safeguarding the £8bn+ of pension savings of around 160,000 current and former employees of local public services across the County. Like any organisation involved in the provision of services to the public we are required to abide by the provisions of equality legislation in the way in which we both run our organisation and deliver services to scheme members and employers.

This scheme sets out a series of objectives which will make us a more equal and diverse organisation. These objectives do not, though, stand outside the mainstream of our work as something separate and “other”, they are central to ensuring we deliver better more customer focussed services to the people we serve. Consequently the activity which meets these equality and diversity objectives will also appear within our new corporate strategy.

We will report back annually on what we have achieved against our objectives both to the Authority and to stakeholders in our Annual Report.

Councillor Sue Ellis
Chair
South Yorkshire Pensions Authority

George Graham
Fund Director

2. Policy

The Authority's policy position in relation to Equality and Diversity is set out in a number of documents:

- The Single Equality Scheme 2010 – 2013 (2010), which this scheme replaces
- The Equal Opportunities Policy (2012), which relates to employment matters specifically.
- The Diversity Statement (2013)

The Authority is not identified as within the scope of the Public Sector Equality Duty within the Equality Act 2010. However, as a public body it is expected to act in line with the duty and to act reasonably in everything it does. Clearly to not follow the framework provided in the Equality Act would be to act unreasonably. Therefore the Authority acts as though the Equality Duty fully applies to it.

The last document listed above sets out a helpful statement of principles and states the Authority's commitment to:

- Promoting equality of opportunity
- Eliminating discrimination
- Integrating equal opportunities into all aspects of the Pensions Authority's activities
- Ensuring that equality operates in the Authority's employment practices
- Ensuring that equality operates in the provision of services

All of these commitments remain relevant today and are reflected in the objectives and actions set out in this scheme.

Fundamentally the Authority believes that no one who comes into contact with it, for whatever reason, should have cause to feel that they have received less than an appropriate and professional service. Consequently we will look to address both our systems and processes, and attitudes and behaviours to ensure that we do not discriminate against any individual or group of individuals.

3. Organisational background

South Yorkshire Pensions Authority began operations on 1st April 1988 as part of the arrangements put in place to handle the functions previously carried out by the South Yorkshire Metropolitan County Council following its abolition.

The Authority is made up of 12 members drawn from the 4 District Councils (Barnsley, Doncaster, Rotherham and the City of Sheffield) roughly in proportion to population. The Authority is responsible for investing the c. £8.2bn assets of the South Yorkshire Pension Fund in order to pay the pension benefits accrued by the c.160,000 members of the Local Government Pension Scheme in the County. The members of the scheme work for nearly 500 different employers including the District Councils, universities and colleges, the Fire and Police services and an increasing number of academy schools as well as organisations which provide services to local authorities under contracts.

The bulk of the Authority's staff are based at the Headquarters office in Barnsley with small teams based in offices in each of the District Council areas.

The over-riding aim of the Pension Fund is to ensure that money is available to pay pensions when they become due. This means that the Authority seeks to obtain the best possible financial return in order to meet its liabilities which could fall due as much as 50 years into the future.

The payment and calculation of pensions due under the Local Government Pension Scheme is a very complicated process requiring the Authority to maintain a significant staff and invest in a range of information systems for the purposes of record keeping and the making of payments. In addition the responsibility for the investment of a very large pension fund places a significant number of regulatory requirements on the Authority.

As a result the Authority has developed a governance structure which allows it to devote appropriate attention to the whole range of risks and issues with which it is faced. Many of the more operational responsibilities of the Authority are discharged through other bodies, or by officers under a scheme of delegation in particular:

- The Authority's Audit Committee oversees the control environment and risk management framework.
- The Staffing, Appointments and Appeals Committee, which deals with the appointment of senior staff, major staffing and HR policy matters and various appeals either related to employment issues or in relation to the operation of discretions within the Pension Scheme.

In addition the Authority is required to maintain a Local Pension Board to scrutinise its performance of its role. The Board is made up of equal numbers of representatives of scheme members and employers.

All of these bodies meet in public and the papers for the meetings are publically available through the internet.

The Authority is also required to publish and maintain a range of strategy and policy documents and to publish an Annual Report. In addition newsletters are produced on a regular basis for scheme members.

All of this information is publically available through the internet.

4. Development of the scheme

This scheme has been developed by the Authority's Senior Management Team to support the process of refreshing the Corporate Strategy. This process has involved limited consultation but has involved external advice from colleagues at Barnsley MBC.

The process has involved the development of a number of objectives which align with the Authority's corporate strategy, the refresh of which has taken into account both information around changes in the membership of the Pension Fund and key data on the composition of the Authority's workforce, and has involved engagement with a wider range of stakeholders.

As a result of aligning the two processes it has been possible to reflect the views of stakeholders in both this scheme and the corporate strategy.

It is accepted that there are limitations to this approach and consequently one of the actions identified in this scheme is the need to develop means of actively engaging with both scheme members and groups in the wider community to ensure that the services we deliver and the way in which we operate do not discriminate in any way.

5. Governance of the scheme

As this scheme is a major policy document responsibility for approving it lies with the Full Authority. Having aligned the scheme with the Corporate Strategy in terms of timescale (both will cover a 3 year actuarial valuation period) future iterations of this scheme will be approved alongside the corporate strategy as a key part of the Authority's corporate planning framework.

Given that the scheme commits the Authority to a range of actions it is important that progress on these actions is reported back to elected members on a regular basis so that they can initiate any action that might be necessary. Regular reports will be provided to the Authority on the implementation of the Corporate Strategy and these will include progress on the issues identified in this Scheme. Progress will also be included in the Annual Report which is addressed to a much wider group of stakeholders.

6. The public sector equality duty

As stated above the Authority intends to act as though the full scope of the duties set out in the Equality Act 2010 applies to it. Thus when exercising its functions the Authority will have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

These are sometimes referred to as the three aims or arms of the general equality duty. The Act explains that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The Act states that meeting different needs involves taking steps to take account of disabled people's disabilities. It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the duty may involve treating some people more favourably than others.

These equality duty aims and activities have informed the development of our equality objectives and associated action plans.

7. The authority’s vision in relation to equality and diversity

The Authority has developed the following statement which summarises where it wants to be in relation to equality and diversity by the end of the period covered by this scheme.

“South Yorkshire Pensions Authority aims to reflect the diverse communities we serve in all areas of our work and will strive to achieve a workforce that reflects the community we serve. In delivering our services and managing our organisation we aim to treat every person we come into contact with fairly irrespective of any protected characteristic they might possess.”

The objectives we have set out later in this scheme are intended to enable the achievement of this vision.

Specifically this scheme supports the following objectives set out in the Corporate Strategy:

Customer Focus
to design our services around the needs of our customers (whether scheme members or employers).

Listening to our stakeholders
to ensure that stakeholders’ views are heard within our decision making processes.

Investment Returns
to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long term liabilities.

Responsible Investment
to develop our investment options within the context of a sustainable and responsible investment strategy.

Effective and Transparent Governance
to uphold effective governance showing prudence and propriety at all times.

Valuing and engaging our Employees
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

8. Having your say and raising issues

Improving the way in which we as an organisation engage with and seek to understand people with protected characteristics is a key objective of this scheme. In the meantime we are happy to receive any feedback about this Equality and Diversity Scheme whether from pension scheme members or members of the wider community.

Any feedback can be sent to:

George Graham
Fund Director
South Yorkshire Pensions Authority
Floor 8
Gateway Plaza
Sackville Street
BARNSLEY
South Yorkshire
S70 2RD

E mail FundDirector@sypa.org.uk

Anyone who feels we have not lived up to the aspirations within this Scheme in terms of treating them fairly has a right to make a complaint. This can be formally addressed by:

Informing the Chair of the Pensions Authority

The Chair
South Yorkshire Pensions Authority
c/o Joint Authorities Governance Unit
Barnsley Metropolitan Borough Council
Town Hall
BARNSLEY
South Yorkshire
S70 2TS

E mail memberservices@sypa.org.uk

Through our website www.sypensions.org.uk

Informing the Equality and Human Rights Commission, through the Equality Advice and Support Service

Phone: 0808 800 0082
Textphone: 0808 800 0084

You can email using the contact form on the EASS website, www.equalityadvisoryservice.com

Also available through the website are BSL interpretation, web chat services and a contact form. Alternatively EASS can be contacted by post;

FREEPOST
EASS HELPLINE
FPN6521

Informing your local Race Equality Council.

Scheme members who feel they have not been treated fairly in the way in which we have interpreted the pension regulations may also have a right of appeal to the Pensions Ombudsman or can raise issues with the Pensions Regulator. Details are available through the Authority's website.

9. What we intend to do to address equality and diversity issues

We have identified a number of things we want to achieve in relation to equality and diversity issues and the following pages set out what these are, why they are important, how we are going to achieve them and how we will know we have achieved them.

Objective 1

What we want to achieve
To make our services more accessible to disabled customers.

Why this is important
Some disabled people cannot access services on-line or use the telephone. For others face to face meetings can be difficult to get to.

What we are going to do and when

- Develop communications channels where necessary to enable customers to contact us in ways that are accessible to them telephone, text message, email, on-line, BSL Video Relay Interpretation, face to face interpreters. *(Rolling programme commencing during 2019 when the Authority is due to upgrade its telephone system)*
- Identify key information to produce in accessible formats for customers (eg Easy Read, Large Print, Braille and BSL Video). *(To be introduced with effect from the 2019 publication cycle).*
- To ensure public areas of our buildings are accessible to disabled customers. *(With effect from 2018 when the Authority's main office is due to relocate)*
- To ensure when we use other building and venues that these are fully accessible also. *(Ongoing process)*
- Ensure disabled customers are fully aware of our disability access initiatives and how to request or participate in these if needed. *(To form part of the 2019 publication cycle).*

How we will know if we have been successful

- The number of contact channels available to disabled customers.
- The level of accessibility of our offices, not just in terms of physical access but also through the availability of facilities such as loop systems.
- The number of disabled customers who have opted to use each contact channel or have received / downloaded information in accessible formats.

Equality Objective 2

What we want to achieve
Through our engagement activity with scheme members and employers to promote equality and inclusion, and to help bring people from different backgrounds together.

Why this is important
The public sector equality duty requires public authorities to consider how they can help to promote good relations between those from different backgrounds. The Authority provides benefits to and regularly communicates with a large and diverse number of customers which may provide opportunities to promote greater knowledge and understanding.

What we are going to do and when

- Identify opportunities for promoting greater knowledge and understanding of people from diverse backgrounds as part of mainstream communications activity. *(To form part of the refresh of the Consultation and Communication Policy which will be due during 2019).*

- Engage with diverse communities to identify messages that should be reflected within mainstream communications. *(To form part of the refresh of the Consultation and Communication Policy which will be due during 2019).*

How we will know if we have been successful

- Number and reach of marketing messages promoting knowledge and understanding of different communities.

Equality Objective 3

What we want to achieve

To ensure decision-making in the Authority is informed by a robust and clear impact assessment of how people with protected characteristics will be affected, taking action to reduce any inequalities where appropriate.

Why this is important

When making decisions about customer service, policies and other activities that affect customers or employees there is need to have "due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not."

What we are going to do

- Develop an Equality Impact Assessment process for all new or revised policies or services. This should enable robust, timely and proportionate EIAs to be developed and reported to decision-makers. *(With immediate effect)*
- Provide appropriate employees with the necessary training and support to undertake the EIA process. *(To be undertaken during the first half of the 2019 calendar year)*
- Ensure decision-makers are fully aware of the equality impacts of their decisions and that these are publicly available. *(Ongoing process)*
- Seek a peer review of the robustness of the EIAs undertaken from local authority colleagues. *(To be undertaken during 2021)*

How we will know if we have been successful

- EIA process reviewed and revised as necessary.
- EIA process peer reviewed.

Equality Objective 4

What we are going to do

To ensure the workforce's diversity reflects that of the customers we serve.

Why this is important

A workforce that reflects the diversity of the customers they serve will be better able to meet their diverse needs, to engage with those communities and to draw on the greatest range of skills, knowledge and abilities that the community has to offer.

Currently the Authority's workforce does not reflect the characteristics of the wider community in which it exists. Similarly, data does not exist to enable us to analyse the characteristics of the membership of the Fund. The table below makes the comparisons possible with the data currently available using data from the 2011 Census for both the Barnsley district, where our headquarters are located and South Yorkshire as a whole, which is the area we serve as compared to data for the Authority at the end of March 2018.

Characteristic	**SYPA %**	**Barnsley %**	**South Yorkshire %**
Gender			
Female	62%	51%	51%
Male	38%	49%	49%
Ethnicity			
Non-white	0%	2%	9%
White	100%	98%	91%
Disability			
Disability	5%	24%	21%
No Disability	95%	76%	79%
Age			
0-19	0.9%	23.5%	24.3%
20-29	13.9%	12.1%	14.4%
30-39	20.4%	11.9%	12.3%
40-49	32.4%	15.6%	14.6%
50-59	26.9%	13.2%	12.1%
60-69	5.6%	11.7%	10.7%
70+	0.0%	11.9%	11.7%

Information related to the other protected characteristics are not available, and staff are not required to report any disability therefore it is likely that numbers of staff with some form of disability is under-recorded.

What we are going to do

- Monitor and report on workforce diversity. *(Annual process introduced in 2018)*
- Identify areas of under-representation and develop plans to address these. *(Part of the Human Resources Strategy to be introduced in 2019)*
- Engage with employees and community groups to better understand why any areas of under-representation may appear in workforce diversity. *(Part of the Human Resources Strategy to be introduced in 2019)*

How we will know if we have been successful

- Percentage of employees who are male, female, BME, disabled, LGBT, by age group.

Equality Objective 5

What we want to achieve
To ensure the workforce culture, environment, policies and practices are safe, accessible, and inclusive for people from all protected characteristics.

Why this is important
The authority has a duty to treat its employees with fairness, dignity and respect at all times, to encourage people to report any problems and show leadership to develop a respectful working culture.

What we are going to do

- Consult with employees to better understand their experience of working for the Authority. *(Staff Survey undertaken June / July 2018 and to be repeated regularly over the life of this scheme, with the next survey due June 2020).*
- Ensure all employees are fully aware of expectations with regards equality and diversity and how to report any concerns, through induction and training programmes. *(To form part of the actions flowing from the Human Resources Strategy to be approved in the first quarter of 2019).*
- Develop plans to address any concerns raised accordingly. *(Actions arising from the Staff Survey will form part of the work plan of the Senior Management Team on an annual basis, there will be reporting back through regular communication channels).*
- Develop plans to embed equality and diversity objectives within employee development and appraisal processes, and within leadership initiatives. *(To form part of the actions flowing from the Human Resources Strategy to be approved in the first quarter of 2019).*

How we will know if we have been successful

- Percentage of employees who have been inducted and trained in E+D.
- Number of reports / complaints concerning equality and diversity issues.

Equality Objective 6

What we want to achieve
Where statistically possible, to identify and reduce any pay gaps that exist associated with gender, disability or ethnicity.

Why this is important
The authority has a duty to pay its workforce equally and has committed to reporting on any gender pay gaps, although not required to do so. We will report our findings and publish them on our website.

What we are going to do

- Monitor pay for all employees for equal pay for work of equal value and for any pay gaps, *(Information to be published annually commencing in 2018)*
- Take action where inequalities are identified. *(To form part of the Human Resources Strategy to be introduced in the first quarter of 2019).*

How we will know if we have been successful

- Pay gaps within the organisation for gender, ethnicity and disability.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 March 2019

Report of the Head of Pensions Administration

KEY SERVICE STANDARDS

1) Purpose of the Report

To update Members on the results of research conducted with customers, CIPFA and other LGPS funds and to propose revisions to certain administration service standards from 1 April 2019 to improve transparency of performance and allow improved focus on priority case work.

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2) Recommendations

Members are recommended to approve the adoption of a revised set of administration standards from 1 April 2019 to improve benchmarking of performance and allow improved focus on key targets whilst maintaining high standards of customer service.

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3) Background Information

3.1 SYPA has a set of customer standards for case work that have been in place for many years without review. These targets were set prior to the complexities introduced by both the 2008 and 2014 schemes and before the significant increases in scheme membership as well as the numbers of employers in the Fund over recent years. There are currently no national case work targets for the LGPS and funds have historically taken their own view as to the target times for completing case work.

3.2 CIPFA have recognised that there is no consistency of reporting on administration performance and this makes direct “quality” benchmarking between LGPS funds (and other sectors) difficult to achieve. This has led to a tendency to focus on “cost per member” comparisons for administration which has obvious value but can be a crude measure of administrative efficiency and ignores the importance of measuring the customer experience.

3.3 In an attempt to provide greater transparency and to address the lack of meaningful comparative data, CIPFA has published draft guidance on a range of administration case work data which it recommends should be included in the Annual Report produced by LGPS funds. This data would also be used to help compile the administration performance comparators for the CIPFA benchmarking club in which SYPA participates annually.

3.4 The list of recommended processes for publication are detailed in column (1) of the Table at **Appendix A.** These are detailed alongside the statutory requirements for handling the various processes as set out in column (3) and CIPFA's own suggested performance target in column (2). The list of processes detailed in the CIPFA guidance and in Appendix A is consistent with the Key Performance Indicators (KPIs) that SYPA have been reporting to members for some time.

4. <u>Customer Feedback</u>

4.1 To complement the work that CIFPA have carried out, SYPA consulted with scheme members who had either recently retired or transferred out their pension rights to another arrangement. Scheme members were asked for their views on appropriate time scales for processing case work around the transfers and retirement process and their responses are included in column (6) of **Appendix A**. Due to the obvious sensitivities it was not felt appropriate to survey members who had been dealing with SYPA as a result of a bereavement or as a result of divorce proceedings.

5. <u>Comparative Data from other LGPS Funds</u>

5.1 In the absence of a national set of KPI data, SYPA also sought information from other funds in the Border to Coast Pensions Partnership in relation to their administration of KPIs to provide some informal comparator data. At the time of writing, three funds had provided information regarding their own KPIs and this data is included in columns (6) to (10) of **Appendix A** for reference.

6. <u>Recommendations for Change</u>

6.1 Taking into account all the information presented in the Table in relation to statutory requirements, CIPFA suggestions, customer feedback and comparator data, column (5) has a number of areas highlighted in red where it is proposed a variation to the existing KPI be agreed by members from 1 April 2019.

6.2 Although this is a slight relaxing of the historic measurements, in all proposed areas of change the proposed KPI continues to be at least equal to, or more stringent than, any of the other comparator or statutory data shown and well within the suggested time scales indicated by our customers. It is not anticipated therefore that this will lead to any reduction in levels of customer satisfaction with the service provided.

6.3 Members will be aware that overall achievement levels against existing KPIs are running at around 80%. These levels of achievement are measurements against historic targets and there is a risk in the current operating environment that administration staff are focusing their efforts on meeting KPI targets that are neither appropriate nor achievable. This can lead to a focus on quantity rather than quality as well as having a demotivating impact on dedicated staff.

7. Ongoing Quality Review

7.1 One key consideration is to be able to recognise that the level of service provided to members is meeting their expectations. One way of measuring this is through the volumes of complaints received and this will continue to be reported to members. However, scheme members should also be provided with an opportunity to provide feedback on their experiences.

7.2 Given that the retirement process is a key part of the administration function, it is intended to survey all retiring members on a quarterly basis going forward and report the outcome as part of the quarterly administration report. Other areas (e.g. new joiners, transfers, aggregations, etc) will be addressed on a rolling basis. Given the sensitivity of the bereavement process, it is not intended to survey dependants at this time.

7.3 In the unlikely event that the outcome of this programme of continuous assessment suggests that there has been a deterioration in levels of customer satisfaction related to a change in response times, this will be brought back to members for further consideration. In practice, it is hoped that the proposed revisions will lead to an overall improvement in levels of customer satisfaction.

8. Implications

- **Financial** - None
- **Legal** - None
- **Diversity** - None
- **Risk** - Risk of reduction in quality of service will be managed by regular review of the customer experience.

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

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Process	CIPFA Suggested Fund KPI	Legal Requirement (from notification)	Current SYPA KPI	Proposed SYPA KPI	Customer Feedback (average from responses received)	Other BCPP Funds (average)	BCPP Fund 1	BCPP Fund 2	BCPP Fund 3
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Deaths - Initial letter acknowledgement death of active / deferred / pensioner member	5 days	2 months	4 days for complete process	5 days		c.7 days	5 days	10 days	5 days
Deaths – Letter notifying amount of dependent's benefit	10 days	2 months	4 days for complete process	5 days		c.8 days	5 days	10 days	10 days
Estimates – Projection for member considering future retirement	15 days	2 months	5 days	No change	11 days	c.13 days	10 days	20 days	10 days
Retirements – Letter notifying actual retirement benefits (include all retirement types; normal, ill heath, early, late etc).	15 days	2 months	5 days	No change	10 days	c.12 days	10 days	10 days	15 days

Appendix A

Process	CIPFA Suggested Fund KPI	Legal Requirement (from notification)	Current SYPA KPI	Proposed SYPA KPI	Customer Feedback (average from responses received)	Other BCPP Funds (average)	BCPP Fund 1	BCPP Fund 2	BCPP Fund 3
Retirements – process and pay lump sum retirement grant (include all retirement types; normal, ill heath, early, late etc).	15 days	2 months	5 days	No change	11 days	c.9 days	3 days	10 days	15 days
Deferment – calculate and notify deferred benefits	30 days	2 months	20 days	No change		c.47 days	20 days	60 days	60 days
Transfers In – Letter detailing transfer ***in*** quote	10 days	2 months	7 days	10 days		30 days	35 days	35 days	20 days
Transfers Out – Letter detailing transfer ***out*** quote	10 days	3 months	5 days	10 days	20 days	c.33 days	20 days	60 days	20 days
Refund – Process and pay a refund	10 days	2 months	9 days	No change		c.13 days	10 days	10 days	20 days
Divorce Quote – Letter detailing cash equivalent value and other benefits	45 days	3 months	5 days	10 days		c.17 days	20 days	15 days	Not published

Process	CIPFA Suggested Fund KPI	Legal Requirement (from notification)	Current SYPA KPI	Proposed SYPA KPI	Customer Feedback (average from responses received)	Other BCPP Funds (average)	BCPP Fund 1	BCPP Fund 2	BCPP Fund 3
Divorce Settlement – Letter detailing implementation of Pension Sharing Order	15 days	3 months	5 days	10 days		55 days	80 days	30 days	Not published
Joiners – Send notification of joining the LGPS to scheme member	40 days	2 months	5 days	10 days		c.17 days	10 days	10 days	30 days

NB: All measures commence from when the Fund receives the last piece of information required in order to complete the task and ends once the process is completed.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 March 2019

Report of the Fund Director

Consultation on the Framework for Valuation 2019

1) Purpose of the Report

To provide members with details of the responses to the consultation with employers on the framework for valuation 2019.

2) **Recommendations**

Members are recommended to:

a) **Note the responses to the consultation exercise undertaken with employers.**
b) **Approve the specific changes to the proposals set out in this report, and note the areas where further discussion will be undertaken with the Actuary.**
c) **Approve the immediate change to the Funding Strategy Statement in relation to Exit Credits which was consulted on.**

3) Background Information

3.1 At the Authority's meeting in November 2018 members approved consultation with employers on a number of issues as part of the process of setting the framework for the 2019 valuation. The document issued to employers setting out the specific issues consulted on is at Appendix A.

3.2 This is the first time the Authority has undertaken an exercise of this sort and the response was low with 4 out of nearly 500 employers responding, although other feedback on some of the issues being consulted on has been received through the regular interaction between fund officers and the Directors of Finance of the District Councils. However, undertaking the exercise in this way is an important part of the Authority's future approach to engaging with employers in terms of being as open as possible with employers at as early a stage as possible. This approach will continue to be adopted with all employers through the remainder of the valuation process.

3.3 The responses received were from 1 District Council, 1 large employer and 2 Academy Trusts. While not representing a statistically significant proportion of the employer base within the Fund this does give a sample of views from significant employer groups which is helpful.

3.4 Taking the issues consulted on in turn, the comments received and any specific further actions can be summarised as follows:

- Valuation Assumptions –
  - There was some comment that pay restraint will impact in areas other than the local authorities going forward. Officers will follow up with specific groups of employers to evidence this, and if evidence can be provided engage with the actuary to widen the scope of the assumption about pay restraint.
  - Comment was made about the level of the inflation assumption relative to current levels of inflation. Fundamentally this misunderstands the nature of the assumption, which is made over the lifetime of the Fund's liabilities (i.e. well over 60 years), and because of this timescale will not reflect current actual inflation.
  - Officers will continue to engage with the actuary around the proposed assumptions to ensure that they evolve in the light of additional evidence as it emerges.

- Deficit Recovery Arrangements and Management of Surpluses -
  - Unsurprisingly employers supported an arrangement in relation to the remaining deficits which was most beneficial to them. This is an area which it is suggested is likely to have to be dealt with on a case by case basis, however, it is proposed that the Fund's position should be that the benefits of improved investment returns should in part be reflected in the faster repayment of any remaining deficits.
  - While the level of response was small there was support for retaining a surplus as a contingency against future negative experience, although there was a desire that this should be considered in the light of the level of any actual surplus which is a reasonable position.

- Exit Credits –
  - There was some support for the Fund's position on this, and the proposed changes will be immediately reflected in the Funding Strategy Statement. It is, however, understood that the Government intends to further amend the LGPS regulations so that Exit Credits are not payable.

- Academies –
    - There was no clear support one way or another for the proposition so it is suggested that it should not be pursued. However, in light of the comments made it is proposed to ask the Actuary to undertake modelling on the impact of an Academy pool and also to model the impact of treating Multi-Academy Trusts as single employers if they wish to consider this.

- Employer Covenant –
    - While there were no specific proposals in this area it did raise a number of questions which will be addressed in ongoing dialogue with employers as the valuation process evolves. The key issue here is likely to be that the Fund and the individual employer will have differing views on the risk that exists in each case.

- Recovery of Costs
    - There were no fundamental objections to the proposals here, but a reasonable request for transparency around costs which is something that the Fund is already working to try to deliver.

- Ill Health and Voluntary Early Retirement Allowances and Strain Payments
    - There were no fundamental disagreements with the proposition rather requests to maintain the flow of information to employers which is entirely reasonable. One response sought to retain the option for making strain payments by instalments. While the logic for this request is understood from the Fund's point of view this is an undesirable situation, particularly in an increasingly cash flow negative situation.

3.5 A further issue raised was the impact of changes in the LGPS benefit structure proposed as a result of the operation of the "cost cap" mechanism. Since this consultation was launched the postponement of any changes as a result of the "cost cap" mechanism has been halted due to pending appeals to the Supreme Court in relation to transitional protections arising from the introduction of the Career Average Scheme. This issue does add uncertainty to the valuation process and the request made which was entirely reasonable was that the Actuary should be asked to model the impact of the changes that were proposed. This work will be commissioned alongside the valuation, as it will provide more detailed evidence to engage in dialogue around any changes proposed by the Scheme Advisory Board.

4) Implications and risks

- Financial – Of itself this consultation exercise does not have any financial implications. The financial implications of the valuation process will only be known when it is completed.
- Legal – The Authority has a duty to consult employers in relation to the development of the Funding Strategy Statement. This exercise forms part of the steps required to fulfil that duty.
- Diversity – There are no apparent diversity implications.
- Risk – The proposals consulted on sought to achieve a sensible approach to the balance of risk between employers and the Fund within the valuation process.

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Fund Director

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

Appendix A

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Consultation with Employers on the **Framework for Valuation 2019**

November 2018

lgps

www.sypensions.org.uk

CUSTOMER SERVICE EXCELLENCE CSE

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Contents

Foreword

This document sets out the Pensions Authority's proposals for:

- The key assumptions to be used in valuing the Fund's liabilities as part of the 2019 actuarial valuation.
- A number of proposed changes in policy related to the valuation and the Funding Strategy.

We are consulting on these issues now to ensure that we are able to properly give consideration to the views of employers prior to the commencement of detailed work on the 2019 valuation and the preparation of the new Funding Strategy Statement which we are required to produce following the completion of the valuation.

The issues on which we are seeking views have the potential to make a significant difference to individual employers and it is therefore important that employers take the opportunity to respond so that the Pensions Authority can understand how different groups are affected by specific proposals.

Responses can be sent to:

The Fund Director
South Yorkshire Pensions Authority
Floor 8
Gateway Plaza
Sackville Street
BARNSLEY
South Yorkshire
S70 2RD

or by email to: FundDirector@sypa.org.uk

Responses should be submitted by 14th February 2019

If you would like further information or to discuss specific issues concerned with this consultation with someone please contact the email address above.

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1 Valuation Assumptions

1.1 There are a number of key assumptions which need to be made as part of the valuation process. For technical reasons a number of these are finalised later in the process in the light of market conditions and updated information. However, the Fund's initial proposals with regard to these assumptions are as follows, it should be borne that these assumptions are averages across the whole life of the Fund's liabilities which will be in excess of 60 years:

- **Pay Growth** - Long Term Pay Growth assumptions are based on long term statistical trends which currently produce a figure of 3.55% pa. This will be reduced to 2% for local authority employers (District Councils, Police, Fire, PTE, Pensions Authority and Combined Authority) for the first three years of the valuation, reflecting current pay awards in the sector. Evidence indicates that pay growth for other employers has consistently been above that experienced by local authorities and it would add a risk for smaller employers to reflect pay restraint in the early part of the valuation.
- **Inflation** - The forecast for CPI Inflation is 2.3% pa based on an analysis of inflation rates implied by the yields on fixed interest and index linked government bonds, with an allowance for the basis difference between CPI and RPI inflation of 1%.
- **Demographics** - The actuary proposes to apply current demographic data, which indicate that the rate of increase in life expectancy is slowing adjusted for local experience.
- **Commutation of Pension to Lump Sum** - It is proposed to move to an assumption based on the level of commutation actually experienced within the South Yorkshire Fund. As this is higher than the current assumption this change is likely to reduce the value of liabilities.
- **Discount Rate / Investment Return** - The actual level will be determined later in the process. However, the actuary's view is that the overall environment is one where the levels of return achievable on a consistent basis are reducing and that this should be reflected in this assumption. Clearly this assumption can have a significant effect on the outcome of the valuation and will be the subject of much discussion between the actuary, the Fund and employers over the course of the valuation work. The actuary makes different assumptions in relation to past service liabilities which have already built up and which therefore require a higher certainty of return, and for future service liabilities which are not yet certain and for which a less certain rate of return is therefore possible.

1.2 The Fund is interested in receiving employers' views on these assumptions and would be particularly keen to know whether there are other employer groups who can provide evidence which could support an assumption around short term pay restraint.

1.3 In addition to this the ill health captive arrangement will remain in place and will be reassessed in the light of experience over the last three years.

2 Deficit Recovery Arrangements and Management of Surpluses

2.1 Current estimates are that the Fund has a small surplus overall. It is wholly possible that this position will change between now and the valuation point, particularly if there is some disruption in financial markets and while the Fund has taken steps to insulate itself against such movements no protection of this sort can entirely protect the Fund. However, should the current position be maintained then while there may be an overall surplus some employers may still have a deficit, which will continue to need to be recovered.

2.2 Where an employer continues to have a deficit there are three main options:

a) Continue the current recovery plan and the current level of deficit contributions meaning that the employer receives no benefit from the investment returns which have brought the overall deficit down, although the recovery period will be significantly shorter if current levels of deficit payment are maintained which benefits the Fund at the expense of the employer.

b) Reduce deficit contributions to reflect the reassessed deficit being recovered over the revised recovery period of 16 years (down 3 years from the last valuation), which while benefiting the employer does not provide a benefit to the Fund through being able to eliminate employers' deficits more quickly as a result of improved investment returns.

c) Some combination of the two approaches which would freeze the annual level of cash being contributed by the employer (both deficit and future service contributions) at the current level and treat the excess over any new future service rate as being available for the deficit with the recovery period being the mathematical outcome of the rate at which the available cash pays off the deficit. This shares the benefit of the improvement in funding position between the Fund and the employer.

2.3 In addition for relatively small deficits it may be appropriate to negotiate the terms of a one off payment between the Fund and the employer.

2.4 The Fund's preferred option for addressing remaining deficits is option c, above as this shares risk between the Fund and employers and we would like to receive views on the practicality of this as an approach.

2.5 At present it seems likely that any surplus at whole fund level is likely to be relatively small, and would have a negligible impact on employer contributions if reflected as an adjustment over the recovery period of 16 years. Therefore it is proposed that any surpluses at this valuation are retained within the Fund as a contingency against potential negative market movements and negative experience in areas such as ill health retirement. This is likely to create a greater long term benefit for employers than a very small rebate against future service contributions. The Fund would be interested in employers' views on this position.

3 Exit Credits

3.1 This is an issue which arises from a change in the LGPS Regulation during 2018. Previously when an employer exited the scheme through the termination of an admission agreement, for example at the end of a contract involving the TUPE transfer of staff any surplus remained within the Fund. The change in regulations, however, allows for surpluses to be repaid to the employer leaving the Fund in these circumstances.

3.2 In some circumstances employers leaving the Fund will have borne all the risk around surpluses and deficits and in these circumstances it seems reasonable for them to receive any benefit. However, there are many cases where the original employer (the organisation that let the contract for example) has provided some form of guarantee that it will assume any deficit at the end of the contract and has transferred staff on a fully funded basis. In these circumstances the risk around surpluses and deficits has been borne by the original employer and it therefore seems unreasonable for any surplus not to pass to them. Consequently the Fund proposes with effect from **1st April 2019** to amend the current Funding Strategy Statement to provide for exit credits where a guarantee of this sort is in place to be transferred into the original employer's portion of the Fund. We are interested in receiving employers' views on this, and in particular whether there are any other circumstances where the payment of exit credits may result in inequity between the employer leaving the Fund and the original employer.

4 Academies

4.1 Currently each Academy within the Fund is treated as a separate employer, although Multi-Academy Trusts do have the option of being treated as a single employer, an option which some have taken and some have not. Nationally the direction of travel is to arrive at a position where as a minimum every academy within each LGPS fund pays the same future service contribution rate, although no formal policy announcements have yet been made.

4.2 In order for Academies to have a single future service rate they would have to be treated as a "pool" within the Fund. Each Academy would still have to pay its own specific deficit contributions if applicable. Given the significant change in the overall funding position it may be that it is less disruptive to move to this sort of arrangement at this valuation rather than waiting for a change to be imposed at a later stage. Any change of this sort will only be undertaken if there is a demand for it from Academies, and the Fund would like to hear from Academies whether they would like us to pursue this option.

4.3 Implementing this option is not without risk for individual Academies as different schools may have different experiences in terms of membership (either favourable or unfavourable) which are then averaged over all the relevant schools. However, by in effect becoming part of a larger single employer for this purpose the challenges sometimes posed to small employers by a one off event are reduced. In addition the ill health captive arrangement would remain in place thus reducing the risk of any single Academy's ill health experience impacting on others.

5 Employer Covenant

5.1 The Fund is made up of nearly 500 different employers varying significantly in scale and financial resources. Each employer faces different risks from their participation in the Fund and poses different risks to the Fund as a whole through their participation. For some employers the actuary may make particularly conservative assumptions so that the risk they pose to the Fund is minimised.

5.2 The Fund needs to understand the risk represented by each employer's participation in the Fund and will be seeking to use publicly available information such as accounts to begin a process of understanding this. Once we have arrived at an overall picture, which will probably involve identifying employers in groups according to the risk posed to the Fund we will be in a position to start a conversation with employers about steps they can take which would reduce the risk to the Fund, and in effect to other employers. Such steps might include seeking a guarantee from a parent organisation or from an organisation with tax raising powers, or an employer giving the Fund a charge over specific assets instead of a guarantee.

5.3 At this stage we have no specific proposals, because we need to gather much more information before formulating specific proposals. However, we welcome discussions with employers about how the scheme impacts on their financial position and also on the options which they have in terms of their ongoing participation in the scheme. We would also welcome information which employers feel justifies either treating them individually or as a group (for example housing associations) in a particular way.

6 Recovery of Costs

6.1 At present the Fund does not recover all the actuarial costs that it is allowed to and has arrangements for newly created academies which are significantly different from the norm across LGPS. By not recovering all costs of this sort these costs in effect fall on all employers in the Fund which is not equitable as they are costs which arise from the actions of individual employers rather than the collective of all employers. In the case of academies the current arrangements are unnecessarily administratively complex, particularly when the costs involved are fully supported in the Academy set up grant.

6.2 The Fund therefore proposes to pass on to employers any actuarial costs which are incurred specifically on their behalf. This will include costs associated with cessation valuations whether there is a surplus or a deficit and the costs associated with negotiating bulk transfers. These costs will be recovered through a single invoice. Before any work is undertaken an estimate of the costs involved will be provided up front. We appreciate that budgets are tight across the board, however, in order to ensure that costs incurred on behalf of one employer are not borne by all employers we need to put these arrangements in place.

6.3 For academies currently paying actuarial costs by instalments these arrangements will continue until completed.

7 Ill Health and Voluntary Early Retirement Allowances and Strain Payments

7.1 Some employers who are not part of the ill health captive arrangement have maintained the practice of including a cash value allowance for the costs of ill health retirements within their valuation assumptions. This allowance is then monitored through the valuation period, which creates an administrative burden for both the employer and the Fund. This is a practice that most other funds abandoned some time ago, and we propose to end this practice which applies to a relatively small number of employers. Any costs relating to ill health retirements will be picked up in the following valuation.

7.2 We also propose to end the arrangement whereby some employers maintain an allowance (as for ill health) for voluntary early retirement within their contribution rate. This is a practice that has been abandoned by most funds as it dilutes transparency and accountability for early retirement decisions and to some extent hides the costs. Any costs relating to early retirement (strain costs) will need to be paid over to the Fund on receipt of an invoice in the year in which the early retirement takes place. Currently where strain costs are payable an instalment arrangement is allowed. Such arrangements are increasingly rare across the LGPS and while it is accepted that this might present some issues for employers this change means that the payment is matched with the crystallisation of the Fund’s liability to pay pension. As cashflow within the Fund becomes increasingly negative it becomes more and more important for the Fund to realise contribution income of any sort at the earliest opportunity, and this proposal allows us to do this.

7.3 The Fund is interested in hearing employers’ views on whether this proposed approach will cause any specific issues.

7.4 Do you support the proposal to retain any relatively small surplus within the Fund as a form of contingency against potential negative experience over the next valuation period?

7.5 Do you support the changes proposed by the Fund in relation to Exit Credits?

7.6 Would you support the treatment of academies as a single “pool” within the Fund? (To be answered by academies only)

7.7 Can you identify any specific evidence which might support the assessment of the covenant of your organisation as an employer within the Fund?

7.8 Do you foresee any practical issues with regard to the proposals for increasing cost recovery set out in this document?

7.9 Do you foresee any specific difficulties arising from the withdrawal of cash value allowances for ill health and voluntary early retirement?

7.10 Do you foresee any particular issues arising from the need to make strain payments as a single lump sum rather than by instalments?

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 March 2019

Report of the Fund Director

PAY POLICY STATEMENT 2019/20

1) Purpose of the Report

To secure approval of the Authority's pay policy statement for 2019/20

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2) **Recommendations**

Members are recommended to:

a) Approve the Pay Policy Statement for 2019/20 set out in Appendix A.

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3) Background Information

3.1 Members will be familiar with the concept of the Pay Policy Statement which is often approved by the District Councils as part of their budget process. For the Pensions Authority such a statement usefully brings together a number of pieces of information and policy in a single place and provides an appropriate level of transparency around issues of pay and reward.

3.2 This year's Statement includes a new single pay spine incorporating all the Authority's staff and reflecting the new national pay spine agreed by the NJC. In order to map staff over to the new pay spine in a sensible way it has been necessary to omit 3 of the points in the national spine from the local one. In addition, in order both to reduce the number of more senior grades, even up the number of points in these grades and appropriately match theses grades to ranges of job evaluation scores a number of additional locally determined scale points have been added into the previous senior management grades. This provides a pay structure which is more suitable for the organisation going forward. As part of negotiating the pay structure with Unison an equality impact assessment has been conducted which indicates that the new structure is more equitable than its predecessor.

3.3 Importantly the new salary scale allows the Authority to end the practice of a Living Wage supplement for the lowest paid as the lowest point of the new national scale is set above the level of the Foundation Living Wage.

3.4 The Statement indicates a ratio between the highest and lowest salaries in the organisation of 6.1:1 which represents a significantly lower gap than would be expected in the financial services world which is the nearest clear comparator to the Authority.

4) Implications and risks

- Financial – The salary scale set out in the attached Pay Policy Statement is reflected in the 2019/20 budget therefore there are no additional financial implications.
- Legal – There are no specific legal implications arising from the approval of this statement.
- Diversity – There are no identified diversity implications.
- Risk – Maintaining a clear and rational pay and grading structure allows the Authority to address a number of the workforce related risks reflected in the risk register,

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

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Pay Policy Statement

2019/20

PAY POLICY STATEMENT

Contents

PAY POLICY STATEMENT

1. INTRODUCTION

1.1 Under s112 of the Local Government Act 1972 the Authority has the "power to appoint officers on such reasonable terms and conditions as it thinks fit". This Pay Policy sets out the Authority's approach to pay in accordance with the requirements of s38 of the Localism Act 2011. This statement is being published in order to demonstrate the Authority's commitment to openness and transparency in matters of pay.

1.2 The purpose of this statement is to provide transparency with regard to the Authority's approach setting the pay of its employees by identifying:

- The methods by which the salaries of all employees are determined;
- The details of the remuneration of its most senior employees;
- The relationship between the salary of its most senior employees and other employees.

2. OTHER LEGISLATION RELEVANT TO PAY AND REMUNERATION

2.1 In determining the pay and remuneration of its employees the Authority will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, the Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, and where relevant the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014. The Authority ensures that there is no pay discrimination within its pay structures and that pay differentials can be objectively justified through the use of job evaluation mechanisms which directly establish the relative level of posts in grades according to the requirements, demands and responsibilities of the role.

2.2 The Authority utilises the Hay job evaluation scheme for all roles.

3. PAY STRUCTURE

3.1 The Authority's pay structure of spinal column points and grade is set out in Appendix A. This has been updated from 1st April 2019 to reflect the new nationally agreed pay spine and to rationalise and integrate the locally determined senior management grades within a single pay structure.

3.2 Annual salary increases for all staff (including senior managers) are set through national negotiations between the local government employers and the recognised trades unions within the National Joint Council for Local Government Services.

3.3 Where evidence exists of recruitment and retention issues it may be necessary to make additional payments to take into account pay levels in the wider labour market in order to attract and retain employees with particular skills, knowledge and experience. In such instances the Authority will use evidence of relevant market comparators, using data sources available within the local government sector, the financial services sector and beyond as appropriate.

4. DEFINITIONS

4.1 The Localism Act refers to the position of Chief Officer, which, in terms of the South Yorkshire Pensions Authority is defined as:

- Head of Paid Service designated under s4 (1) of the Local Government and Housing Act 1989
- Monitoring Officer designated under s5 (1) of the Local Government and Housing Act 1989
- Chief Finance Officer designated under s151 of the Local Government Act 1972
- A Non Statutory Chief Officer as defined in s2 (7) of the Local Government and Housing Act 1989

4.2 In the case of the South Yorkshire Pension Authority these definitions encompass the following roles:

Head of Paid Service –	Fund Director
Chief Officer -	Head of Finance
	Head of Investment Strategy
	Head of Pension Administration

4.3 The statutory roles of Monitoring Officer and Chief Finance Officer (Treasurer) are performed under a service level agreement by officers of Barnsley Metropolitan Borough Council as part of their core roles and any impact on remuneration is reflected in Barnsley MBC's pay policy statement.

4.4 The additional statutory role of Clerk which is required under the Local Government Act 1985 and the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 is performed under a service level agreement by an officer of Barnsley Metropolitan Borough Council as part of their core role and any impact on remuneration is reflected in Barnsley MBC's pay policy statement.

4.5 Remuneration is defined as the pay an individual receives.

5. FUND DIRECTOR REMUNERATION

5.1 The current post holder took up the role on 12th February 2018. This is a spot salary and there is no incremental progression.

Grade	Salary @ 1/4/2019
N	106,131

5.2 The terms and conditions of service relating to this post are in accordance with the Joint Negotiating Committee for Local Authority Chief Officers, with the exception that pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

Additional Allowances

5.3 The Fund Director is not entitled to any additional allowances such as telephone, or lease car, and is not designated as a car user.

5.4 Rules in relation to reimbursement of travel and subsistence etc. are the same as for all other posts within the Authority.

5.5 The Authority's flexi-time scheme does not apply to the Fund Director.

6. HEAD OF SERVICE REMUNERATION

6.1 The three Head of Service roles reporting to the Fund Director are paid as follows:

Post	Grade	Salary Range @ 1/4/2019
Head of Finance and Corporate Services	L	£53,695 - £63,679
Head of Investment Strategy	M	£74,292 - £84,905
Head of Pensions Administration	M	£74,292 - £84,905

6.2 Progression through the grade occurs through the payment of an additional annual increment on 1st April each year, until the top of the grade is reached.

6.3 The terms and conditions of service relating to this post are in accordance with the Joint Negotiating Committee, with the exception that pay increases are tied to the headline increase in the main pay scale of the National Joint Council for Local Government Services.

Additional Allowances

6.4 The Heads of Service are each designated as casual car users.

6.5 Any other allowances relating to the posts are the same as for all other posts within the Authority, for example, reimbursement of fuel expenditure for business travel.

6.6 The Authority's flexi-time scheme does not apply to individuals appointed to Chief Officer roles after 1st April 2018.

7. RECRUITMENT OF THE FUND DIRECTOR AND CHIEF OFFICERS

7.1 Where there is a requirement to recruit to the post of Fund Director or to a Chief Officer post then the provisions of procedural Standing Order 19 within the Authority's constitution will apply.

8. SALARY ON APPOINTMENT

8.1 Under normal circumstances all new appointments to a post of Chief Officer will be made at the bottom spinal point of the grade, unless there are objective reasons for not doing so. Any appointment above the bottom spinal column point will require the approval of the Fund Director in consultation with the Clerk.

9. PERFORMANCE RELATED PAY

9.1 The Localism Act requires details of any performance related pay arrangements to be disclosed. South Yorkshire Pensions Authority does not operate any such arrangements.

10. RELATIONSHIP BETWEEN FUND DIRECTOR/CHIEF OFFICER PAY AND OTHER EMPLOYEES

10.1 The following information is provided to assist with understanding the ratio calculations

Fund Director Salary =	£106,131 (spot salary)
Chief Officer Median Salary =	£71,593
Authority Median Full Time Salary =	£20,880
Authority Lowest Full Time Salary =	£17,364

10.2 Pay Ratio

Post	Benchmark Salary	Ratio
Fund Director's Salary	Chief Officer Median Salary	1.5 : 1
Fund Director's Salary	Authority Median Salary	4.2 : 1
Chief Officer Median Salary	Authority Median Salary	2.8 : 1
Fund Director's Salary	Authority Lowest Salary	6.1 : 1
Chief Officer Median Salary	Authority Lowest Salary	4.1 : 1

Note all these ratios exclude any apprentices

10.3 The Hutton report *"Fair Pay in the Public Sector"* recommended that the Fund Director's salary should not exceed 20 times that of the lowest paid worker. The above table shows that with a ratio of South Yorkshire Pensions Authority meets this requirement.

11. LOWEST PAID EMPLOYEE

11.1 The lowest grade in the pay structure is Grade A (scale points 1-3 £17,364 - £18,065 at 1/4/2019)

11.2 Prior to 1st April 2019 for any staff on this grade a variable Living Wage Supplement is payable to bring the salary in line with the Foundation Living Wage, which meets the Authority's commitment to be a Living Wage employer. This supplement will be removed from 1st April 2019 as the national pay scale places the lowest point in excess of the Foundation Living Wage.

12. TERMINATION PAYMENTS

12.1 The Authority's redundancy policy applies equally to all employees regardless of their grade. A redundancy payment will be paid to an employee when their post is made redundant and there are no suitable redeployment opportunities.

12.2 The Authority does not have a policy which allows for the enhancing of an employee's pensionable service.

13. EMPLOYER PENSION CONTRIBUTIONS

13.1 The Authority contributes to the Local Government Pension Scheme in 2018/19 for all its employees who are members equally at the rate of 14.9% of employee's pensionable pay. This rate is set by the actuary for the South Yorkshire Pension Fund and is reviewed every three years.

14. EMPLOYEE PENSION CONTRIBUTIONS

14.1 Employees in the Local Government Pension Scheme will pay the following contributions as a proportion of their pensionable pay with effect from 1st April 2018. These rates are currently under review as part of an exercise being led by the Local Government Association.

Band	Pensionable Pay	Contribution Rate- Main Scheme	Contribution Rate- 50/50 Scheme
1	Up to £14,100	5.5%	2.75%
2	Above £14,100 up to £22,000	5.8%	2.90%
3	Above £22,000 up to £35,700	6.5%	3.25%
4	Above £35,700 up to £45,200	6.8%	3.40%
5	Above £45,300 up to £63,100	8.5%	4.25%
6	Above £63,100 up to £89,400	9.9%	4.95%
7	Above £89,400 up to £105,200	10.5%	5.25%
8	Above £105,200 up to £157,800	11.4%	5.70%
9	Above £157,800	12.5%	6.25%

15. ENGAGEMENT OF FORMER CHIEF OFFICERS IN RECEIPT OF PENSIONS

15.1 The Authority does not have a policy which prevents former employees, including Chief Officers, from applying for and being successfully appointed to any job, or returning under a contract for service, because they are in receipt of a public sector or Local Government Pension. Normal recruitment or procurement rules would apply in such circumstances.

16. PUBLICATION OF THE POLICY

16.1 This policy will be published on the Authority's website. In addition, for posts where the full time equivalent salary is at least £50,000 the Authority will publish further information as required by the Accounts and Audit Regulations 2015.

17. REVIEW OF THE PAY POLICY

17.1 The Policy will be subject to annual review and must be approved by the Authority prior to 31st March each year. If there is a need to amend the Policy between reviews in relation to matters of policy then any such amendments will be approved by a meeting of the full Authority. Any amendments required in relation to matters of fact may be made by the Fund Director without further reference to the Authority.

Appendix A

Pay and Grading Structure

	New Spinal Point	Pay from 1/4/2019 £	Hay Score (Pts)
A	1	17,364	<120
	2	17,711	
	3	18,065	
B	3	18,065	121 – 139
	4	18,426	
	5	18,795	
C	5	18,795	140 – 160
	6	19,171	
	7	19,554	
	8	19,945	
	9	20,344	
D	10	20,751	161 – 180
	11	21,166	
	12	21,589	
	13	22,021	
E	15	22,911	181 – 250
	16	23,369	
	17	23,836	
	18	24,313	
	20	25,295	
F	22	26,317	251- 280
	23	26,999	
	24	27,905	
	25	28,785	
G	26	29,636	281 – 320
	27	30,507	
	28	31,371	
H	29	32,029	321 – 380
	30	32,878	
	31	33,799	
I	32	34,788	381 -430
	33	35,934	
	34	36,876	
	35	37,849	
	36	38,813	
J	37	39,782	431 – 480
	38	40,760	
	39	41,675	
	40	42,683	
	41	43,662	

Grade	New Spinal Point	Pay from 1/4/2019 £	Hay Score (Pts)
K	42	44,632	481 – 550
	43	45,591	
	44	47,617	
	45	49,643	
	46	51,669	
L	47	53,695	551 – 710
	48	55,719	
	49	58,372	
	50	61,025	
	51	63,679	
M	52	74,292	711 – 870
	53	76,945	
	54	79,598	
	55	82,251	
	56	84,905	
N	57	106,131	>870

Note:
The following points in the new NJC scale will not be used, in order to maintain the current number of points in each grade, and overlaps between grades:
14
19 – Staff on old spinal column point 27 will be assimilated to new spinal point 20.
21

Scale points above 43 which are locally determined will be increased annually in line with the headline increase for the NJC pay award.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

14 MARCH 2019

Report of the Treasurer and the Fund Director

TREASURY MANAGEMENT STRATEGY STATEMENT 2019/2020

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.**

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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 was the Corporate Planning and Governance Board and relevant monitoring reports have been presented thereto. Under our new governance structure the scrutiny will be done by the Authority from April 2019 onwards with quarterly updates within the corporate plan reporting.

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 £300m, this is a reduction from levels of around £400m last March and is still an unusual situation due to investment activities. This amounts to around 3.8% 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 Training in relation to treasury management issues in the specific and specialised context of the Pension Fund is included within the training programme at least once a year.

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). Appendix IV is the list of counterparties used in the period since the last full report.

4) <u>The Local Government Act 2003</u>

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 currently delegates management of the policy to the Corporate Planning and Governance Board which receives regular updates upon implementation and monitoring. Under the new corporate structure this will remain with the Authority and updates will be presented quarterly as part of the Corporate Plan updates. 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 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 are invited to attend training sessions during the year which cover various significant issues including treasury management matters and investment issues and all Members are invited to these sessions at least

once per year. Officers are kept up to date on market issues and have regular communication and research published by Capita Asset Services.

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 Quarterly updates on treasury management matters are presented to the Authority as part of the Corporate Plan update.

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 2018 to February 2019 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 Authority 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) <u>Overdraft</u>

4.1 The current overdraft limit of £100,000 is with the Authority's clearing bank, Lloyds, and is available until 31 August 2019. 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 2019.

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) 2019/20 Immediate Considerations

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

	£M	%
Borrowing Requirement 2019/2020	None	
Current Bank of England Bank Rate (changed 2 Aug 18)		0.75%
Current Investment Rates estimated average (overnight) for £10m deposit size		0.68%

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 0.75% in August 2018. The previous rate of 0.5% had applied since November 2017. The Bank of England has indicated that any further rise in the foreseeable future will be limited and gradual. Inflation has fallen from 3.0% in December 2017 to a current rate of 1.8% with a target rate of 2%. CPI inflation is projected to remain around 2% in the next few years. In the short term there is likely to be reaction to Brexit and whether the UK leaves the EU on the 29th March with a deal on the table.

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 remain around 2% over the next two years. It judges that Bank Rate should also remain stable over that period.

8) <u>Short term considerations</u>

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 As indicated in para 7 the UK is due to leave the EU on 29th March 2019 and the impact of this on interest rates and inflation is really uncertain.

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APPENDIX II

SOUTH YORKSHIRE PENSIONS AUTHORITY

DETERMINATION OF AFFORDABLE BORROWING LIMIT 2019/2020

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 2019/2020

2.1 In accordance with the Act, the following determinations are proposed for 2019/2020:

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 2019/20

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 2019/20 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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SOUTH YORKSHIRE PENSIONS AUTHORITY

LIST OF BORROWERS: APRIL 2018 – FEBRUARY 2019

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 ant 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
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
ROYAL BANK OF CANADA	F1+	CANADA
SOCIETE GENERALE	F1	FRANCE
SUMITOMO MITSUI BKG CORP EUROPE LTD	F1	UK
TORONTO DOMINION BANK	F1+	CANADA
UNITED OVERSEAS BANK LTD	F1+	SINGAPORE

Debt Management Office

DMO has not been used

Local Authorities

LEEDS CITY COUNCIL
LONDON BOROUGH OF BARKING & DAGENHAM
LONDON BOROUGH OF CROYDON
LONDON BOROUGH OF HARINGEY
SUFFOLK CC
WIRRAL MBC

Money Market Funds

HSBC STERLING LIQUIDITY FUND	AAA rated

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 15

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Appendix A

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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