



SOUTH YORKSHIRE  
PENSIONS AUTHORITY

# Corporate Strategy

2019/20 to 2021/22

Commitment to Excellence



[www.sypensions.org.uk](http://www.sypensions.org.uk)

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## 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.

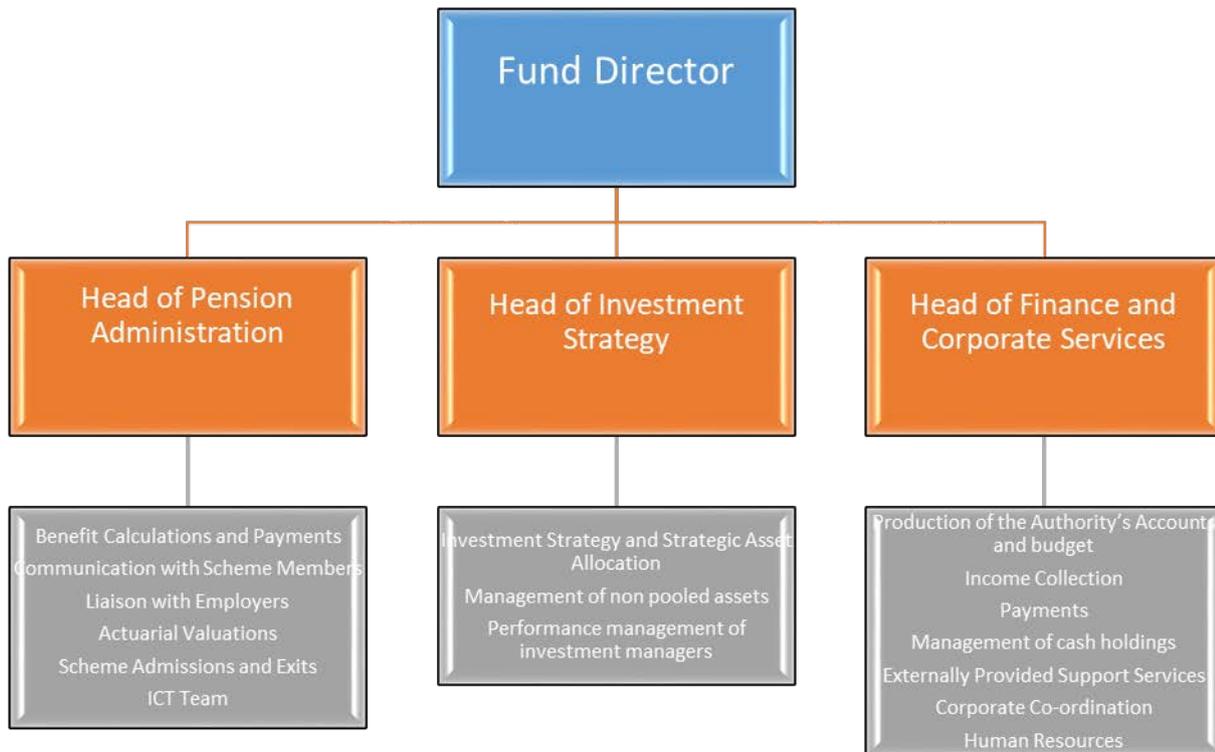
Cllr Sue Ellis  
Chair  
South Yorkshire Pensions Authority

## Background

South Yorkshire Pensions Authority came into being on 1<sup>st</sup> 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:

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<b>Values</b>	<b>Behaviours</b>
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

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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	<b>Investment Returns</b> – <i>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.</i>	<ul style="list-style-type: none"> <li>• Agree through discussion with elected members, investment beliefs, risk appetite and responsible investment stance</li> <li>• Engage professional support for the strategy review.</li> <li>• Produce cash flow model to determine the cash requirements that the investment strategy will need to deliver</li> <li>• Determine Strategic Asset Allocation that will deliver the identified cash flow requirements</li> <li>• Reflect all of the above in revised policy documents</li> <li>• Implement changes in asset allocation required by the new strategy</li> </ul>	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	<b>Investment Returns</b> – <i>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</i> <b>Responsible Investment</b> – <i>To develop our</i>	<ul style="list-style-type: none"> <li>• Develop appropriate mechanisms for holding Border to Coast accountable for their performance in managing SYPA’s assets</li> <li>• Design and implement effectively controlled processes for processing investment transactions which do not require the current level of investment in organisational infrastructure</li> <li>• Review SYPA’s VAT partial</li> </ul>	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

	<p><i>investment options within the context of a sustainable and responsible investment strategy.</i></p> <p><b>Effective and Transparent Governance</b> – <i>To uphold effective governance showing prudence and propriety at all times.</i></p>	<p>exemption method post pooling and agree changes with HMRC</p> <ul style="list-style-type: none"> <li>• Ensure safe transition of appropriate legacy assets and the property portfolio into Border to Coast pooling structures</li> <li>• 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.</li> </ul>	<p>property transition</p> <p>By start of 2021, dependant on Border to Coast timetable</p> <p>Final quarter of 2020, following property transition</p>	<p>Hd IS</p> <p>Hd F&amp;CS</p>
Decision on the future of the Agricultural Property Portfolio	<p><b>Investment Returns</b> – <i>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.</i></p>	<ul style="list-style-type: none"> <li>• Engage professional adviser to conduct the review</li> <li>• Assess options for the future including different ways of managing the portfolio</li> <li>• Implement agreed recommendations</li> </ul>	<p>By June 2019</p> <p>By March 2020</p> <p>By January 2021</p>	<p>FD</p> <p>Hd IS</p> <p>Hd IS</p>
Secure improvements in the Environmental, Social and Governance impacts of the Fund's investments	<p><b>Investment Returns</b> – <i>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.</i></p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Implement any results of discussions</li> <li>• Improve understanding of the ESG impacts of the alternatives and private markets portfolios, and</li> </ul>	<p>Ongoing commencing in March 2019</p> <p>Dependent on outcome above</p> <p>Work to commence during second half of</p>	<p>FD</p> <p>Hd IS</p> <p>Hd IS</p>

	<b>Responsible Investment</b> – <i>To develop our investment options within the context of a sustainable and responsible investment strategy.</i>	<p>identify any potential actions as a result.</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>2019</p> <p>Ongoing</p>	Hd IS
Improvements to the reporting of performance in all aspects of the Authority's work	<b>Effective and Transparent Governance</b> – <i>To uphold effective governance showing prudence and propriety at all times.</i>	<ul style="list-style-type: none"> <li>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.</li> <li>Redesign reporting of administration performance to focus on customer service and statutory compliance and highlight improvement initiatives</li> <li>Introduce a new form of corporate performance report providing a balanced scorecard type approach to the overall work of the Authority</li> <li>Identify appropriate internal and external benchmarks and identify appropriate targets against external measures</li> </ul>	<p>To be developed on a continuing basis during 2019/20</p> <p>April 2019</p> <p>To be developed on a continuing basis during 2019/20 Benchmarks identified by April 2019</p>	<p>Hd IS</p> <p>Hd PA</p> <p>FD/ Hd F&amp;CS</p> <p>FD/ All Heads of Service</p>
Increased take up of methods of communication that do not rely on either paper or face to face contact	<b>Customer Focus</b> – <i>To design our services around the needs of our customers (whether scheme members or employers).</i> <b>Listening to our</b>	<ul style="list-style-type: none"> <li>Move to electronic communication as the default for communication with members, while continuing to support customers with other preferences</li> <li>Implement a "new" website and improved self-service functionality</li> </ul>	<p>Ongoing process</p> <p>End August 2019</p>	<p>Hd PA</p> <p>Hd PA</p>

	<p><b>stakeholders</b> – To ensure that stakeholders’ views are heard within our decision making processes.</p>	<ul style="list-style-type: none"> <li>• Increase the number of transactions which members and employers can undertake without assistance from SYPA staff</li> <li>• 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</li> </ul>	<p>Ongoing</p> <p>December 2019</p>	<p>Hd PA</p> <p>Hd PA</p>
<p>A well trained and motivated workforce that reflects the community we serve</p>	<p><b>Valuing and engaging our Employees</b> – To ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.</p>	<ul style="list-style-type: none"> <li>• Conduct a comprehensive review of all HR policies and procedures</li> <li>• Re-establish an appraisal system across all parts of the organisation</li> <li>• 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</li> <li>• Implement actions intended to both increase the diversity of the workforce and address any identified “pay gap” issues</li> <li>• Formalise arrangements for the management of Health and Safety</li> <li>• Review and refresh the current Career Development scheme to enable more flexible progression and link them to national initiatives such as apprenticeships</li> </ul>	<p>To be completed by end of 2020</p> <p>Operational from April 2019</p> <p>By end August 2019 and then an ongoing process of updates</p> <p>Ongoing over the plan period</p> <p>By June 2019</p> <p>By Dec 2019</p>	<p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>FD</p> <p>Hd PA</p>

		<ul style="list-style-type: none"> <li>Develop a skills matrix across the organisation that links to individual training and development plans</li> </ul>	To be ready for implementation April 2020	FD
A new way of engaging with employers and scheme members	<p><b>Customer Focus</b> – <i>To design our services around the needs of our customers (whether scheme members or employers).</i></p> <p><b>Listening to our stakeholders</b> – <i>To ensure that stakeholders' views are heard within our decision making processes.</i></p>	<ul style="list-style-type: none"> <li>Identify activities falling within the scope of engagement</li> <li>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)</li> <li>Implement the new approach</li> <li>Review approach and adjust in the light of feedback.</li> </ul>	<p>April 2019</p> <p>August 2019</p> <p>August – Dec 2019</p> <p>August 2020</p>	<p>Hd PA</p> <p>Hd PA</p> <p>Hd PA</p> <p>Hd PA</p>
A well governed organisation	<p><b>Effective and Transparent Governance</b> – <i>To uphold effective governance showing prudence and propriety at all times.</i></p>	<ul style="list-style-type: none"> <li>Implement revised governance arrangements from the beginning of the 2019 Municipal Year, including a revised constitution and scheme of delegation.</li> <li>Institute a pattern of informal member seminars for both policy development and learning and development</li> <li>Refocus the agenda for the Local Pension Board in line with TPR requirements towards Administration and Data Quality issues</li> <li>Review procurement activities following the introduction of the new procurement rules in 2018.</li> <li>Formalise all service level</li> </ul>	<p>From May 2019</p> <p>From May 2019</p> <p>From May 2019</p> <p>Annually from Dec 2019</p> <p>Complete by Dec 2019</p>	<p>Clerk / FD</p> <p>FD</p> <p>FD / Hd PA</p> <p>FD</p> <p>Hd F&amp;CS</p>

		<p>agreements for support services and benchmark costs</p> <ul style="list-style-type: none"> <li>• Create a more structured learning and development programme for Authority and Pension Board members</li> </ul>	June 2019 and review annually	FD/Clerk
An organisation which exploits technology to the greatest extent possible to achieve its objectives	<p><b>Customer Focus</b> – <i>To design our services around the needs of our customers (whether scheme members or employers).</i></p> <p><b>Effective and Transparent Governance</b> – <i>To uphold effective governance showing prudence and propriety at all times.</i></p>	<ul style="list-style-type: none"> <li>• Relaunch a single integrated “web presence” for SYPA incorporating a refreshed corporate identity</li> <li>• Review business systems with a view to identifying and implementing an appropriately scaled and affordable fully integrated solution, covering finance, HR, payroll and procurement.</li> <li>• Replace current telephony infrastructure with Voice over IP and call management.</li> <li>• Continually review existing processes to maximise efficiency through appropriate application of technology</li> </ul>	<p>April 2020</p> <p>Review and recommendations complete by March 2020</p> <p>December 2019</p> <p>Ongoing</p>	<p>Hd PA</p> <p>Hd F&amp;CS</p> <p>Hd PA</p> <p>All Heads of Service</p>
A longer term plan for meeting the Authority’s accommodation requirements	<p><b>Customer Focus</b> – <i>To design our services around the needs of our customers (whether scheme members or employers).</i></p> <p><b>Valuing and engaging our Employees</b> – <i>To ensure that all our employees are able to develop a career with</i></p>	<ul style="list-style-type: none"> <li>• Complete the relocation to Gateway.</li> <li>• Develop an accommodation specification to meet the needs of the organisation beyond the lease break for Gateway</li> <li>• Commission work to identify means of delivering the specification.</li> <li>• Deliver the preferred option identified.</li> </ul>	<p>December 2019</p> <p>December 2019</p> <p>Jan 2020</p> <p>2022 following lease break</p>	<p>Hd PA</p> <p>FD</p> <p>FD</p> <p>FD</p>

	<i>SYPA and are actively engaged in improving our services.</i>			
Delivery of Valuation 2019 and the associated stable and affordable levels of employer contributions	<p><b>Listening to our stakeholders</b> – <i>To ensure that stakeholders’ views are heard within our decision making processes.</i></p> <p><b>Investment Returns</b> – <i>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.</i></p> <p><b>Effective and Transparent Governance</b> – <i>To uphold effective governance showing prudence and propriety at all times.</i></p>	<ul style="list-style-type: none"> <li>• Consult stakeholders on “framework for the valuation”</li> <li>• Ensure data integrity is maximised as part of the valuation</li> <li>• Review the operation of the “ill health captive” arrangement and implement any recommended improvements</li> <li>• Review the arrangements for dealing with employer generated actuarial costs and implement recommended changes.</li> <li>• Consult stakeholders on valuation results and the Funding Strategy Statement</li> <li>• Implement valuation results</li> </ul>	<p>April to July 2019</p> <p>April to July 2019</p> <p>July to Dec 2019</p> <p>Complete by March 2020 for implementation</p> <p>July 2019 to March 2020</p> <p>March 2020</p>	<p>FD</p> <p>Hd PA</p> <p>Hd PA</p> <p>Hd PA / Hd F&amp;CS</p> <p>FD</p> <p>Hd PA / Hd F&amp;CS</p>
Ensure that the Fund operates with accurate data which gives a fair picture of its liabilities.	<p><b>Customer Focus</b> – <i>To design our services around the needs of our customers (whether scheme members or employers).</i></p>	<ul style="list-style-type: none"> <li>• Identify level of compliance with the Regulator’s data quality standards</li> <li>• Produce a Data Improvement Plan</li> <li>• Implement actions which target areas where the Fund’s liabilities may be overstated</li> </ul>	<p>April 2019</p> <p>April 2019</p> <p>From March 2020 and then ongoing</p>	<p>Hd PA</p> <p>Hd PA</p> <p>FD / Hd PA</p>

	<p><b><i>Effective and Transparent Governance</i></b> – <i>To uphold effective governance showing prudence and propriety at all times.</i></p>	<ul style="list-style-type: none"> <li>• Ensure plan in place to achieve full compliance with Code of Practice 14</li> </ul>	<p>April 2020</p>	<p>Hd PA</p>
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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.	<b>3</b>		<b>5</b>		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.	<b>3</b>	I = H P = L	<b>6</b>	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.	<b>2</b>	I = H P = M	<b>5</b>	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.	<b>2</b>	I = M P = H	<b>5</b>	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

## 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

	<b>2018/19</b> <b>Restated</b> <b>£</b>	<b>2019/20</b> <b>Original</b> <b>£</b>	<b>2020/21</b> <b>Forecast</b> <b>£</b>	<b>2021/22</b> <b>Forecast</b> <b>£</b>
<b>Employees</b>	3,460,400	3,715,000	3,789,300	3,865,090
<b>Running Costs</b>	2,059,900	1,836,600	1,861,390	1,886,520
<b>Gross Expenditure</b>	5,520,300	5,551,600	5,650,690	5,751,610
<b>Income</b>	-184,000	-106,000	-106,000	-106,000
<b>Net Expenditure</b>	5,336,300	5,445,600	5,544,690	5,645,610
<b>Membership</b>	156,880	161,900	167,081	172,428
<b>Cost Per Member</b>	£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 £
<b>Dealings with members, employers and others directly involved in the scheme</b>	257,752,210	216,639,320	203,934,360	208,995,340
<b>Benefits payable</b>	288,261,140	295,702,420	301,911,550	308,590,470
<b>Net additions/(withdrawals) from dealings with members</b>	(30,508,930)	(79,063,100)	(97,977,190)	(99,595,130)
<b>Management Expenses</b>	30,829,970	32,955,710	34,968,550	36,883,500
<b>Net returns on investments</b>	398,613,730	463,459,190	464,270,330	480,393,560
<b>Net increase/(decrease) in the Fund during the year</b>	337,274,840	351,440,380	331,324,600	343,914,940
<b>Net assets of the Fund at 1 April</b>	8,030,353,240	8,367,628,080	8,719,068,460	9,050,393,060
<b>At 31 March</b>	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.