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Sarah Norman
Clerk

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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 Meeting Room 14, Town Hall, Barnsley, S70 2TA on Thursday 19 March 2020 at 10.30 am for the purpose of transacting the business set out in the agenda.

Sarah Norman
Clerk

This matter is being dealt with by: Gill Richards Tel: 01226 772806
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Distribution

Councillors M Stowe (Chair), A Atkin, S Cox, A Law, J Mounsey, A Murphy, C Rosling-Josephs, A Sangar, A Teal, P Wray, N Wright and T Yasseen.

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SOUTH YORKSHIRE PENSIONS AUTHORITY

19 MARCH 2020 AT 10.30 AM IN MEETING ROOM 14, TOWN HALL, BARNSLEY, S70 2TA

Agenda: Reports attached unless stated otherwise

	Item	**Page**
1	Apologies	
2	Announcements	
3	Urgent Items To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.	
4	Items to be considered in the absence of the public and press. To identify items where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting).	
5	Declarations of Interest.	
6	Section 41 Feedback from District Councils	
	Committee Administration	
7	Minutes of the Authority meeting held on 23rd January 2020	1 - 12
8	Draft Minutes of the Local Pension Board meeting held on 13th February 2020	13 - 18
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	Corporate Matters	
10	Corporate Performance Report Q3 2019/20	23 - 44

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SOUTH YORKSHIRE PENSIONS AUTHORITY

23 JANUARY 2020

PRESENT: Councillor M Stowe (Chair)
Councillor J Mounsey (Vice-Chair)
Councillors: A Atkin, S Cox, A Law, A Murphy, C Rosling-Josephs, A Sangar, A Teal, P Wray, N Wright and T Yasseen

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

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), F Bourne (Corporate Administrator), N Copley (Treasurer), A Frosdick (Monitoring Officer), G Graham (Fund Director), M McCarthy (Deputy Clerk), G Richards (Senior Democratic Services Officer), S Smith (Head of Investments) and G Taberner (Head of Finance and Corporate Services)

A Stone (Border to Coast Pensions Partnership Ltd)

I Colvin (Hymans Robertson)

1 APOLOGIES

There were no apologies.

2 ANNOUNCEMENTS

The Chair introduced Ian Colvin from Hymans Robertson who were conducting a governance review across the LGPS at the request of the Scheme Advisory Board.

They were looking at different governance structures, best practice and analysing different models of how the LGPS function was delivered with a view to putting forward proposals to raise standards across the Scheme; these proposals had yet to be formalised.

He had been asked to help the Authority to be ready for the good governance proposals and to ensure that the Authority could demonstrate that they met all the requirements.

The Chair informed Members that to support Ian in his work, an effectiveness survey would be circulated to all Members for completion. One-to-one support to complete the survey would be available if required.

The Fund Director reported that this was the last meeting to be attended by Mrs Fiona Bourne who was due to retire shortly. He wished to place on record the gratitude of officers for all her work over many years in ensuring that the Authority's governance and decision making processes worked effectively.

3 URGENT ITEMS

None.

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

RESOLVED – That item 17, Pensions Administration Software, be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Members from all districts reported increased pressure regarding climate change, especially around reducing CO_2 emissions.

Some districts had declared a climate change emergency and Members felt that the Authority needed to show that it was doing all it could in this area.

The Chair remarked that the Authority took climate change and responsible investment very seriously and continued to respond to all correspondents to reassure them.

The Fund Director would be happy to assist with any queries that Members received.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 12 SEPTEMBER 2019

RESOLVED – That the minutes of the meeting of the Authority held on 12 September 2019 be agreed as a true record.

8 SOUTH YORKSHIRE LOCAL PENSION BOARD CONSTITUTION

A report was considered to seek approval for an updated Constitution for the Local Pension Board.

Members were informed that the revised Constitution, which was attached as an Appendix to the report, now incorporated:

- The current agreed membership of the Board;
- The arrangements for the register of interests reflected in the Conflicts of Interest Policy, including provision for publication;
- The Board's up-to-date Terms of Reference.

RESOLVED – That the Authority approve the revised Constitution of the South Yorkshire Local Pension Board as set out in Appendix A.

9 PROGRAMME OF FUTURE MEETINGS

A report was submitted to consider the proposed schedule of Authority meetings during 2020/21.

Members noted that the meeting dates had, where possible, been checked against the meeting calendars of the four district councils.

Cllr Yasseen queried whether it would be possible to consider having a 50/50 split of daytime and evening meetings.

The Chair suggested that Cllr Yasseen submitted a formal proposal, officers could then consider the options and bring a paper back to the Authority for discussion.

Cllr Murphy suggested carrying out and equality impact assessment and commented that this had obviously not been done at a training venue she had recently attended.

RESOLVED – That the Authority approve the schedule of meetings for 2020/21.

10 CORPORATE PERFORMANCE

The Authority considered the Quarter 2 Corporate Performance report, noting that this was later than normal due to the cancellation of the December Authority meeting because of the General Election.

Key messages for the Quarter were that the Corporate Plan remained on target, sickness levels were improving, the funding level was above 100% (based on 2019 assumptions) and investment returns were above the benchmark.

On the downside, administration performance remained below benchmark, this was linked to a high number of staff vacancies for which recruitment was now underway and there was a large variance between the budget and the forecast outturn.

In answer to a question from a Member, the Head of Pensions Administration confirmed that interviews were being held for 12 vacant posts for both Customer Service Officers and Pensions Officers and it was hoped that they would start towards the end of February. After an initial training period, it was expected that performance levels would begin to rise.

The reasons for the forecast of a large underspend against the budget were detailed within the report including staffing costs which were expected to be a £382k underspend and expenditure on fees relating to internal and external management of investments reflecting the changes as the transition to pooling continued to progress.

Members noted that the Senior Management Team had reviewed the overall position on the budget and reserves in order to inform the financial planning for 2020-21 and the medium term financial strategy. The plans in the Corporate Strategy and supporting documents would require capital resources for the following areas:

- New core business systems.
- Re-procurement of the Pensions Administration System.
- Initial scoping of the options for long-term office accommodation which would require external specialist support.

The capital costs of these projects were expected to be in the region of several hundred thousand pounds. Therefore Members were asked to approve the suggestion to use the current underspend (forecast at £510k) to finance the projects and thereby reduce the amount that would have to be financed from internal borrowing.

It was proposed to set up a new 'Capital Projects' reserve and to transfer the 2019/20 underspend into this reserve. Additionally, it was proposed to transfer £150,000 from the existing Corporate Strategy reserve into the new Capital Reserve to be earmarked for those projects.

With regard to the Risk Register, Members were informed that no new risks had been added during the quarter but one risk rating had been changed – the risk of failure to ensure that the Authority had appropriate access to its cash resources. The risk score had reduced as a result of the existing control measures in place including new software that assisted with cashflow modelling.

With regard to the climate change risk, the Fund Director informed the Authority that this would be reassessed following the review of the Investment Strategy at the next meeting of the Authority.

RESOLVED – That the Authority:

(i) Note the Corporate Performance Report for Quarter 2.

(ii) Approve the setting up of a Capital Projects reserve and the transferral of the 2019/20 underspend into this reserve to fund the capital projects as detailed within the report.

(iii) Approve the transfer of £150,000 from the Corporate Strategy reserve into the Capital Projects reserve.

11 CORPORATE PLANNING FRAMEWORK

A report was submitted to introduce the suite of reports covering the annual update of the Authority's Corporate Planning Framework.

Members noted that the update was being produced in the context of:

- The completion of the 2019 Valuation.
- Significant challenges to the administration on an already complex scheme from issues such as GMP reconciliation and the impact of the McCloud case.
- A continuing increase in the number of employers within the Fund.
- The ongoing process of pooling the Authority's investments within structures provided by Border to Coast.
- An increasing focus on the good governance of LGPS funds from both the Scheme Advisory Board and the Pensions Regulator.

RESOLVED - That the report be noted.

11A CORPORATE STRATEGY UPDATE

A report was considered which sought approval of the updated Corporate Strategy covering the next three years.

In developing the Strategy, a wider group of staff had been engaged; this had helped to target areas which were making colleague's jobs more difficult.

The Action Plan had been framed in a more practical way to allow all staff to engage with; the Action Plan and the Budget were linked closely together.

The Strategy set out expected values and behaviours which reflected how the Authority wished others to see them and which would also influence the culture of the organisation.

The Action Plan included within the Strategy was divided into four programmes or work, these were:

- Services to Scheme Members and Employers.
- Customer Service and Engagement.
- Delivering the Investment Strategy.
- Supporting the Corporate Organisation.

Some of the items in the Action Plan were small practical changes which would have a cumulative impact on efficiency, for example implementing paperless processing of investment transactions and of the custodian's bank statements.

The Strategy also contained details of the Operating Budget and provided a summary of the budget for 2020/21 and forecasts for future years.

RESOLVED – That the Authority:

(i) Approve the update Corporate Strategy at Appendix A to the report.

(ii) Authorise the Fund Director to revise dates for projects within the Strategy, in consultation with the Chair, in the light of changed information prior to 31st March 2019.

11B MEDIUM TERM FINANCIAL STRATEGY

A report was considered which presented the Authority's Medium Term Financial Strategy 2020/21 to 2022/23.

The Medium Term Financial Strategy set out estimates of income and expenditure and balances on the Pension Fund over the next 3-year period, as well as forecasts of operational costs of the Authority over the same timescale.

The Strategy included a framework of financial rules within which the Authority would determine its resource requirements.

In terms of the Fund forecast, Members were informed that the nature of expenditure on the Fund in terms of the number of members retiring and transfers etc., meant there was a significant amount of variability from year to year which made it difficult to forecast, but the forecast had been produced using the best information available at the time.

The forecast had showed that there would be a need to increase the use of investment income in order to support the net cash flows.

Members noted that the graphs included within the Strategy appeared to show that SYPA's costs had increased significantly as a proportion of Fund value in 2018/19. However, it was noted that this was due to an increase in reported investment costs rather than additional costs.

RESOLVED – That the Authority approve the Medium Term Financial Strategy for 2020/21 to 2022/23.

11C PENSIONS AUTHORITY BUDGET 20020/21

The Authority considered a report which presented the Authority Budget proposals for 2020/21.

Members were informed that the Budget had been framed to provide the resources needed to deliver the aims and objectives set out in the Corporate Strategy.

A comprehensive line-by-line review of the expenditure had been undertaken. The budget proposals took account of some of the major changes the Authority had gone through over the last two years and also the planned direction for the organisation going forward.

The review enabled existing resources to be redirected in order to support the areas of additional investment required in areas such as IT and governance.

In total, the overall costs of the budget was proposed to stay the same as the current financial year at £5.4m.

The report also set out the movement and estimated balances on the Authority's earmarked reserves arising from the budget proposals.

RESOLVED – That the 2020/21 budget for the Authority is approved at a total of £5,554,600.

11D LEVY 2020/21

A report was considered which detailed the proposals for the 2020/21 Levy.

The 2020/21 Levy had been calculated as £415,000, a reduction of £21,000 compared to the 2019/20 Levy.

Members were informed that the estimated apportionment of the 2020/21 Levy, was based on 2019/20 Council Tax Base shares; these were detailed within the report. It was noted that the actual apportionment would be re-calculated to reflect the approved 2020/21 Council Tax Base figures for each district as soon as the information was available.

RESOLVED – That the Authority approve a total Levy of £415,000 for 2020/21 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved Council Tax Base amounts for 2020/21.

12 INVESTMENT ADVISOR MARKET COMMENTARY

Aoifinn Devitt, one of the Authority's independent advisors provided a Market Commentary which provided additional context for the following performance reports reflecting on market conditions, as well as looking back at the previous decade and examining the outlook for 2020.

The Chair thanked Ms Devitt for an informative report.

13 Q2 INVESTMENT PERFORMANCE

The Head of Investment Strategy presented the Quarterly Report to 30 September 2019.

For the quarter to the end of September, the Fund returned 2.8% against the expected benchmark which gave a year to date return of 6.2% against an expected return of 6.3%. The Fund valuation rose from £8,694.4m to £8,913.8m.

Looking at the Fund ex-equity protection showed an outperformance of the benchmark giving a return of 3%.

Considering the equity protection strategy, the nominal value of the portfolio which was protected rose in value over the quarter by 3.1% and the value of the options detracted by £18.4m from the value of the Fund. This effectively reduced the return to the Fund by 0.2%.

The indicative funding level at 30th September 2019 was 103.1% compared to 101.5% at 30th June 2019.

A Stone updated the Authority on Border to Coast's latest progress and performance.

Members noted that Border to Coast had:

- Launched its fifth equity fund
- Launched three alternative assets funds
- First bond fund designed and managers selected (Q1 2020 launch)
- £14bn equities under management at end September 2019
- Initial £1.75bn committed to alternatives

Members also noted the capability launch timetable up to 2022.

With regard to performance up to the end of December 2019:

- UK Listed Equity had produced marginally positive performance over the period.
- Overseas Developed Equity was 0.4% ahead of the benchmark
- Emerging market equity was 1.1% ahead of the benchmark and produced its strongest quarter since inception.

A Stone updated Members on the development of a Multi-Asset Credit offering. There had been interest from 10 Partner Funds involving around £2.5bn and Border to Coast were hoping to hit a target of benchmark + 3-4% per annum with the product. There was still a lot of work to be done; it was hoped to launch the fund in approximately 12 months.

The Authority was updated on Index Linked Bonds and the alternative fund range which included Private Equity, Infrastructure and Private Credit.

Cllr Sangar thanked A Stone for his presentation which would feed into decisions the Authority would take in March in terms of the Investment Strategy.

What was important was the information on the capability launch timetable and what the Authority wanted to invest in.

Border to Coast had a busy 2019 and 2020 and 2021 would also be very busy by which stage they would have a full suite of sub-funds that they thought schemes may want to invest in.

The question for the Authority in March would be what wasn't there. SYPA would not be able to invest in agriculture, property was obviously difficult as it would not be available until 2022. It was this information that Members needed, it was very difficult for Members to keep up to speed with everything.

Border to Coast was wholly owned by 12 Funds whose job it was make investments to pay pensions. It was vital to ensure that Border to Coast was supplying the products that the Partner Funds required. Discussion today and in March should be around where this was taking the Authority.

The Fund Director replied that Cllr Sangar had identified a session that would be included in the new Member induction in June. One of the Authority's advisors had experience of three different pools and therefore three different ways of doing things and would be able to share this knowledge.

To answer the fundamental question regarding what was missing, the only obvious asset class that was not there was Commodities and this was not the time to be investing in that asset class. With regard to Agriculture, the Authority was still to decide what was to be done in that area.

It was the intention to hold an informal session on the Investment Strategy before the meeting in March to assist with Members' understanding.

RESOLVED – That the Performance reports be noted.

14 Q2 RESPONSIBLE INVESTMENT UPDATE

A report was considered which updated Members on Responsible Investment activity being undertaken by the Authority and by Border to Coast and to note the revised partnership Responsible Investment Policy and Voting Guidelines which were approved under the Urgent Business Procedure in December.

To summarise the stance of SYPA with regard to Responsible Investment, the Authority wanted to be a good owner of good companies that encouraged those companies to improve.

The report covered how, in the quarter ended September 2019, shares owned by the Authority in Border to Coast portfolios had been voted on, highlighted some of the issues addressed and detailed the engagement activity undertaken.

There was also a focus on work Border to Coast wanted to do with Funds with regard to Responsible Investment including integrating ESG and active ownership.

The Fund Director informed the Authority that Border to Coast had formally signed up to the UN Principles of Responsible Investment within the last few days which was a very positive step.

RESOLVED – That the Authority:

(i) Note the activity undertaken in relation to Responsible Investment issues since the last meeting of the Authority.

(ii) Note the Border to Coast Responsible Investment Policy and Voting Guidelines which were approved under the Urgent Business Procedure.

(iii) Endorse the approach proposed to addressing the requirements of the new UK Stewardship Code which placed additional reporting obligations on the Authority as an asset owner.

(iv) Note the response to the Scheme Advisory Board's Draft Guidance on Responsible Investment.

15 APPROVAL OF BORDER TO COAST INVESTMENT MANDATE

A report was submitted which sought to secure approval for the Border to Coast Index-Linked Gilt product.

The report set out the details of the mandate for Index-Linked Gilts for endorsement prior to officers undertaking the work necessary to transition assets or make new investments in the new structure.

RESOLVED – That the Authority:

(i) Approve the investment mandate for the Index-Link Gilt Border to Coast Product.

(ii) Note that the level of commitment to this product would be determined at the time of launch by the Head of Investment Strategy having regard to the Strategic Asset Allocation under existing delegation arrangements.

16 FUNDING STRATEGY STATEMENT

A report was submitted which requested consideration and approval of the Authority's Funding Strategy Statement following consultation with stakeholders and the completion of the valuation process.

Members were reminded that the purpose of the Funding Strategy Statement was to lay out both the assumptions used to underpin the valuation process but also a range of policies about how contribution rates were set to achieve the aim of longer term stability in contributions. As a statutory document it was noted that it was a requirement that the Authority consulted with stakeholders on the policies which it proposed to implement. The report detailed those involved in the consultation process.

The key changes reflected in the draft Funding Strategy Statement were:

- Alternative Funding Targets.
- McCloud.
- Short Term Pay Growth
- Ill Health Captive
- Prepayments
- Contribution Stability
- Deficit Recovery
- Phasing of Contribution Increases
- Academies; and
- Outsourcing and Exits.

Members noted that the framework set out in the draft FSS was intended to protect the Fund and ensure the greatest possible likelihood of achieving and maintaining full funding at employer level while at the same time giving flexibility to recognise both the general financial pressures facing employers and deal with cases of particular difficulty.

RESOLVED: That the Authority:

(i) Note the process of engagement undertaken around the valuation results and the Funding Strategy Statement.

(ii) Note the comments made by stakeholders in relation to the draft Funding Strategy Statement.

(iii) Approve the Funding Strategy Statement, attached at Appendix A to the report.

(iv) To delegate to the Fund Director in consultation with the Actuary, authority to finalise the Rates and Adjustments Certificate in line with the statutory timetable.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 od Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

17 PENSIONS ADMINISTRATION SOFTWARE

A confidential report was submitted concerning a fixed term extension of the existing licensing arrangements for the Pensions Administration Software.

RESOLVED – That the Authority approve the waiving of the relevant Contract Standing Order in order to extend the existing Pensions Administration Software with Civica for a fixed two-year period through a process of direct award under the crown Commercial Services and Data Applications Solutions Framework.

CHAIR

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SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

13 FEBRUARY 2020

PRESENT:

T Damms (Sheffield City Council), N Doolan-Hamer (Unison), R Fennessy (South Yorkshire Police), A Gregory (Scheme Member Representative), N Gregory (Academy Representative), G Warwick (GMB) and D Webster

Officers: J Bailey (Head of Pensions Administration), G Graham (Fund Director), M McCarthy (Deputy Clerk) and G Richards (Senior Democratic Services Officer)

C Scott (Independent Advisor to the Board)

Apologies for absence were received from Councillor T McDonald and K Morgan

1 WELCOME AND APOLOGIES

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

M McCarthy informed the Board that this would have been the last meeting of Kev Morgan, one of the founder members of the Board. Unfortunately he was unable to attend today's meeting due to work commitments.

Kev had been an enthusiastic member of the Board with an excellent attendance record. M McCarthy would like it placed on record the Board's thanks and appreciation for all his contribution to the Board's work. A letter would be drafted to be sent in the Chair's name to relay those thanks.

2 DECLARATIONS OF INTEREST

None.

3 ANNOUNCEMENTS

None.

4 MINUTES OF THE MEETING HELD ON 11 DECEMBER 2019

With regard to the Funding Strategy Statement, G Graham confirmed that the Authority had approved this at its January meeting.

The Authority had also approved the Local Pension Board Budget for inclusion in own budget at the same meeting.

RESOLVED – That the minutes of the meeting of the Board held on 11th December 2019 be agreed as a true record.

5 UPDATE ON HYMANS WORK ON THE GOOD GOVERNANCE REVIEW

Members were reminded that the Scheme Advisory Board (SAB) had commissioned Hymans Robertson to review the effectiveness of the current governance structures within the LGPS.

Hymans had completed their research and the findings were in the process of being analysed. A final report was expected between the March Authority meeting and the June Annual meeting. Officers would determine how best to deliver this to the Board and the Authority.

SAB were currently defining the details of the requirements which would be placed on Authorities, some of which would be through legislation. It was expected any legislation would pass through Parliament early in the next calendar year.

The Chair informed the Board that at its last meeting the SAB had set up two small working parties, one to consider Hymans Robertson's recommendations and the other to look at implementation to ensure the policy would be applicable to all.

6 QUARTERLY ADMINISTRATION REPORT

A report was submitted to update the Board on administration performance and issues for the period 1st October 2019 to 31st December 2019.

Members noted that the content of the report had been updated to provide a wider view of the issues the Administration were handling.

With regard to staffing issues, the report contained details of the starters and leavers during the period.

It was noted that there were two leavers from the payroll team and a third staff member had resigned in January 2020. Because of this, the Customer Centre and the Benefits team had taken responsibility for a number of functions previously handled by the payroll team to ensure there was enough capacity within the payroll team to focus on that function. The formal review of payroll was scheduled for the summer of 2020.

The Board were informed that sickness absence during Q3 had been much higher than average. It was hoped that this had been caused by seasonal infections; officers would monitor the situation.

The Head of Pensions Administration informed the Board that the Pensions Administration restructure was now complete and there were 12 FTE vacancies which were being externally recruited.

The report detailed the case work performance and it was noted that whilst completion of priority work had remained at around 90%, overall performance had dipped during the current financial year. It was anticipated that a combination of the recruitment to vacant posts together with the application of improved automation would lead to an improvement in case work performance from the beginning of the new financial year.

The report also contained details of the cases outstanding and highlighted three key areas (deferreds, transfers in and aggregations) which would be the focus of attention once the new staff had been appointed.

The Board commented on the 3768 deferred cases which were pending awaiting information from external parties and requested a breakdown of what they represented and how the situation was being dealt with in the next report.

With regard to the additional information about reporting performance against statutory disclosure requirements, Members were informed that SYPA was currently testing some additional reporting which would provide the level of detail requested and it was hoped that this would be available for the next Board meeting.

With regard to the consultation on the proposal to switch to collecting employer contributions by direct debit, there had been 10 responses. Seven were concerned about the tight deadline to submit monthly returns, two employers were against the switch but gave no reason for this and one requested more engagement around how the arrangements would work.

J Bailey informed the Board that the deadline for submissions had originally been set at the 5th of each month, but there was flexibility in this and could be revised to the 9th or 10th of the month.

The Board felt that they could support the switch to collecting employer contributions by direct debit as long as flexibility was incorporated within the process.

The Authority had continued to survey members who had recently retired to understand their experiences and the report contained details of the results for October, November and December 2019.

The quality of documentation issued to members at retirement was also being reviewed to simplify the language and presentation of information. The Head of Pensions Administration thanked Andrew Gregory for his assistance with this review.

Members noted that the number of members registering to use the online portal continued to increase but still remained a relatively low proportion of overall membership. The campaign to encourage members to register would continue.

RESOLVED:

(i) That the report be noted.

(ii) That additional information regarding the outstanding deferred cases be included in the next Administration Update.

(iii) That the Board support the switch to collecting employer contributions by direct debit providing flexibility was incorporated within the process.

7 REVIEW OF BREACHES, COMPLAINTS AND APPEALS

The Board considered the review of breaches, complaints and appeals for the period 1st October 2019 to 31st December 2019.

It was noted that there had been two breaches during the period, a reduction from the previous quarter. It was thought that the switch to hybrid mail had reduced the potential for errors. Both breaches had been dealt with and the issues addressed with the staff members.

During the period there had been eight complaints, four of which were out of SYPA'S control. Details of all complaints and actions taken were contained within the report.

There had been one formal Stage 1 appeal under the Internal Disputes Resolution Procedure. This appeal had not been upheld and would now progress to Stage 2 of the procedure.

RESOLVED – That the report be noted.

8 ACCOUNTABILITY ARRANGEMENTS IN THE CONTEXT OF INVESTMENT POOLING

The Fund Director presented a report which had been requested by the Board to explain the arrangements for accountability in relation to Border to Coast as the operating company for the LGPS pool in which the Authority participated.

The report set out in simple terms how SYPA and Border to Coast relate to each other.

At different times SYPA fulfilled each of the following roles in relation to Border to Coast:

- An investor in regulated products.
- A limited partner within un-regulated products.
- A shareholder, which gives the Authority a vote in key decisions such as the approval of the Company's budget and strategic plan.

Members were informed that Border to Coast had produced a Governance Charter (attached as an appendix to the report) which set out the roles of different players in the overall governance and oversight of the partnership. The Charter was subject to annual review and approval by the Joint Committee – this emphasised that Border to Coast was ultimately the expression of the wishes of the 12 Partner Funds.

A diagram within the report set out the differing roles that the Company/Partnership played in relation to SYPA. It was explained that there was no fundamental conflict between the roles but because Border to Coast was fulfilling all those roles it created specific risks for the Authority.

SYPA's Risk Register took account of these risks and mitigations were in place to reduce them where possible.

Regular performance were reports were considered by the Authority and the Annual Performance report would be submitted to the September meeting of the Authority.

With regard to the Board's role in arrangements for holding Border to Coast to account, it was noted that as the Board's role was focused on governance and compliance rather than actual decision making any role would be indirect. The report listed areas where the Board would wish to be assured that the Authority had effective processes and controls in place.

RESOLVED – That the report be noted.

9 CONSULTATION AND COMMUNICATIONS STRATEGY

The Head of Pensions Administration presented a report which provided the Board with the opportunity to comment on the updated Consultation and Communication Strategy.

Members were informed that Regulation 61 of the LGPS Regulation 2013 (as amended) set out that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members and their representatives, prospective members and scheme employers.

SYPA met these requirements through the Consultation and Communication Strategy which was first published in 2009 and was reviewed periodically.

The Strategy had been update to reflect the move towards digital communications and interactions with members as well as to recognise the creation of the Customer Centre. The strategy was included at Appendix A to the report.

Members noted that the Strategy had been issued to employers and around 200 scheme members who made up the Focus Group for comments. No responses had been received from employers to date and the comments made by members of the Focus Group were included within the report.

It was agreed that Board members would be included in future Focus Group correspondence.

RESOLVED – That the report be noted.

10 DRAFT SOUTH YORKSHIRE LOCAL PENSION BOARD ANNUAL REPORT 2019/20

The Board were presented with the draft South Yorkshire Local Pension Board's Annual Report for 2019/20.

M McCarthy informed the Board that its Terms of Reference included the requirement to produce an Annual Report on the Board's activities during the year, this also included attendance statistics and training undertaken.

N Doolan-Hamer queried whether the reasons for significant non-attendance had been taken up with the appointing authority.

G Graham informed the Board that officers would look at including minimum attendance requirements during the next update of the Board's Constitution.

Slight amendments were suggested to the training records and C Scott suggested that future annual reports could also capture self-learning such as completion of the Pensions Regulator's Trustee Toolkit or the use of material in the Board's online reading room.

The Board noted that the attendance and budget sections would be updated to reflect attendance at today's meeting at the end of the financial year before the Annual Report was submitted to the Authority and published on the website and referenced in the Authority's Annual Report and accounts.

RESOLVED – That the Board:

(i) Approve the Annual Report subject to the changes suggested to the training records.

(ii) Authorise officers to finalise the report for publication, including full-year information, in consultation with the Chair and the Board's Independent Advisor.

11 ANY OTHER BUSINESS

R Fennessy informed the Board that the SYP's Head of Finance may replace him on the Board whilst he was on a temporary secondment to another position.

C Scott commented that she would be in touch with Board members to work together on the Work Programme and Training Plan.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

AUDIT COMMITTEE

5 MARCH 2020

PRESENT: Councillor J Mounsey
Councillors: A Atkin, S Cox, A Sangar and M Stowe

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

Officers: S Bradley (Audit Manager), C Hollins (Principal Auditor), G Graham (Fund Director), S Loach (Head of Finance, BMBC), M McCarthy (Deputy Clerk), G Richards (Senior Democratic Services Officer) and G Taberner (Head of Finance and Corporate Services)

D Peuters (Deloitte)

Apologies for absence were received from Councillor A Law, N Copley, A Frosdick and R Winter

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

None.

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

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 24 OCTOBER 2019

RESOLVED – That the minutes of the Meeting held on 24th October 2019 be agreed as a true record and signed by the Chair.

7 INTERNAL AUDIT PROGRESS REPORT 2019/20

A report was presented which provided a summary of the Internal Audit Activity completed and the key issues arising from it for the period 1st October 2019 to 16th February 2020. The report also provided information regarding the performance of the Internal Audit function during the period.

Members noted that 51.3% of the 2019/20 planned days had been delivered. The majority of work completed in the first two quarters had involved progressing and completing the carry forward reviews from 2018/19 as agreed with management. The 2019/20 plan was profiled more heavily towards the end of the financial year and Internal Audit had allocated its resources accordingly.

Members were informed that audits in respect of Journals and Purchase to Pay had been added to the plan whilst the Automation of Processes had been removed and would be revisited the following year.

The report also detailed the audit reports that had been issued during the period and the audits currently in progress.

Members also noted details of the follow-up of Internal Audit report management actions and were informed there were no concerns in this area.

RESOLVED – That the report be noted.

8 INTERNAL AUDIT PLAN 2020/21

A report was submitted which presented the Committee with the indicative Internal Audit Plan for 2020/21.

The Plan had been drawn up in consultation with the Fund Director, the Senior Management Team and the Treasurer.

Members were informed that the number of planned days in the indicative Plan was 241 compared to 240 in 2019/20. An allowance was made within the Plan to deal with requests for advice and unplanned audit work which arose throughout the year.

The Head of Internal Audit was comfortable that the spread of work across the functions and also across risk, control and governance themes would enable him to give an annual audit opinion.

RESOLVED – That:

(i) The indicative Internal Audit Plan for 20202/21 is approved in principle whilst acknowledging the need for the Head of Internal Audit, in consultation with the Fund Director and Treasurer, to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available.

(ii) The Audit Committee receive quarterly monitoring reports from the Head of Internal Audit to demonstrate progress against the Plan including information where the Plan has materially varied from the original Plan.

9 INTERNAL AUDIT CHARTER 2018/2020

A report and the Internal Audit Charter 2018-2020 was presented to remind the Committee of the key aspects of the internal audit function.

Members were informed that such a Charter was required by the Public Sector Internal Audit Standards. The key aspects of the Charter were to ensure clarity and understanding about the role an purpose of Internal Audit.

Officers had reviewed the Charter to ensure that it was still fit for purpose, there was a slight change in the details regarding clients.

RESOLVED – That the Committee are satisfied that the Charter meets the requirements of the Public Sector Internal Audit Standards and adequately represents and describes the required function to provide the Committee and senior management with a professional service.

10 EXTERNAL AUDIT PLAN AND FEE LETTER

Deloitte's External Audit Plan 2020 was presented for consideration.

The report detailed the scope of the audit, key developments, significant audit risks and other audit focus areas and also set out the planned timing of the audits.

The significant risks identified included the valuation of direct property, management override of controls and the valuation of pension liabilities.

Members noted that the audit fee for the year ended 31 March 2020 was £31,833 for the Fund and the Authority. It was further noted that, in line with recent PSAA correspondence, scale fees should be negotiated by individual s151 officers. Deloitte's would be looking to discuss with the Authority the current level of fees which they deemed to be too low given the size and complexity of the body.

The Committee recognised that an increase in fees was inevitable, but that any increase should be reasonable.

RESOLVED - That the External Audit Plan be agreed.

11 PROGRESS ON DELIVERING THE 2019/20 AGS ACTION PLAN

The Committee considered a report which provided an update on the delivery of the Action Plan included in the 2018/19 Annual Governance Statement. This was part of the Committee's function to maintain an overview of the processes concerned with the production of the Annual Governance Statement.

Members noted that the Plan was mainly complete or on track with the exception of some slippage on the review of the Agricultural Property portfolio. This would be subject to further discussions with the Investment Panel, and further independent advice would be taken for assurance.

It was intended to take a report to the September meeting of the Authority – a briefing session for Members would be held beforehand.

RESOLVED – That the Committee note the progress on delivering the Action Plan that formed part of the 2018/19 Annual Governance Statement.

12 ANNUAL PROCUREMENT REPORT

A report was submitted which provided an annual update in relation to various procurement issues.

The Authority's Contract Standing Orders require that an Annual report is provided to the Audit Committee setting out details of the contracts awarded in the financial year and details of any associated waivers. The relevant details were provided as an Appendix to the report.

RESOLVED – That the Committee note the Annual Procurement Report.

13 AUDIT COMMITTEE ANNUAL REPORT

A report was considered which sought approval for the Committee's Annual Report on its work as part of providing assurance underlying the preparation of the Annual Governance Statement.

The report detailed the Committee's work during the year and was intended to give the Authority assurance that the Audit Committee had undertaken their role as expected.

RESOLVED – That the Committee approve the Annual Report for 2019/20 for publication subject to updates to reflect the attendance and outcomes of today's meeting being agreed by officers and the Chair.

CHAIR

SOUTH YORKSHIRE PENSIONS AUTHORITY

Delivering for our Customers – Corporate Performance Report

Quarter 3 2019/20

Contents

1. Introduction

1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.

1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives; bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing it will be easier for councillors and other stakeholders to hold us to account for our performance.

1.3 This report presents the information on overall performance during the first three quarters of the 2019/20 financial year. More detailed information on the performance of the Authority's investments and the pension administration service during the quarter are contained in other reports which are available on the Authority's website.

2. Headlines

1.1. Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.

Corporate Plan remains on target

Pensions Administration restructure implemented

Funding level above 100%

Healthy financial reserves now in place to support corporate plan activities going forward

Administration performance remains below benchmark - linked to high vacancy levels so should see this improve from Q1 of 2020/21

Large variance between budget and forecast outturn

3. Delivering the Corporate Plan & Supporting Strategies

3.1 This section provides information on the progress we are making on delivering the various strategies which form part of our corporate planning framework.

3.2 A full update on each item was provided in the first quarter report and another one will be provided at the end of the year. The tables below provide updates in respect of developments that have taken place during the third quarter.

Corporate Plan Deliverables	Activity this Quarter	On Target
Implementation of a Revised Investment Strategy	Work continued to progress during Quarter 3 and the revised Strategic Asset Allocation and Investment Strategy Statement will be presented to the Authority for approval at the March 2020 meeting.	✓
An organisation adapted to the requirements of the post-pooling world	Procurement process related to management of the commercial property portfolio commenced. Work on process and system changes for the processing of investment transactions in hand.	✓
Decision on the future of the Agricultural Property Portfolio	An in-depth review of the portfolio by the Investment Advisory Panel scheduled to take place in Q4 – March 2020. Recommendations will be presented to the Authority in the new municipal year.	✓
Secure improvements in the Environmental, Social and Governance impacts of the Fund's investments	Work is in hand to develop reporting of the ESG impacts of investments, some of which will be reflected in the Annual Report and Accounts. Improvements made to the availability of information on the Authority's website. Data in relation to tobacco investment received as part of the Investment Strategy Review will form part of the evidence base for a member discussion in the new municipal year.	✓
Improvements to the reporting of performance in all aspects of the Authority's work	Some additional progress made in Q3 in terms of improvements to the investment performance report. This target has now been achieved and there will now be a process of on-going incremental improvement as part of business as usual.	✓
Increased take up of methods of communication that do not rely on either paper or face to face contact	Campaign to encourage scheme members to register for our online portal continues with increase in total numbers registered from 32k to over 40k in quarter 3. Benchmarking against other large LGPS funds suggests higher than average take-up.	✓
A new way of engaging with employers and scheme members	New support and engagement team in place following completion of administration restructure in Q3. Engagement officers are targeting poorly performing employers identified through new monitoring tool informally in first instance to offer training and support.	✓

Corporate Plan Deliverables	Activity this Quarter	On Target
Delivery of Valuation 2019 and the associated stable and affordable levels of employer contributions	Provisional valuation results issued to all employers in Quarter 3 accompanied by a series of engagement events with opportunities for employers to discuss their own funding position options. Improved options provided to Multi-Academy trusts to reflect their collaborative working arrangements.	✓
Ensure that the Fund operates with accurate data which gives a fair picture of its liabilities.	Data quality scoring now reported to the Local Pension Board each quarter (from Q3) and work commenced on verification of 'lost' members - starting with address discrepancies for approximately 1000 pensioner members.	✓

Information and Communications Technology Strategy	Activity this Quarter	On Target
Developing and maintaining our ICT infrastructure to meet the needs of an increasingly agile organisation	Initial scoping and assessment of a potential Enterprise Office 365 deployment, including the Microsoft Customer Immersion Experience and a Software Baseline Assessment.	✓
Using technology to support a step change in the way customers access our services	Development of a Live Web Chat facility which will be available to Scheme Members/Employers via the Corporate Website. This new communication channel should improve customer service and facilitate a faster response to queries.	✓
Using technology to deliver efficient business processes	Work has commenced in the quarter on developing more streamlined, paperless workflows for the processing of accounting for investment and treasury management transactions; making this more efficient whilst retaining a high level of internal control and appropriate audit trail.	✓
Keeping data safe and secure	All members of staff have completed and passed an online Cyber Security course, provided by the National Cyber Security Centre (NCSC). The Authority has joined the Cyber Security Information Sharing Partnership (CiSP). This is a joint industry and government initiative set up to exchange cyber threat information in real time, in a secure, confidential and dynamic environment, increasing situational awareness and reducing the impact on UK business.	✓

Human Resources Strategy	Activity this Quarter	On Target
Developing the Current Workforce to meet the Needs of the Organisation	The Middle Manager Development training has now completed, and collaborative working continues between Middle Managers and SMT. An organisation-wide team event has been organised to embed the corporate strategy and the work streams contained within it.	✓

Human Resources Strategy	Activity this Quarter	On Target
Recruiting a Workforce for the future	Recruitment activity has been high this quarter following the implementation of the Pensions Administration restructure. Some interim improvements have been made to the recruitment process and the method of advertising vacancies.	✓
Retaining a high quality workforce	Work continues on the health and wellbeing agenda as a means to retaining and investing in our workforce. Dementia Awareness Training has been delivered, Flu vaccinations were offered to all staff and a full workplace assessment has been concluded by a qualified physiotherapist. The Health, Safety & Wellbeing Committee organised a number of charitable events during the quarter, raising money for local charities.	✓

Equality and Diversity Scheme	Activity this Quarter	On Target
Making our services more accessible to disabled customers	Home visits carried out to support individuals who were unable to attend appointments for health reasons.	✓
A diverse workforce that reflects the customers we serve	We have increased and improved our recruitment advertising channels and are ensuring we use social media and digital channels as much as possible. We are also attending job and careers fairs to promote our organisation.	✓
Workforce culture, environment, policies and practices that are safe accessible and inclusive for people from all protected characteristics	The work around Policy Development continues with all legislative procedures up-to-date and a work plan for the remaining policies. To date 17 out of 32 policies have been reviewed and implemented, 7 are in draft and/or consultation stage and 8 are yet to commence.	✓
To reduce any pay gaps where statistically possible	SYPA produces a Gender Pay Gap report each year and this will again be published in March 2020.	✓

4. How are we performing?

4.1 This section sets out a range of performance measures which give an overall indication of how the organisation is doing in terms of delivering the services for which it is responsible.

Corporate Measures

4.2 These indicators give an idea of the overall health of the organisation. We will be developing further measures in this area for future reports.

Measure	Quarter 3 2019/20	Quarter 2 2019/20	Quarter 1 2019/20	Year to Date 2019/20 Annualised	Previous Year: 2018/19 Annualised	Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.94	0.79	0.57	2.3	1.99	↑
Long Term Sickness Absence – Days Lost per FTE	1.78	0.75	1.54	4.1	5.52	↓
Total Days Lost per FTE	**2.72**	**1.54**	**2.11**	**6.4**	**7.51**	↓

4.3 Sickness absence is reported as 'Days lost per FTE' rather than as a percentage and the measures are calculated as annualised figures to enable comparison from year to year.

4.4 At the end of the third quarter, the total days lost per FTE was running at 2.72, which is higher than the previous quarters and is partly due to the impact of seasonal factors including colds and a sickness bug that resulted in an increase of short term sickness absence.

4.5 Additionally, days lost due to long term sickness absence increased this quarter. Of the three cases previously reported, two have now been resolved and one is awaiting an assessment in relation to ill-health benefits. One further case commenced in December.

4.6 The year to date annualised total is running at 6.1 days per employee, lower than the previous year but this is still higher than we would want it to be. This is kept under close review. Where possible, early and targeted interventions are made with the offer of early review meetings, occupational health referrals and counselling support.

Investment Measures

4.7 The following table presents a high-level summary of the key indicators of investment performance. A more detailed quarterly report on investment performance, including commentary on market conditions and performance, is provided elsewhere on this agenda.

Measure	Performance Quarter 3 2019/20	Quarterly Benchmark	Performance Year to Date 2019/20	Year to Date Benchmark	Year to Date Actuarial Target	RAG Indicator
Investment Return – ex Equity Protection	-0.50%	0.00%	6.40%	6.30%	2.10%	
Investment Return – Whole Fund	-1.40%	0.00%	4.70%	6.30%	2.10%	

4.8 At Q3 significant buoyancy in equity markets has a negative effect on the value of the equity protection strategy which acts as a performance drag.

4.9 Nevertheless, the year to date performance remains significantly above the actuarial target.

4.10 The actuarial target shown above is based on the 2016 Valuation data pending receipt of an updated, blended target from the actuary.

4.11 At the end of the third quarter, 52.3% of the Fund's assets were being managed in pooled structures provided by Border to Coast. This reflects both market buoyancy in equities and the commencement of drawdowns into the alternatives products, the rate of which is increasing.

4.12 The estimated funding level at the end of quarter 3 is 102%.

Pension Administration Measures

4.13 The key performance indicators for Pension Administration are presented in the table below. A more detailed report on the performance of the Pension Administration service is provided for the Local Pension Board.

Pensions Administration Performance Indicators						
Measure	2019/20 Quarter 3	2019/20 Quarter 2	Year to Date 2019/20	Previous Year: 2018/19	Target 2019/20	Q2 to Q3 Movement
Proportion of priority cases processed on time	90%	88%	90%	91%	100%	↑
Proportion of non-priority cases processed on time	70%	73%	72%	83%	100%	↓

Pensions Administration Performance Indicators						
Measure	**2019/20 Quarter 3**	**2019/20 Quarter 2**	**Year to Date 2019/20**	**Previous Year: 2018/19**	**Target 2019/20**	**Q2 to Q3 Movement**
Proportion of all cases processed on time	72%	74%	74%	83%	100%	
Proportion of employer data submissions on time	98%	85%	92%	98%	100%	

4.14 As reported previously, the administration service was operating with a number of vacancies across the teams pending the restructure of the service and this has inevitably had an impact on the delivery of the service. The junior vacant roles were advertised in Q3 and once recruitment is completed this should lead to an improvement in case work performance from Quarter One of the new financial year.

4.15 The proportion of employer data submitted on time has returned to the previously high levels in Quarter 3.

4.16 The previous issues with submission from Rotherham MBC during Q2 have been resolved during this quarter; although some issues regarding the accuracy of the submitted data remain to be addressed.

4.17 At the end of the quarter membership of the Fund stood at 160,103 and there were 512 participating employers with active members. Nine new employers were admitted during the quarter.

Financial Measures

Authority Operations

4.18 The main financial measure is performance against budget. The table below shows the forecast outturn position compared to the budget for the year. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2019/20 Budget £	2019/20 Q3 Forecast £	2019/20 Q3 Forecast Variance £	2019/20 Q3 Forecast Variance %
Investment Strategy	784,900	710,940	(73,960)	(9.40%)
Pensions Administration	2,992,750	2,528,250	(464,500)	(15.50%)
Finance & Corporate Services	669,500	585,660	(83,840)	(12.50%)
ICT	532,950	465,620	(67,330)	(12.60%)
Management & Corporate	382,650	376,140	(6,510)	(1.70%)
Democratic Representation	82,850	67,990	(14,860)	(17.90%)
Capital Expenditure Charged to Revenue	0	54,940	54,940	100.00%
Subtotal before transfers to reserves	**5,445,600**	**4,789,540**	**(656,060)**	**(12.00%)**
Appropriations to / (from) Reserves	0	633,500	633,500	100.00%
Total	**5,445,600**	**5,423,040**	**(22,560)**	**(0.40%)**

4.19 As a result of the restructure in Pensions Administration during the quarter, the payroll team has transferred to Finance and Corporate Services so the related budget and costs are now reported under this heading in the table above.

4.20 The forecast underspend before transfers to reserves is now (£656k) which has increased from the quarter 2 forecast. The following table analyses the movement in the forecast from the previous to the current quarter.

Budget Forecast - Quarterly Movement	2019/20 Q2 Forecast Variance £	2019/20 Q3 Forecast Variance £	Movement from the Previous Quarter £
Investment Strategy	(72,320)	(73,960)	(1,640)
Pensions Administration	(352,040)	(464,500)	(112,460)
Finance & Corporate Services	(51,990)	(83,830)	(31,840)
ICT	(44,010)	(67,330)	(23,320)
Management & Corporate	(8,610)	(6,510)	2,100
Democratic Representation	(10,880)	(14,860)	(3,980)
Capital Expenditure Charged to Revenue	0	54,940	54,940
Subtotal before transfers to reserves	**(539,850)**	**(656,050)**	**(116,200)**

4.21 The largest element of the total forecast underspend at Q3 relates to Staffing Costs which is now expected to be (£516k) under budget for the year. This has increased from the forecast (£382k) at Q2; the main reasons for which are explained below.

4.22 The following table provides an analysis of all the various elements that comprise the underspend on staffing costs; and includes the movement during the quarter in the forecast amounts.

Staffing Costs Analysis of Forecast Underspend	Q2 Forecast (Underspend) / Overspend £	Q3 Forecast (Underspend) / Overspend £	Movement During Q3 £
Error in calculation of estimated employer on-costs in the original budget	(£127,000)	(£127,000)	£0
Pensions Administration: Net impact of the savings from holding vacancies pending the restructure less the costs estimated for posts in the new structure now being recruited	(£164,000)	(£251,000)	(£87,000)
Pensions Administration: Additional costs relating to voluntary redundancies and early retirements	£48,000	£52,000	£4,000
Pensions Administration: Net impact of extra costs from acting up arrangements and employment of casual staff, and savings from staff turnover and individual changes to working hours	(£85,000)	(£91,000)	(£6,000)
ICT: Net impact of additional costs arising from changes to grades as a result of job evaluations and employment of casual staff partly offset by some savings from staff turnover	£11,000	(£5,000)	(£16,000)
Finance & Corporate Services: Savings from staff turnover; including one post that was disestablished after the budget was set	(£16,000)	(£43,000)	(£27,000)
Savings on employer on-costs resulting from the above variances in each department	(£49,000)	(£51,000)	(£2,000)
Total Forecast Underspend on Staffing Costs	**(£382,000)**	**(£516,000)**	**(£134,000)**

4.23 The Pensions Administration restructure has taken place during the quarter and a substantial amount of recruitment activity has been undertaken in order to fill the vacant posts including two manager posts as well as several pensions officers and customer services officers. It has taken longer to fill the vacancies than was anticipated at quarter 2 and this is the primary reason for the increase in the forecast underspend above compared to the previous quarter. The junior officer vacancies have now been successfully recruited and are due to start employment in March 2020. Interviews for the two management posts are taking place in March 2020.

4.24 Additionally, staff turnover in the payroll team during the quarter has resulted in a larger forecast underspend in Finance & Corporate Services.

4.25 Recruitment to the newly created post of ICT Project Improvement Lead has not yet taken place as planned and this has also increased the forecast underspend in the ICT service area. Recruitment is due to take place early in the new financial year.

4.26 The main variances within the other running costs of the organisation are as follows:

4.27 <u>Investment Strategy:</u>

4.28 There are forecast underspends totalling (£7k) on professional training and transport expenses, (£6k) on various office expenses, and savings of (£9k) on professional fees.

4.29 Expenditure on fees relating to internal and external management of investments is anticipated to be under budget by (£20k) and subscriptions by (£30k) reflecting the changes as the transition to pooling continues to progress, resulting in some of these fees now being charged directly to the Fund.

4.30 <u>Pensions Administration:</u>

4.31 Professional Fees and Consultancy -

4.32 £23k additional costs on job evaluation services required to support the work on the restructure.

4.33 £25k additional costs for our share, as a founding partner, of expenditure on establishment of new LGPS procurement framework for pensions administration systems. We would expect to recoup the majority of this cost over the life of the framework.

4.34 There are also additional costs of £18k arising from the ongoing work on the GMP reconciliation exercise and £15k for the implementation of an address tracing service in order to meet the expectation of the Pensions Regulator that we take actions to trace missing scheme members.

4.35 There is a planned over spend of £12k on the budget for benchmarking and corporate subscriptions due to the decision to take part in the CEM Benchmarking for pensions administration this year for the first time. The CEM benchmarking service provides a greater focus on the quality of service we provide rather than just cost and will also provide benchmarking against other pension funds both within and outside of the LGPS.

4.36 There is a forecast saving of (£37k) on rent and service charges; partly arising from savings achieved from the office move in December 2018 and partly as a result of relocating the district office staff to the head office in the first quarter of this financial year.

4.37 The budget for postage costs is expected to be underspent by (£31k) reflecting the recurrent savings being achieved from the move to the hybrid mail solution. There are also savings of around (£18k) on printing, stationery etc. These budgets have been revised accordingly for 2020/21.

4.38 Income is over budget by around (£26k).

4.39 Finance and Corporate Services:

4.40 There are forecast underspends totalling (£8k) on professional training and transport expenses, (£3k) on office expenses, and savings of (£10k) on professional fees. Some of these savings are being used to fund additional expenditure of £6k on subscriptions to CIPFA's Pensions Network and Digital Publications service – including a number of pre-paid places that can be used on future training events and providing access to a wealth of specialist advice and information.

4.41 ICT:

4.42 There are savings of (£8k) on infrastructure costs arising from the closure of the district offices.

4.43 Additional income of (£32k) above the budget is expected to be achieved, mainly due to the sale of the in-house developed software to another authority. This income will be transferred to the ICT reserve to be earmarked for use on future IT development.

4.44 Management & Corporate Costs:

4.45 There are forecast savings of (£31k) on the budget for support services provided under our SLA with Barnsley MBC arising from the fact that the budget had been set on an assumption of inflationary increases that were not applied and further savings have been realised following the review of the SLA for 2019/20 approved by the Authority in September.

4.46 These savings are being used to fund expenditure of £25k on a specialist review of the Authority's governance arrangements.

4.47 Democratic Representation:

4.48 There is a forecast underspend of (£8k) on the Local Pension Board budget. (£3k) of this relates to savings on insurance costs, a further (£2k) is running costs – printing, catering etc. and (£3k) relates to the training budget.

4.49 Capital Expenditure Charged to Revenue:

4.50 The £55k showing as capital expenditure relates to the financing for the cost of a software system licence extension for two years.

4.51 Earmarked Reserves

4.52 The Authority has two earmarked revenue reserves, the Corporate Strategy reserve and the ICT reserve.

4.53 In addition, as Members will recall, approval was granted in Q2 for the creation of a new capital projects reserve that can be drawn upon in future years in order to finance the major projects requiring capital expenditure that are included in the corporate strategy. It was agreed to transfer into this new reserve the operational underspend for 2019/20 as well as an amount of £150k from the Corporate Strategy revenue reserve.

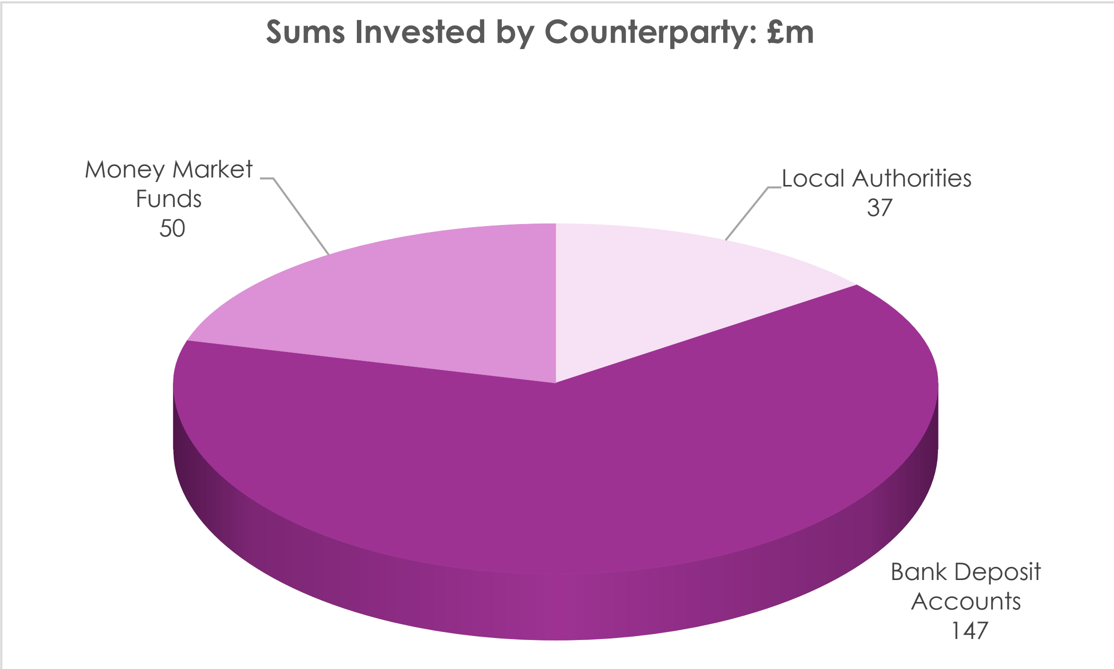
4.54 The Authority generates income from software developed in-house that is sold to other organisations and this income is transferred into the ICT reserve each year. It is estimated that a total of around £33k from this will be transferred into the reserve this year.

4.55 The balances and anticipated movement in the reserves arising from the above are set out in the table below.

Reserves	Balance at 01/04/2019 £	Transfers In £	Transfers Between Reserves £	Forecast Balance at 31/03/2020 £
Corporate Strategy Reserve	382,831	0	(150,000)	232,831
ICT Reserve	84,133	33,500	0	117,633
Subtotal: Revenue Reserves	**466,964**	**33,500**	**(150,000)**	**350,464**
Capital Projects Reserve	0	600,000	150,000	750,000
Total Reserves	**466,964**	**633,500**	**0**	**1,100,464**

Treasury Management

4.56 The Fund's cash balances at the end of the quarter stood at £234m. The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



4.57 The average rate of return on the cash balances was in the region of 0.70%.

4.58 During this quarter, more loans have been made to other local authorities for periods of between 6 and 12 months in order to achieve higher rates of return than are available from the bank deposits.

5. What is getting in the way – Risk Management

5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the corporate risk register.

5.2 The risk register, attached as Appendix A to this report, has been fully reviewed by SMT during the quarter but there have been no changes, new risks or removal of risks required in this quarter.

6. Learning from things that happen

6.1 Inevitably when dealing with the number of customers that we do things can go wrong and we try to ensure that we learn from these things. Equally we should celebrate where things go particularly well or where customers feel members of our team have gone the extra mile to help them. This section provides information on the various sources of feedback we receive.

	Received in Q3 2019/20	Received in Q2 2019/20	Received in Q1 2019/20	Received YTD 2019/20	Received in Previous Year: 2018/19
Complaints	8	8	5	21	20
Appeals Stage 1	3	2	2	7	4
Appeals Stage 2	3	3	1	7	6

6.2 A detailed report of complaints and action taken has been provided to the Local Pensions Board for scrutiny.

6.3 Of the 8 complaints received, 4 were due to issues outside of SYPA's control. Of the 4 remaining, 2 were the result of internal training issues which have been resolved and 2 resulted in a change in process internally in order to avoid any impact on other members in future.

6.4 During the quarter, one stage 1 appeal was determined and rejected.

Breaches of Law and Regulation

6.5 We are required to maintain a register of breaches, the detail of which is reported to the Local Pension Board at each meeting as part of their oversight role. In this quarter there have been 2 breaches included in the register, taking the total for the year to date to 16.

6.6 The two breaches in this quarter were due to human error and neither were deemed material by the Local Pensions Board.

Satisfaction Surveys

6.7 A survey of retiring members was undertaken and the results showed that of the 158 respondents, 91% were satisfied with the service they received.

SOUTH YORKSHIRE PENSIONS AUTHORITY RISK REGISTER AS AT 4.12.19

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	Risk Change	Review Date
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; Programme of internal seminars; 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 Production of Annual Report which includes commentary on Members training activities; External training augmented by internal training.	9	I = M P =M	2	I = L P = VL	Review of Member self-assessments. Addition of the Regulator's on line toolkit as a mandatory training requirement.	Clerk to the Authority Clerk to the Authority		31.03.2020
G2	Governance	Failure to ensure that the Local Pension Board is effective in carrying out its role.	Leading to ….. Ineffective scrutiny of the way in which the Scheme Manager (the Authority) exercises its responsibilities Action by the Regulator.	Clerk to the Authority and Fund Director	Induction training and commitment to an ongoing programme of learning and development for all members. Introduction of an independent element to ensure that the Board is not "officer led". Stabilisation of Board membership.	12	I=H P=M	8	I=H P=L	Additional learning development opportunities being provided.	Clerk to the Authority/ Fund Director		31.3.2020
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. 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. New software available from the Actuary to assist with cashflows and funding level.	3	I = M P = VL	4	I = L P = L	Introduction of quarterly reporting of treasury activity to elected members. Consideration being given to splitting frictional cash (required for day to day purposes from cash awaiting investment).	Fund Director		31.03.2020
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.	8	I = H P = L	4	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		31.3.2020
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. 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.	8	I = H P = L	6	I = M P = L	BCPP have agreed a process for the provision of controls assurance with all the audit firms involved in the LGPS.	Head of Investment Strategy		31.3.2020

Appendix A

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	Risk Change	Review Date
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.	8	I = H P = L	3	I = M P = VL	Engagement with Border to Coast as an "implementation partner" in the development of the investment strategy.	Head of Investment Strategy		31.12.2020
I5	Investment and Funding	Impact of Climate Change on the value of the Fund's investment assets and its liabilities.	Leading to …… An increased gap between the value of assets and liabilities. Reduction in the level of investment income as companies failing to adapt to a low carbon economy become less able to pay dividends Changes in the liability profile of the Fund.	Fund Director and Head of Investment Strategy	Climate Change Policy in place in addition to the Responsible Investment Policy, supported by engagement activity with investee companies to encourage a planned and more rapid transition to a low carbon economy. Ongoing monitoring of the carbon intensity of equity portfolios every other year in place. Lower carbon tilt adopted within the equity portfolios and continued by Border to Coast. Investment in the extended opportunity set provided by the move to a low carbon economy targeted within the Alternatives portfolio, particularly infrastructure. Ongoing monitoring of demographic data by the actuary in place.	15	I = VH P = M	9	I = M P = M	Product from the Border to Coast Climate working party including providing more regular measurement of the carbon intensity of portfolios. Consideration of alternative investment approached as part of the Investment Strategy Review. Scenario planning within the context of the ongoing development and review of investment strategies.	Head of Investment Strategy Head of Investment Strategy Fund Director		31.03.2020
O1	Operational	Failure to ensure the Authority protects the data it owns and the data it handles against inadvertent release and cyber-security threats.	Leading to ….. Loss of personal information resulting in reputational damage and censure by Information Commissioner; Loss of trust from partner organisations; Successful attacks by hackers or third parties; Disruption and delays.	Fund Director	Data backup undertaken daily and backed up information removed from site; Disaster Recovery Procedures and Business Continuity Plan in place; External audit by third party organisations the Authority works with; Reporting of Incidents to Information Commissioner; Information Governance training included in the training programme; 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	8	I = H P = L	6	I = M P = L	Bi Annual review of Business Continuity Plan. Data breaches reported to Local Pension Board quarterly for scrutiny. Data Protection Officer Assurance programme introduced. Reduction of in-house 'manual' mailing of personal data. Move to secure online communications with members where possible (e.g. Annual Benefit Statements).	IT Manager Head of Pensions Administration Head of Pensions Administration Head of Pensions Administration		31.3.2020
			Cyber risk – the risk of loss, disruption or damage to the Authority or its staff/members due to its information technology systems and processes failing. Including risks to information, data security, as well as assets and both internal risks from staff and external risks from hacking and computer misuse.		Cloud based email management platform including targeted threat protection against email borne threats such as malicious URL's, malware, impersonation attacks and internally generated threats; ICT Security Policy and an effective system of governance in place; Mandatory GDPR/data protection and cyber security training for all staff; Comprehensive Patch Management Policy covering all desktop and server hardware/software; Annual ICT health checks and penetration testing via a CREST certification body; Cyber Essentials Plus Accreditation; Police vetting clearance for ICT staff; The principle of least privilege applied to all user accounts.					Cyber Security training identified for all staff; Develop an incident response plan to deal with incidents and enable the Authority to swiftly and safely resume operations; Establish an Incident Response Retainer; Migration to advanced cloud based Anti-Virus/End Point Protection solution; Database encryption of sensitive data.	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 Pensions Admin	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.	6	I = M P = L	2	I = L P = VL	Introduction of monthly data collection from April 2018 removes reliance on year-end returns so production process will begin in June rather than July from 2019; ABS's to be issued online from 2019 which further reduces the production schedule and process can be managed fully in house; Administration performance reporting to Authority to focus on statutory compliance from 2019-20; Data Quality Improvement Plan to be implemented.	Head of Pensions Administration		31.08.2020

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	Risk Change	Review Date
03	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 Admin	Reputable external provider appointed to meet initial HMRC deadline of 31 October 2018; External provider currently handling responses finally received from HMRC to all mismatch queries raised and the final report of the totality of GMP liability for the Fund is expected from HMRC by 31 December 2019. Once this is received from HMRC the external provider will be engaged to carry out a full final reconciliation across the database before we move to rectification. The final reconciliation is expected to be a two month project.	12	I = H P = M	6	I = M P = L	Liaison with LGPS funds to aim to ensure consistent approach to rectification once reconciliation finalised. Assurance work to be commissioned once HMRC issue final liability report	Head of Pensions Administration		31.07.2020
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. Identification of potential single points of failure and production of plans to eliminate them. Production of an HR and Organisational Development Strategy targeting these issues.	9	I = M P = M	6	I = L P = M	Full implementation of the HR and Organisational Development Strategy. Formalise workforce and succession planning arrangements Implement Management. Development Programme covering all staff with supervisory and wider management responsibilities. Identification of potential single points of failure and production of plans to eliminate them.	Fund Director		31.03.2020

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

Risk Matrix

	1 Very Low	2 Low	3 Medium	4 High	5 Very High
5 Very High	5	10	15	20	25
4 High	4	8	12	16	20
3 Medium	3	6	9	12	15
2 Low	2	4	6	8	10
1 Very Low	1	2	3	4	5

PROBABILITY

Risk Score

Risk Score	RAG Rating
0 – 5	Low
6-14	Moderate
15-25	High

A '5X5' Risk matrix covering **Probability** and **Impact** (including 'Financial' and 'Other Impacts' is used when assessing the level of Risk.

This analysis should be undertaken by Managers and Supervisors **with experience in the area in question**.

The Risk 'Score' is identified by considering the probability of the event occurring, and the highest recorded impact of the risk, should it manifest.

A numeric value is applied to each of the selections for Probability and Impact, and these are referenced in the Risk Matrix to give a 'RAG' rated Risk 'Score'.

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Subject	**Investment Strategy Review**	**Status**	For Publication
Report to	Authority	**Date**	19th March 2020
Report of	Fund Director and Head of Investment Strategy		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Sharon Smith	**Phone**	01226 772887 01226 772938
E Mail	ggraham@sypa.org.uk ssmith@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the revised strategy arising from the review of the Investment Strategy and the revised Investment Strategy Statement reflecting the revised strategy.

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2 Recommendations

2.1 Members are recommended to:

a. **Endorse the changes to the investment strategy set out in this report, including the changes in relation to Equity Protection set out in Appendix B on the confidential part of the Agenda.**

b. **Approve the revised Investment Strategy Statement at Appendix A.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

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.

The Investment Strategy is the operational expression of the Authority's Investment Beliefs and is central to achieving both the returns required to meet the actuary's assumptions and the way in which they are achieved.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report relate to the identified risks arising from market volatility, changes in the Fund's cash flow dynamic and the systemic risk arising from climate change. In all cases the strategy proposed aims to mitigate these risks.

4.2 No investment strategy is without risk and the intention of the review process is to identify a strategic asset allocation that has in excess of a 60% probability of achieving the actuarially required return. This has to be done in a way that is consistent with the Authority's appetite for investment risk which is best described as moderate. The proposals contained in this report achieve that balance, and while the option of a small allocation to a higher risk equity portfolio is introduced into the potential asset mix (although with no current proposal to introduce such an allocation) this increase in risk is mitigated by the overall move of assets into less volatile asset classes.

5 Background and Options

Background

5.1 It is usual to review the investment strategy of a pension Fund following an actuarial valuation, in the case of LGPS Funds every three years. This is because the changed Funding level and cash flows which are identified at the valuation may require the Fund's investment strategy to achieve different objectives and possibly a different return target. Such reviews require a significant amount of financial modelling and therefore it is usual to use a consultancy to support the work given that the Authority does not possess the technical capability to undertake this type of modelling. In this case the Authority's Investment Advisory Panel has been supported in undertaking the review of the Investment Strategy by Hymans Robertson and members have previously been briefed both on the nature of the review and the results of the work.

5.2 As Hymans Robertson's detailed report contains certain proprietary information it is not being published on grounds of commercial confidentiality. This report sets out the broad conclusions arising from the work, and the views of the Investment Advisory Panel on how those conclusions impact on the Investment Strategy, in particular the Strategic Asset Allocation which is the single largest contributor to the returns delivered by the Fund in the longer term. All of these are then translated into the statutorily required Investment Strategy Statement which is set out in Appendix A.

Stakeholder Views

5.3 In constructing their Investment Strategies and Investment Strategy Statements LGPS Administering Authorities are required to have regard to the views of relevant stakeholders. It is extremely difficult to sensibly consult on the minutiae of an investment strategy. Therefore in consulting with stakeholders during the valuation process and on the Funding Strategy Statement officers have identified specific outcomes which stakeholders wish to see delivered by the Investment Strategy. In addition the views of individual scheme members expressed in routine correspondence with the Authority have been considered in arriving at the recommended course of action.

5.4 The principal concerns coming out of this work are:

- The need to maintain stable employer contributions once deficits have been eliminated. All other things being equal (which is not always the case as the McCloud impact proves) employers would wish for contributions to only vary within a relatively narrow range. Ideally many employers would like to see contributions reduce but they are generally realistic in accepting that stability within a narrow band is likely to be the best that can be achieved.
- The need for investment returns to contribute to bringing remaining deficits down more quickly. The low Funding levels of some more recently admitted smaller employers mean that they are looking to the investment strategy to outperform the base assumptions in order to reduce their deficits more quickly.
- Individual scheme members consistently raise issues around responsible investment and how the Fund is responding to climate change in contact with the Authority. While this is a concern for some employers their responses tend to be more motivated by purely financial considerations.

5.5 The first two points above are to some extent contradictory as the first implies lower volatility and potentially less risky investments while the second implies a higher risk and therefore potentially higher return strategy. This is not necessarily the case as illustrated below. The final point is in essence one about implementation rather than strategy and is referred to below.

Valuation Changes which can impact asset allocation

5.6 The modelling undertaken by Hymans Robertson shows a number of factors arising from the changes which have taken place since the 2016 valuation process which impact the sort of changes which we need to consider making to the asset allocation. Principally these are:

- An improved Funding level at virtually full Funding which in most defined benefit schemes would lead to a substantial de-risking exercise. However, because LGPS remains open to members building up further benefits a substantial allocation to growth assets needs to remain in order to reduce the risk of a deficit recurring.
- A change in the cash flow dynamic of the Fund. The balance of membership within the Fund is over time shifting away from active members towards deferred members and pensioners. As a result income from contributions is now less than payments of pensions. This means that it is necessary for the Authority to use a portion of its investment income to pay pensions. This is sometimes termed “being cash flow negative”. This situation will continue and over time the gap between contributions and pensions will increase and it will be necessary to harvest a greater proportion of investment income leading to a need to identify more potentially income generating assets.

5.7 Taken together these factors point towards some movement of assets away from growth assets towards income generating assets although nowhere near the scale of movement that might be seen in a private sector scheme which has achieved an equivalent Funding level. In effect this continues the movement seen in the previous review following the 2016 valuation.

Revised Strategic Asset Allocation

5.8 The Hymans Robertson's work identified two potential alternative asset allocations which would give an improved likelihood of successfully delivering the required returns over the next ten years. The first, which has a slightly better chance of success, involved a reduction in exposure to growth assets (essentially equities) from 57% to 37%, while the second involved a reductions to 52%, with only a slightly reduced chance of success when compared to the first. The first option would require a very major shift of assets into alternatives which would be extremely difficult to achieve in any reasonable timescale. Therefore the second option is preferred by both Hymans and the Investment Advisory Panel as it can be implemented in a reasonable timescale. The table below shows the current and proposed strategic asset allocations and the current actual allocation together with the change required in order to achieve the proposed allocation. In examining this it is worth bearing in mind that based on the 31st December 2019 Fund value a 1% movement represents about £88m

Asset Class	Current Benchmark %	Actual at 31.12.19 %	Proposed Benchmark %	Change v Current Benchmark %	Change v Actual %
UK Equities	15.0%	15.5%	10.0%	-5.0%	-5.5%
International Equities	35.0%	37.8%	35.0%	0.0%	-2.8%
Private Equity	7.0%	6.8%	7.0%	0.0%	0.2%
Total Growth^	**57.0%**	**60.1%**	**52.0%**	**-5.0%**	**-8.1%**
Multi-asset credit*	6.0%	4.9%	6.0%	0.0%	1.1%
Infrastructure	5.0%	4.3%	10.0%	5.0%	5.7%
Private Debt	3.5%	4.1%	5.5%	2.0%	1.4%
Property	10.0%	9.1%	10.0%	0.0%	0.9%
Total Income^	**24.5%**	**22.4%**	**31.5%**	**7.0%**	**9.1%**
UK Index Linked Gilts	12.0%	11.6%	10.0%	-2.0%	-1.6%
Corporate bonds	5.0%	4.8%	5.0%	0.0%	0.2%
Cash	1.5%	2.8%	1.5%	0.0%	-1.3%
Impact of Equity Protection		-1.7%			1.7%
Total Protection^	**18.5%**	**17.5%**	**16.5%**	**-2.0%**	**-1.0%**
Total	**100.0%**	**100.0%**	**100.0%**	**0.0%**	**0.0%**

*Note – The current High Yield and Emerging Market Bond portfolios are included here as the intention is that they should transition to the Border to Coast Multi-Asset Credit product.

^Note- The categorisation of assets between Growth (those held for capital appreciation), Income (those held principally to provide an income stream), and Protection (those held to match liabilities and capital protection) are a best estimate for ease of analysis. For example some asset classes such as property can have growth characteristics as well as income characteristics.

5.9 The logic of making the movement out of equities by reducing the allocation to the UK is that the Fund is over-exposed to the UK relative to the scale of its economy within the world economy. This will remain the case even after the change, although to a lesser extent. It is usual for pension Funds to be over exposed to their home economy but this does present something of a risk in terms of concentration. This is somewhat exacerbated in the UK given the predominance in the index of a small number of very large companies (including a high proportion of carbon intensive stocks). Thus as well as increasing the opportunity set by moving to a more global focus a reduction in exposure to the UK index will have some benefit in reducing exposure to carbon intensive industries. Within the equity allocations the Investment Advisory Panel would recommend maintaining the option of moving a small portion of the international equities into a higher target global mandate at some point subject to the relevant Border to Coast product(s) establishing a performance track record and a formal due diligence process.

5.10 The other strategic movement is out of UK index linked gilts. This reflects the fact that the dynamics of the gilt market are currently (and seem likely to remain) skewed resulting in assets which are extremely expensive while the Fund needs to increase its access to income the level of which is greater elsewhere in the asset mix.

5.11 The proposed increases in allocation are to infrastructure which should generate strong (largely) index linked cash flows and private debt which also throws off income. Both these are less volatile asset classes contributing to a reduced risk exposure for the Fund overall.

Harvesting Income

5.12 As stated above the Fund needs to increase the degree to which it harvests income from its investments in order to ensure that cash is available. As part of the investment strategy to achieve this it is important to agree a hierarchy within the strategic asset allocation for the harvesting of income. This is sometimes called an income waterfall. The proposed hierarchy is as follows:

1. Property (net rental income)
2. Index linked gilts and corporate bonds (interest receipts)
3. Multi-asset credit (interest receipts)
4. Private debt (interest receipts)
5. Infrastructure (dividend flows)
6. Listed equity (dividend flows)
7. Private equity (proceeds from sale of underlying investments)

5.13 Officers are undertaking further detailed work in order to generate a better picture of day to day cash flow requirements and Border to Coast are providing means whereby income can be received from their products as necessary. This will be reflected in future monitoring activity.

The Future of Equity Protection

5.14 The current Equity Protection Strategy is due to mature between March and June 2020, the Investment Advisory Panel have considered the position based on advice from Hymans Robertson and have made specific recommendations with regard to this. Some of the details underlying this are market sensitive and are therefore dealt with in a confidential Appendix B which will be considered under Part II of the agenda.

Implementation

5.15 Any strategy needs to be capable of being implemented and in considering with Hymans Robertson the various potential strategic options the Investment Advisory Panel have involved Border to Coast in the discussions in order to ensure that they are aware of what the Authority will be asking of them in terms of type and scale of product.

5.16 The implementation of the new strategic asset allocation will need to be phased as the asset classes into which assets will be moving are largely in the alternatives space where commitments take some time to draw down. Officers will discuss with Border to Coast opportunities to minimise the disruption caused by transitioning assets by attempting to match SYPA's movement of assets out of particular products with other partner Funds moving assets into them. While this cannot be done in all cases where it can happen it will reduce costs for all concerned and can avoid potentially unnecessary churn in the underlying stocks within a portfolio. Similarly the Authority has taken advantage of the provision of favourable terms to move Funds out of cash and into the product that will provide the core of the Border to Coast Multi-Asset Credit Fund when launched.

5.17 The proposed changes in general build on the products already being provided by Border to Coast, or which are in the later stages of development (such as Multi-Asset Credit). There is one area however where a new product would prove useful which is a "listed alternatives" Fund. This provides a somewhat less volatile "holding" place for money moved out of equities before it can be deployed into the pure alternatives portfolios. The Authority already holds some of these stocks in its legacy alternatives portfolios which were originally bought for this reason, and these could potentially transfer to such a Fund. A Fund of this sort is now on the Border to Coast development plan, although it is not practical to launch it until 2021 at the earliest.

5.18 The other implementation issue impacting Border to Coast is the pace at which the company can deploy cash into the alternatives portfolios. The initial subscriptions from partner Funds to these products were significantly greater than initial estimates and it seems likely that these will increase as a result of strategy reviews. The Company are aware of this issue and are looking to ensure that they have sufficient resources to both be able to deploy and provide ongoing management for this level of capital.

5.19 The Authority, along with other LGPS Administering Authorities conducting strategy reviews has been lobbied about the nature of the investment mandates which it uses to deliver its strategy. In particular this lobbying focuses on the exclusion of particular types of investment from equity portfolios (generally fossil fuel stocks), the use of some form of "green" or "ESG" index as the benchmark for equity investment, and the setting of some sort of carbon reduction target. These are perfectly valid considerations and members may wish to express a view on whether the Authority should move down this route. However, it must be recognised that to do so within the constraints of pooling would, at the very least, require the achievement of agreement with all the other investors in the products in which we are invested. Alternative means of achieving this would require a move to a passive investment style which the Authority has not previously supported and would if implemented have wide ranging implications beyond the Authority itself.

Outstanding Issues

5.20 There are a number of additional issues where Hymans Robertson provided some advice as part of their work and these will be addressed in the coming months, as shown below:

- Agricultural Property – Hymans Robertson provided a view on the investment rationale for this asset class. This will be reflected in the conclusion of ongoing discussions within the Investment Advisory Panel that will be reported to members in the next municipal year.
- Tobacco investment – Hymans Robertson provided an analysis which provides part of the evidence base for a discussion amongst members that will be facilitated at the seminar planned for July this year.
- Local Investment – Hymans Robertson provided some advice in terms of the definition of the mandate for this allocation which officers will incorporate in the ongoing management of these investments.
- Climate Scenarios – Hymans Robertson analysed the potential impact on the Fund's assets and liabilities in a range of climate scenarios. This information can be used to plan adjustments to either the investment strategy or the contribution plan in the light of actual progress to deliver the goals of the Paris agreement. This work will therefore influence the ongoing development of the Authority's investment policy framework.

Investment Strategy Statement

5.21 The Authority is required to produce an Investment Strategy Statement, which in effect sets out how it goes about managing the money which it invests. This statement should be updated within six months of any change in process or strategic asset allocation.

5.22 Appendix A provides an updated Investment Strategy Statement for approval reflecting the various changes in strategy and process outlined in this report.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	The proposed changes to the investment strategy continue the trend of recent reviews of reducing the exposure to less costly equity investments and moving assets into more costly alternatives. All other things being equal the improved returns generated from alternatives should outweigh any increase in fees. However, this can only be proven in retrospect. Investment strategy should be set with regards to the likelihood of achieving the required returns. While fees are clearly a relevant consideration they are a second order issue which should be dealt with once the asset allocation has been determined.
Human Resources	None
ICT	None
Legal	The updating of the Investment Strategy Statement is required by the LGPS Investment Regulations and therefore the Authority is demonstrating compliance with the regulations.

Procurement	The Authority will be placing new investments through Border to Coast which is a Teckal Company controlled by the Authority and the other 11 shareholders and there is therefore no need to tender the services to be provided.

George Graham **Sharon Smith**

Fund Director **Head of Investment Strategy**

Background Papers	
Document	**Place of Inspection**

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Investment Strategy Statement

March 2020

Introduction

The South Yorkshire Pension Fund (“the Fund”) is administered by the South Yorkshire Pensions Authority (“the Administering Authority”) which is required to maintain an Investment Strategy Statement (ISS) in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The ISS is an important governance tool for the Fund as well as providing transparency in relation to how the Fund investments are managed. The regulations establish the range of matters that the Authority must consider when carrying out its responsibilities. In addition, the Authority is required to manage the Fund in the best financial interests of its members and beneficiaries at all times.

In preparing this statement officers have taken advice from an investment consultant, the Fund’s actuary and from out two retained independent advisors.

The Statement is subject to review periodically, but at least every three years, and without delay after any significant change in investment policy. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement, which is available on our website at www.sypensions.org.uk.

Investment objectives

The Fund’s primary investment objective is to ensure that over the long term it will have sufficient assets to meet all of its pension liabilities as they fall due. This objective is more fully explained in the Authority’s Funding Strategy Statement (FSS) derived from the actuarial valuations of the Fund.

The crux of the FSS is the need to achieve a future funding level of 100% or better whilst keeping employer contribution rates as low and reasonably stable and affordable as possible. In order to achieve this the Fund’s actuary estimates that an investment return of CPI+1.75%pa (equivalent to a nominal figure of approximately 4.15%pa) is required.

To meet this objective the Authority manages the Fund from a long term viewpoint and endeavours to maximise its returns but, at the same time, operates within a closely controlled range of acceptable risks. It also ensures that liquidity requirements are at all times met.

Process for ensuring suitability of investments

The Authority manages the Fund’s investments and it has delegated its day to day management responsibilities to its officers. The Scheme of Delegation to Officers is formally approved by the Authority and forms part of its constitution. The Authority comprises twelve councillors drawn from the four district councils of South Yorkshire (together with three trade union observers). The constituent councils appoint members to the Authority in accordance with the provisions of the Local Government Act 1985. The Authority also liaises with the Local Pension Board which includes representatives of employers and scheme members.

The Authority is responsible for setting the investment strategy of the Fund. As well as obtaining advice from Authority’s officers it has also appointed independent investment advisors to advise it on investment matters and an actuary for the production of actuarial valuations and for advice on liability issues. For other work it appoints consultants when required.

In order to ensure as far as possible that the investment strategy is appropriate for the Fund's liabilities the Authority has created its own bespoke or customised strategic asset allocation. This benchmark acts as a framework and is adopted only after analysing the Fund's liability structure in detail. It is reviewed at least every three years and always after the statutory actuarial valuation.

The Regulations define the types of investments the Fund can hold. The Authority participates in stock lending, where it holds investments directly to the limit permitted and the programme is managed by the custodian bank in accordance with best market practice. The Fund's directly owned securities are held by the custodian bank or its agents or directly by the Authority.

The Fund has recently carried out an asset and liability study alongside the 2019 actuarial valuation. The Fund's liability data was used in the modelling and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future development of the Fund were considered under a wide range of different scenarios.

The investment strategy is determined based on the expected return on asset classes (for equities, bonds, property etc.) with the appetite for risk as measured by the dispersion (likely range) of these returns. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

The conclusion of the study was that although the current strategy has a good chance of meeting the long-term objective there was an opportunity to marginally improve the risk and return balance that increases the likelihood of achieving the long term objective and reduces the potential for adverse outcomes. This is done by reducing the exposure to equities and index-linked gilts and allocating to alternative and income focussed assets such as multi-asset credit and private debt.

Changes to the allocations to public markets investments can take place relatively quickly but change to private market investments will take several years. The Authority is satisfied that the investment strategy has a sufficient probability (65.2%) of meeting its return targets over the long-term and it is expected that the Fund's long term investment returns will be at least in line with these assumptions and those published in the FSS.

The long term benchmark positions before and after March 2020 are set out in the table below. Due to the amount of time it will take to increase the allocations to private market investments, interim benchmarks will be used over an appropriate period to reflect these changes.

Asset Class	Current Benchmark %	New Benchmark %	Tolerance
UK Equities*	15.0	10.0	} +/- 5%
Global Equities*	35.0	35.0	}
Private equity	7.0	7.0	+/- 2%
Total Growth	**57.0**	**52.0**	
Multi Asset Credit	6.0	6.0	+/- 2%
Infrastructure	5.0	10.0	+/- 3%
Private Debt	3.5	5.5	+/- 1%
UK Property	10.0	10.0	+/- 2%
Total Income	**24.5**	**31.5**	
UK Index-Linked Gilts	12.0	10.0	+/- 3%
Corporate Bonds	5.0	5.0	+/- 1%
Cash	1.5	1.5	+/- 1%
Total Protection	**18.5**	**16.5**	
Total	**100.0**	**100.0**	

*Note for the purposes of these tolerances listed equity allocations will be treated as a single allocation

As indicated above this asset allocation is constructed on the basis that it delivers a 65.2% probability of achieving the actuarially required return target of CPI+1.75% which equates to 4.15% pa over the longer term.

In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. At the time of writing there are no such investments.

In order to measure the performance of each asset class against its benchmark index and monitor the investment objective, the Authority requires detailed performance measurement figures. These are independently provided by Portfolio Evaluation and are presented to the Authority on a quarterly basis.

Risk measurement and management

The Fund's main long-term risk is that assets do not match liabilities, and that funding objectives are not achieved. There are many different types of risk involved in capital stewardship and the Authority notes that without taking "risks" it will be difficult for the Fund to achieve the performance it needs if it is to meet its objectives. The Authority recognises that risk is inherent in any investment or operational activity and seeks to control risk rather than try to eliminate it. The approach aims to mitigate risk without compromising returns. In order to generate the required investment returns necessary to match the growth in liabilities this implies that the Fund will continue to take an active risk relative to its liability profile.

The key risks inherent in the Fund, and how these risks are mitigated, are below.

Risk	Description	Mitigants
Counter Party	Counterparty risk in every transaction in which the Authority takes part.	Use reputable service providers who operate effective controls. Independent investment advisers appointed to assist in the scrutiny of the internal investment management activity.
Funding strategy risk	There is a risk that the value of Fund assets will not match the increase in its liabilities which could result in a deteriorating financial position.	The effect can be reduced by diversifying the Fund's portfolios across a broad spectrum of assets and markets, taking into account these differences and the correlations between them and by granting the Fund's managers sufficient freedom to meet their targets but setting range constraints. An equity protection strategy is currently implemented
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis. Manager performance is also reviewed regularly with support from external advisers.
Demographic	Demographic factors including the uncertainty around longevity/mortality projections (e.g. longer life expectancies) can also contribute to funding risk.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Liquidity	Liquidity or market risk associated with the volatility of prices in certain assets and under certain market conditions.	Part of the Fund is held in securities that can be realised quickly in normal market conditions. Management of Authority cash flows to ensure future payments can be met.
Inflation & Interest rates	Different classes of asset have different risk and return characteristics and sensitivities to changes in financial factors, in particular to inflation and interest rates.	It is important that the Fund's strategy takes into account these differences and the correlation between them. The Fund regularly monitors its exposure to interest rates.

Risk	Description	Mitigants
Foreign exchange	Investing overseas exposes the Fund to fluctuations in exchange rates.	The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.
Environmental, Social and Governance (ESG)	ESG risks have the ability to impact a company's profitability and the Fund's investment performance.	The Fund has a suite of Responsible Investment (RI) policies, acts as a responsible share owner and factors ESG into investment decision making. These are also referenced elsewhere in the report.
Employers	The financial capacity and willingness of sponsoring employers to support the Fund.	This is regularly reviewed by the Authority.
Governance	The risk of poor governance and the potential issue of Committee member turnover.	Ensure that Members are well informed by officers and independent advisers. A Member training programme is in operation. The Local Pension Board and external and internal audit also support the scrutiny and governance process.

Asset Pooling

The Fund is a participating scheme in the Border to Coast Pensions Partnership (BCPP). This is a Financial Conduct Authority regulated company set up to manage the assets of the following 12 administering Authorities.

> Bedfordshire Pension Fund, Cumbria Pension Fund, Durham Pension Fund, East Riding Pension Fund, Lincolnshire Pension Fund, North Yorkshire Pension Fund, Northumberland Pension Fund, South Yorkshire Pension Fund, Surrey Pension Fund, Teesside Pension Fund, Tyne and Wear Pension Fund, Warwickshire Pension Fund.

The July 2016 submission to Government of the Border to Coast Pool provided a statement addressing the structure and governance of the Pool and the mechanisms by which the Fund can hold the Pool to account.

As anticipated in the legal documentation surrounding the creation of Border to Coast the Northumberland and Tyne and Wear funds have announced a proposal to merge, a proposal which if approved will become operational during 2020/21. While this will reduce the number of funds in the pool to 11 it will have no other practical implications for the operation of the Pool.

Border to Coast's role is to independently and professionally deliver Partner Funds asset allocation choices. It will make decisions relating to and monitor the investment managers (including employees of Border to Coast) who manage the administering authorities' "fund money" with the aim of maximising the long-term net of fees investment returns attributable to each of the Parties. Border to Coast has a strong corporate governance philosophy, focused on the delivery of long term value through active corporate engagement, the rationale being that this aligns directly with ensuring the Partner Funds exercise their fiduciary duty in the best interests of their members and employers.

The Partner Funds acknowledge that there may be occasions where Border to Coast is unable to implement all asset allocation strategy decisions made because it would not be cost effective to do so, but the Parties and Border to Coast will work together to try to avoid this situation.

The Fund will hold Border to Coast to account through the following mechanisms:

- The Authority will monitor and regularly review the investment performance of the assets under Border to Coast's management, seeking explanation and attendance of Border to Coast personnel at meetings where necessary.

- The conducting of an annual review of the performance of Border to Coast by the Authority's officers and independent advisers resulting in an annual report to the Authority.

- Two shareholder nominated Non-Executive Directors on the Board of the Company, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.

- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast.

- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Fund will retain the decision making powers regarding investment strategy and will delegate the investment management function to Border to Coast.

It is the intention that a large proportion of the Fund's investments will be made through Border to Coast. At the time of writing 55% of the Fund's assets have been transferred to Border to Coast and other assets will transfer across to the pool on a phased basis. We have also made significant new commitments to three alternative asset class sub funds.

Where it is not practical or cost effective for assets to be transferred into the pool they will continue to be managed at the Fund level. These are expected to predominantly include unquoted investments such as limited partnerships. Whilst these assets are unlikely to be transferred it is expected that once these investments mature the proceeds will be reinvested into suitable Border to Coast sub-funds.

The Fund currently has an equity protection strategy in place and the Index-Linked Gilt holdings are used as collateral for this and as such will remain outside of the Pool.

The Fund has a significant holding invested directly in a portfolio of agricultural property. Border to Coast are not proposing to develop a product in this area and if this portfolio is retained it will continue to be managed directly.

The Fund is also permitted to directly invest locally, subject to suitable risk/return characteristics, where this is not available through the Pool. Allocations have been made to two investments of this type, one of which has a 10 year investment period and the other of which is a rolling investment.

Social, environmental and corporate governance policy

The Authority is fully committed to responsible investment and good stewardship of its investments. It acts at all times in the best long-term interests of all its members and looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that well governed companies produce sustainable and superior long term returns. Responsible investment is fundamental to the Authority as it is in accordance with the fiduciary duty owed to stakeholders.

The Authority takes its responsibilities as a long-term investor seriously integrating environmental, social and governance factors into the investment process. Environmental risks include climate change; the Authority believes that the associated risks and opportunities may have a material impact on the financial performance of the Fund and has therefore published a Climate Change policy statement which can be found on the Authority's website.

The Authority believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and, therefore, will not actively invest in or disinvest from companies solely or largely for social or ethical or environmental reasons. The Authority recognises that it is unable to use its policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. The Authority has published a separate Responsible Investment policy statement available to view on its website.

These policy statements and a statement specifically related to the application of responsible investment in the context of the Commercial Property portfolio are regularly updated.

This is an area where the Authority works together with Border to Coast and the other 11 partner funds, who have agreed a policy framework in this area which the Company is required to follow. This ensures that the Company is able to apply a consistent framework in this area across all aspects of its work.

The Authority invests in sustainable and impact funds which have positive social and environmental impacts. It does so only when returns are considered to be commercial and will not forego financial return in order to generate social impact.

Under Regulations issued in 2009 administering authorities of the LGPS are required to report their compliance against the Principles for Investment Governance. The six Principles are intended to guide institutional investors on matters such as investment, scheme governance, disclosure and consultation and the Authority publishes a separate statement outlining its full compliance with the Principles.

Responsibility for the practical implementation of the Fund's approach to responsible investment is devolved to Border to Coast as the provider of investment management services. As such they are required to publish their own responsible investment policy and sign up to both the UK Stewardship Code and the UN Principles of Responsible Investment compliance with both of which will be externally monitored on an ongoing basis. Border to Coast procedures ensure that ESG issues are routinely monitored as part of the investment analysis and incorporated into the due diligence leading to investment selection and reviewed as part of the active ownership of assets under management.

Stewardship

The Fund has a statement of compliance with the UK Stewardship Code which references a suite of policies addressing responsible investment and stewardship.

The Authority recognises that it is not always possible for it to conduct constructive engagement alone: therefore, it will enter directly or through Border to Coast, into collaboration with other like-minded investors when the occasion warrants doing so.

It is an active member of the Local Authority Pension Fund Forum and will join other collaborative pressure or lobbying groups if it feels it is appropriate to do so. The Authority is a member of the IIGCC which is a forum for collaboration on climate change for European investors. The Authority believes that risks and opportunities associated with climate change may have a material impact on the financial performance of the Fund and, therefore, supports the Group's objective to catalyse greater investment in a low-carbon economy by bringing investors together to use their collective influence with companies, policymakers and investors.

Border to Coast has also signed up to the 30% Club whose aim is to pursue gender diversity on company boards, the Workforce Disclosure Initiative, Climate Action 100+ and the Task Force on Climate Related Financial Disclosure.

Voting rights

The Authority regards its voting rights as an asset to be used carefully. The voting power is delegated to Border to Coast as investment manager. Border to Coast aims to vote in every market in which it operates. It has appointed a contractor to ensure that its votes are effectively executed.

The Authority subscribes to the Border to Coast voting policy which has been agreed by all partner funds and has been informed through the interpretation of best practice guidelines in consultation with the proxy advisor. Voting decisions, nonetheless, are made on a case-by-case basis bearing in mind a company's circumstances. Voting decisions will be available to view via the Fund's website quarterly.

Constructive shareholder engagement, with the aim of promoting and supporting good corporate governance principles and practice, will be pursued whenever it is deemed appropriate to do so. The Voting Guidelines collectively agreed by all 12 funds participating in the Border to Coast pool are available on the internet and can be accessed through the Responsible Investment pages of the Authority's website www.sypensions.org.uk

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Markets in Quarantine

Highlights:

- **February was a tale of two halves in global markets. For the first half they proceeded upwards in the US – reaching new heights and seemingly unphased by presidential politics, but in mid-February Apple stock was hit by fears of the impact that Coronavirus would have on its production, and this proved to be a canary in the coalmine. It turned out that the literal quarantining of China due to the virus, and then the spikes in evidence of its global spread was the exogenous shock that would rob markets of all of their year to date gains, and then more.**
- **Europe and the Euro remain on the back foot as the Coronavirus disruption enhanced already weak economic data. The Euro reached a 33 month low against the USD**
- **Other politics took a back seat. Post Brexit-day on January 31, a sweeping reshuffle of Boris Johnson's cabinet saw the departure of Savid Javid, Chancellor, and a raft of new faces, sparking a rally in Sterling on expectations of new fiscal stimulus. This was shortlived, however, as fears of a new cliff-edge, and no deal, were stoked by the Prime Minister's rhetoric.**
- **In the US the primary process saw a narrowing of the Democratic field and a sharpening of the divisions within that party. President Trump, seemingly vindicated by surviving his impeachment trial, had been taking a victory lap, which ended in a triumphant mass rally with Prime Minister Modhi in India. That was quickly eclipsed, though, by the Coronavirus crisis, when an apparent bungling of his administration's initial response drew widespread criticism and fears of lack of readiness.**

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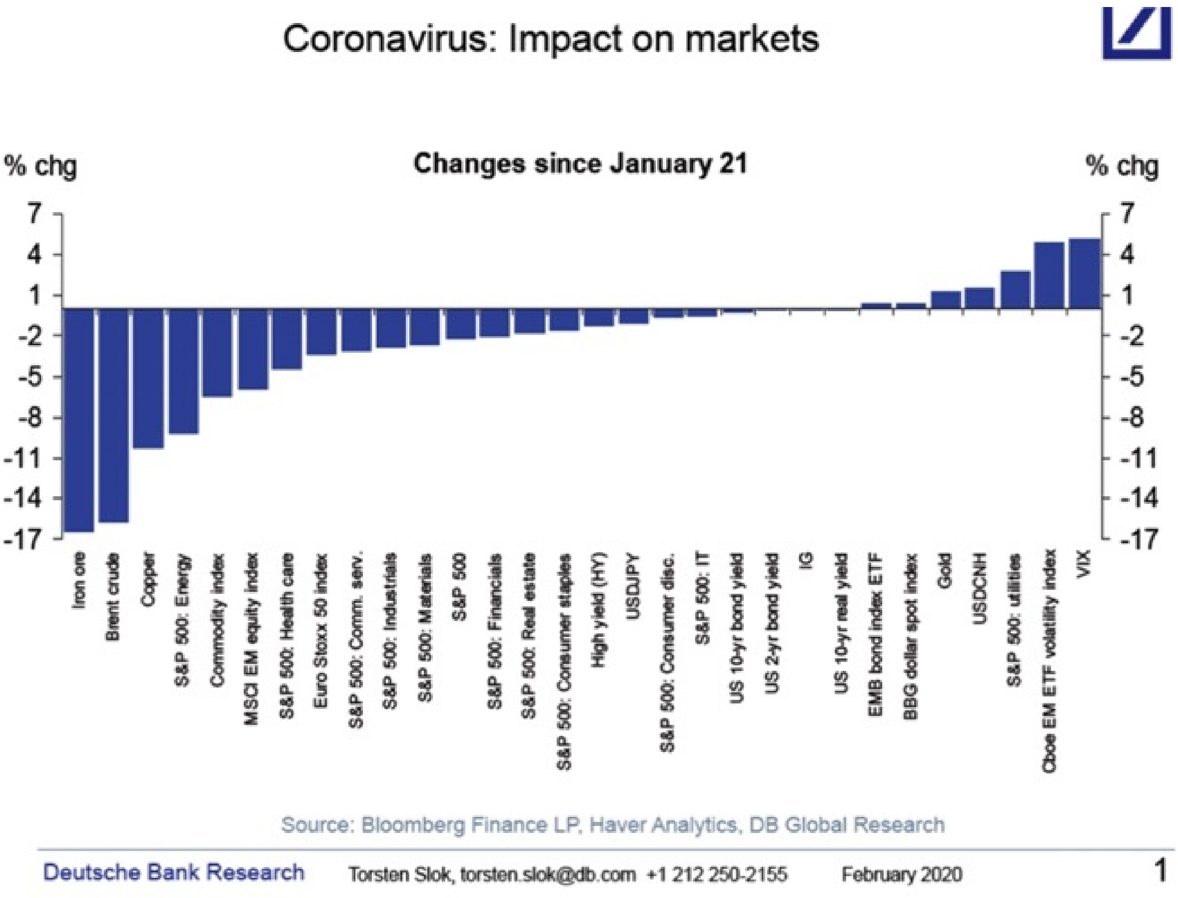
Current macro snapshot

Coronavirus, We don't know what we don't know.

The news trickling out about the Coronavirus has indicated its growing intensity, but there remains considerable doubt about the accuracy and comprehensiveness of the information provided. The virus, now named COVID-19, has officially caused over 3,000 deaths out of a reported 81.000+ cases, and an abundance of global caution has led to a cessation of air travel between China and the rest of the world and a protocol of 2 weeks quarantine for exposure. A steady number of isolated clusters have now cropped up globally, sparking panic in some cases such as locally in Brighton, UK.

Parallels have been drawn to the disruption caused by SARS in the region in 2003, but a key difference is that the deaths and impact from that were smaller at the time, and at that time China represented only 7% of global GDP v. close to 20% now. The impact of the virus on markets was originally described as a “wild card” and it is already clear that the disruption to the global supply chain (particularly for tech manufacturers and the auto sector) will be severe. Apple in the US just announced that the virus outbreak would cause it to miss its Q1 revenue target, and this sent shivers through markets as they expected more of the same. Chinese GDP itself is expected to show negative growth in Q1 and maybe even Q2. But while for the past few weeks this was surmised to be a temporary disruption that would result in a reversion to the mean after markets reopened it now appears that a return to normal cannot be forecast. The sheer uncertainty of the problem is continuing to wreak havoc.

The chart below from Deutsche Bank research indicates the chilling impact that the announcement of the spread of the virus had after it was announced (this chart was as of mid-February):



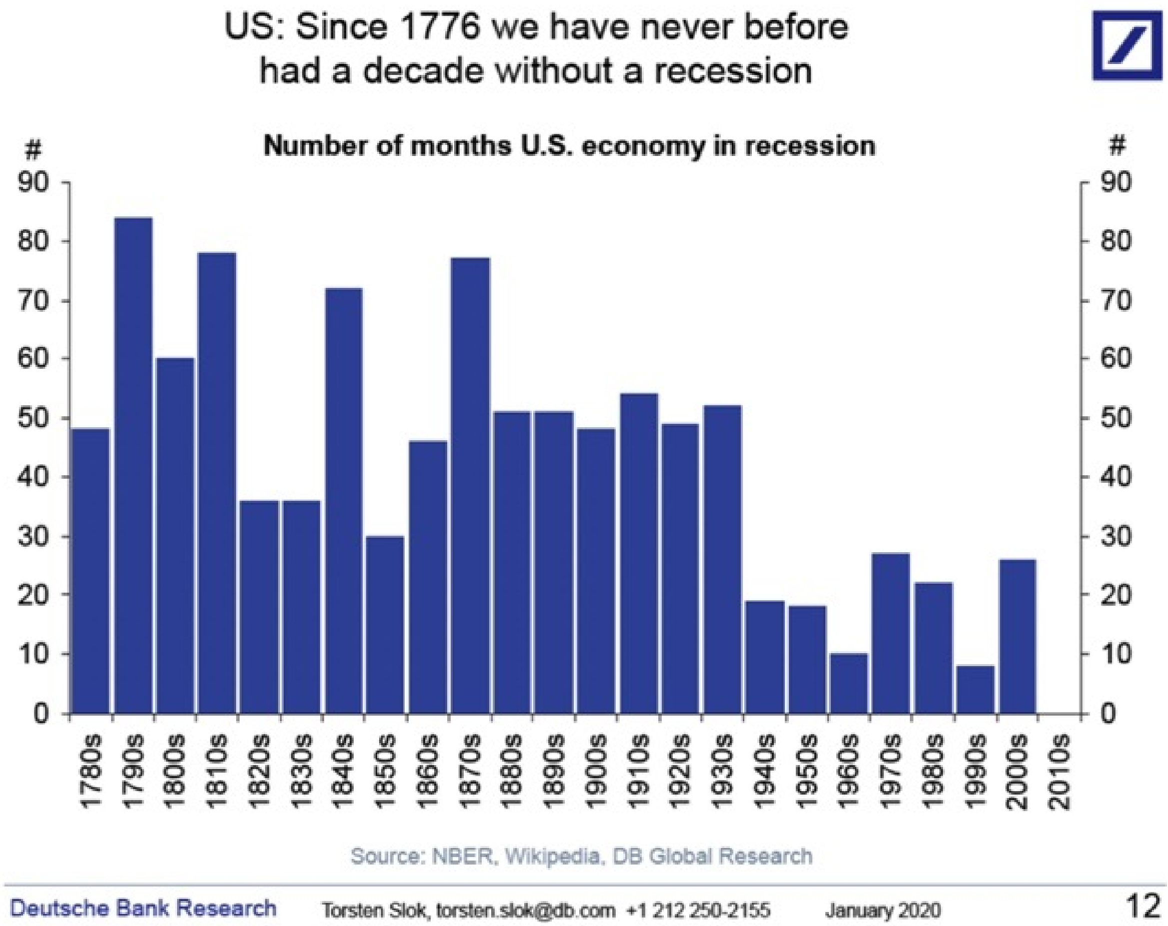
UK's Brexit Journey
It has been a somewhat confusing time for signals from the UK economy as while in January data suggested that a rate cut was likely by the Bank of England, it later emerged that January produced the strongest manufacturing and service data in over a year and the fifth highest month on month reading since 1998. This, coupled with an indicator of strong property prices (Rightmove index) and strong job figures, did point to a bounce back in sentiment following the certainty conferred by the December election result. As trade negotiations unfold and the impact of the latest cabinet reshuffle becomes clear, the UK economy seems likely to remain a volatile mix in 2020. The FTSE in particular has been

badly affected by the Coronavirus correction in markets – losing 9.7% in February to be close to -12.75% for the year to date.

US Presidential Politics – another wild card?
In this election year, US politics is even more polarized than ever, but also entirely unpredictable. The democratic party's primary process got off to a farcical start as the Iowa caucus results were delayed and then deemed inaccurate, although they did clearly give the lead to, jointly, Bernie Sanders and newcomer Pete Buttigieg. While self-described Democratic Socialist Sanders is feared to be poor for markets, there is less certainty about any of the moderate candidates or Mike Bloomberg. As of March 2 the field had narrowed further with Pete Buttigieg, Amy Klobuchar and billionaire Tom Steyer exiting the race after a decisive victory for Joe Biden in South Carolina. Against this backdrop, an emboldened President Trump is continuing his post impeachment victory lap, stepping up his aggressive tweeting and engaging in a White House shuffle of his own, removing anyone who testified against him at the impeachment proceedings.

Recession watching

To add to some of the recession analysis of the previous overview, Deutsche Bank has shown that this was the last decade free of a recession since 1776!



This unusual occurrence is a blend of the elongated slow but mediocre recovery from the recession that hit at the end of the previous decade as well as, maybe, the impact of artificial stimulus from trigger happy Central Banks. It would suggest that the time is nigh for some kind of reckoning, though, and as noted above, perhaps the Coronavirus has already been the exogenous shock that has dealt this.

Individual Asset Class Performance

- Equities

- Fixed income

Equities: From Wild Card to Global Pandemic

January was a fairly torrid month in global markets, with only the tech heavy US index eking out a positive return at +2%, while the S&P ended the month – 0.16%. This would not normally be remarkable if it were not for the fact that all of the gains for January were erased in a single day – January 31. This provide to be a harbinger of things to come as February started out ebullient, then led to the entire year's gains being erased (and much more) by month end. By month end the S&P had lost 8.4%, leading to a -8.56% return for the year. The tech-heavy NASDAQ seemed to have more support, losing 6.4% for the month and being now down 4.5% for the year. The Dow lost 10% for February and is now down 11% for the year. For the S&P it was the worst week since 2008.

In January, the FTSE 100 lost 3.5%, while the German DAX lost 2% and the CAC 40 (France) lost 2.9%. A mediocre growth figure of 0% for Germany and 0.1% for the Eurozone as a whole in Q4 did little to lift spirits regarding Europe's stubborn inability to emerge from a quagmire of economic weakness. With the unexpectedly high incidence of Coronavirus in Northern Italy Europe became ground zero for the ex-China spread of the virus and markets moved in tandem. As already noted the UK FTSE lost 9.7% in February to be close to -12.75% for the year to date. The Eurostoxx 600 lost 8.5% to be down 9.7% year to date, while the CAC 40 lost 8.6% to be down over 11% year to date. The greater hit taken by the FTSE is due to the higher incidence of metals and mining stocks in the FTSE, which have been particularly badly affected by fears of a protracted slow down and the disruption in China.

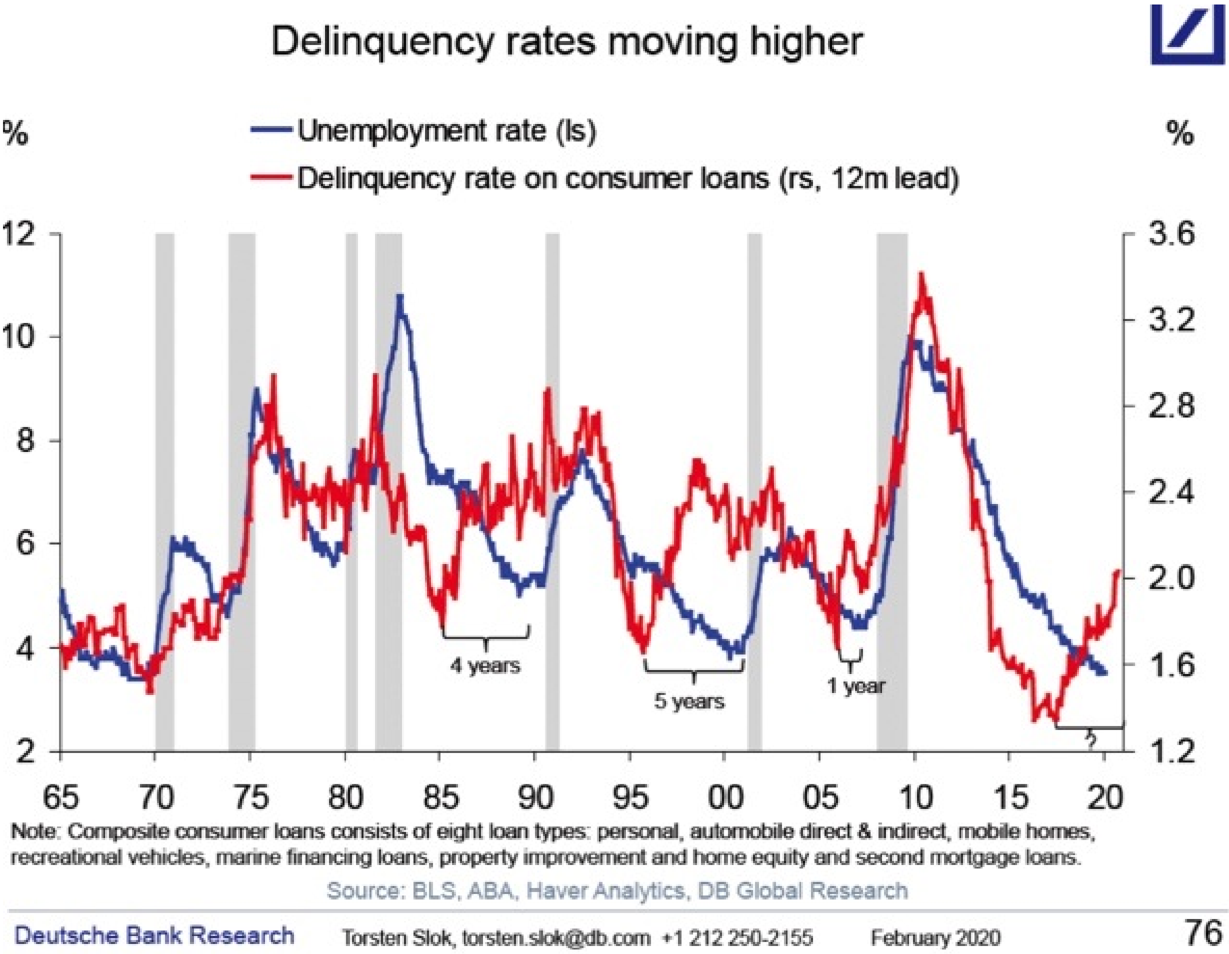
As might be expected, Asia also had a terrible start to the year with many markets remaining closed after the traditional Chinese New Year closures in February. This unprecedented extension led to distortions in valuations and although markets have now largely reopened it is too early to assess the true impact of the closures and Coronavirus on market performance. In January, the Hang Seng index in Hong Kong lost close to 7%, while the Korean Kospi was down 3.6% and the Nikkei in Japan down just under 2%. The Hang Seng was actually relatively flat in February as it is now down only 6.75% for the year. All markets fell drastically in the last week – the Kospi lost 8%, the Hang Seng 4% and the Nikkei 225 over 10%. Early indications in March are that markets are rebounding in response to commitments by central banks to inject stimulus.

As noted above, Apple was one of the first companies to forecast an impact on its first quarter revenues from Coronavirus and there is likely to be a dramatic uptick in the number of companies reporting this. This is perhaps the most significant development to watch in coming months.

Fixed Income/Credit: shelter from the storm?

Despite the unsettled start to the year, bonds recovered from a lack lustre January to eke out around a more or less flat return in February. While the US Fed is currently still "on hold" in terms of interest rates as of the end of January, it is monitoring that situation in light of global market exposure to the Coronavirus. Elsewhere the ECB may be forced into stimulus action by the anaemic economic indicators there, while the Bank of England was rumoured to be considering a cut too as part of a post-Brexit day stimulus. The hint of concerted central bank stimulus in Asia now suggests that these stimulus measures will become a reality. Given the apparent collapse in demand for certain goods and services it is likely that this will be needed to stem the bleeding and inevitable pain for many small businesses.

To return to a theme we have raised before, which is the potential for cracks to appear in credit, the chart below shows a weakening of consumer credit in the form of increased delinquencies. This is quite a notable trend upwards since 2017 or so and it is interesting that it has been accompanied by nothing but a decline in the US unemployment rate, which now remains at record lows. Again, the data is never fully satisfactory in this respect, as the unemployment rate is a crude figure that does not measure the impact of the gig economy and the decline in wage growth. We would again state that it is important to monitor these indicators as the economic recovery starts to age.



Outlook

So where do we go from here?

It has been an action-packed first two months of 2020. At the end of 2019 we highlighted the post-election Brexit developments, the US impeachment process and aftermath as well as the cracks in credit as areas to watch. To this we would now add the following:

- **Getting to the bottom of and predicting the endgame for the Coronavirus** With the development of a vaccine as much as one year away, we are very far from a sense of control over the spread of the Coronavirus and a first concern may be knowing the scale of the problem. The impact of the effective quarantine of the 20% of the world's GDP and the major knock on effects in terms of supply chains and global demand from China (as well as the notable impact of no Chinese tourism) will be impossible to predict and there is also likely to be some denial among governments wishing to spin things positively. The shock absorbers available to offset this exogenous shock are in short supply although some central banks have headroom to make cuts and create stimulus.

- **Cracking the European growth puzzle** European economic data continues to be mediocre and the region seems to be battered by every negative geo-political development from trade rhetoric to Coronavirus fears to Brexit related uncertainty. A zero-growth headline masks positive indicators such as that the unemployment rate is at the lowest level in Europe since 2000. 2020 will be a testing year for all markets so this might not be the year to tell whether the region is permanently "stuck" or can emerge as an independent story amid the global noise. Investor sentiment can take on a life of its own and changing the outlook for Europe may require shifting a dominant narrative, which will take skill and finesse. So far, these skills are in somewhat short supply

- **Watching and waiting in US politics** Now that the democratic field has meaningfully narrowed and President Trump is experiencing a crisis in his presidency that is not a partisan one, there is much to watch and that could possibly change in the weeks ahead. With the democratic field likely split between a revolution (Bernie Sanders) and a restoration of the pre-Trump norms (Joe Biden) the direction of the nation is looking to be a binary one, if there is not "more of the same" under President Trump. The level of rhetoric and intensity of emotion on either side may render this a far from typical election cycle. Watching and waiting is the name of the game.

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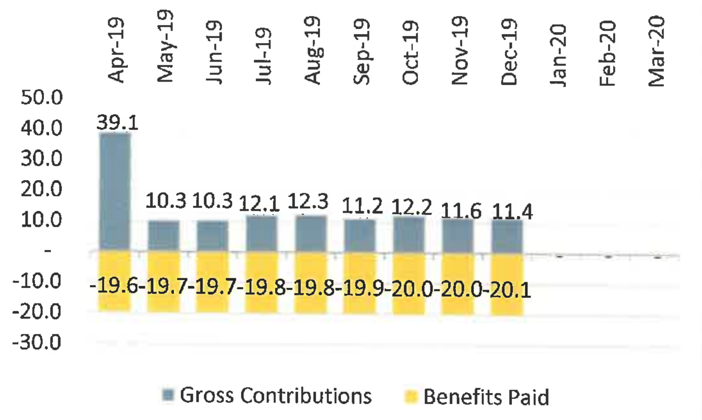
March 3, 2020

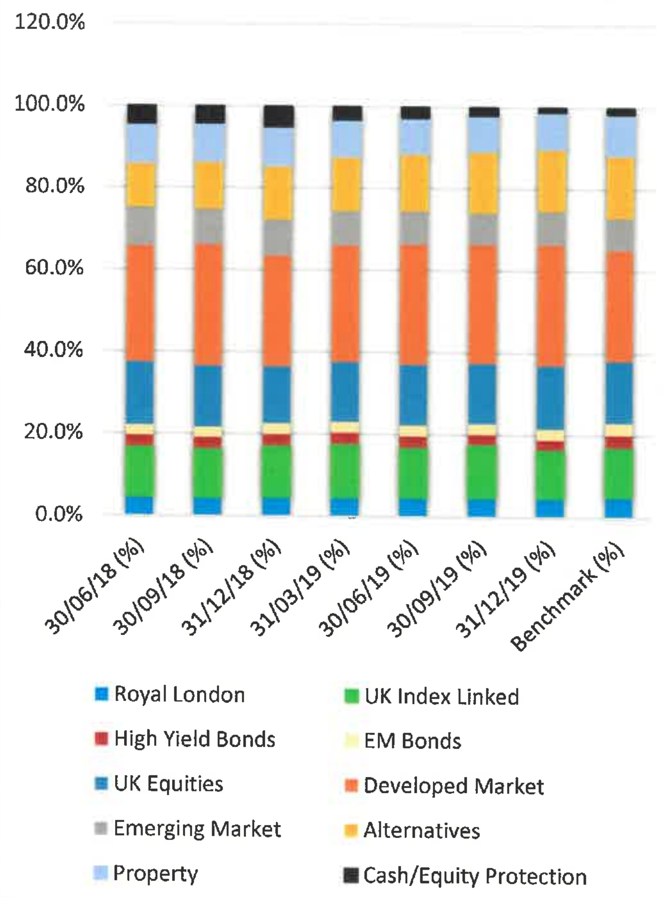
SOUTH YORKSHIRE PENSIONS AUTHORITY

QUARTERLY REPORT TO 31 DECEMBER 2019

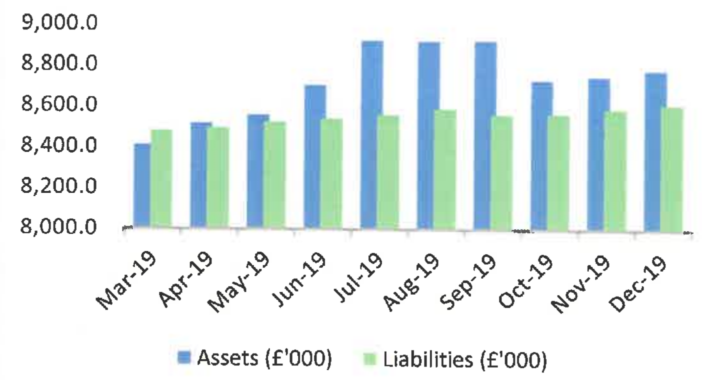
BREAKDOWN OF NET CONTRIBUTIONS



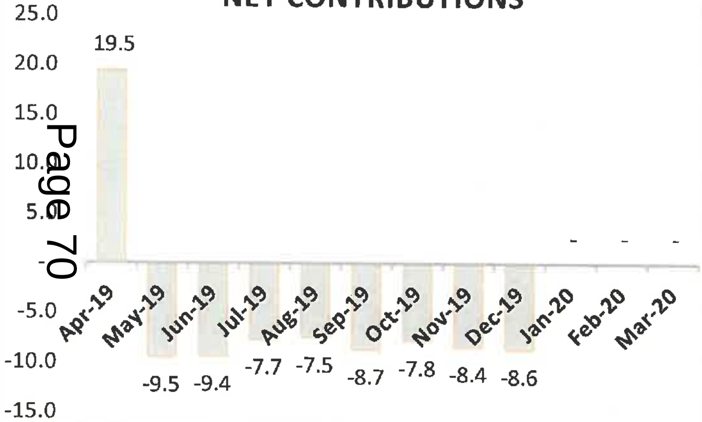
ASSET ALLOCATION



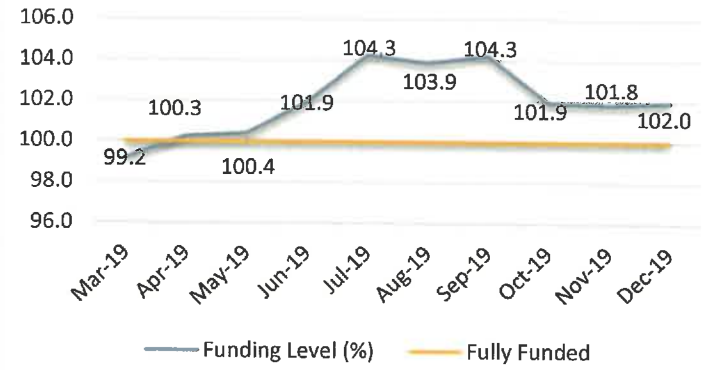
ASSET LIABILITY DATA SINCE MARCH 2019



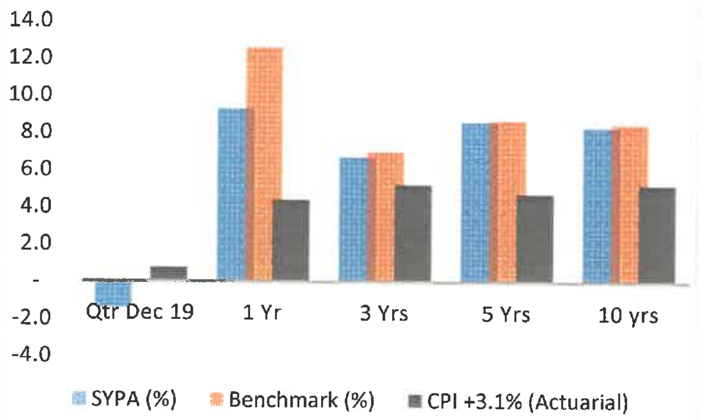
NET CONTRIBUTIONS



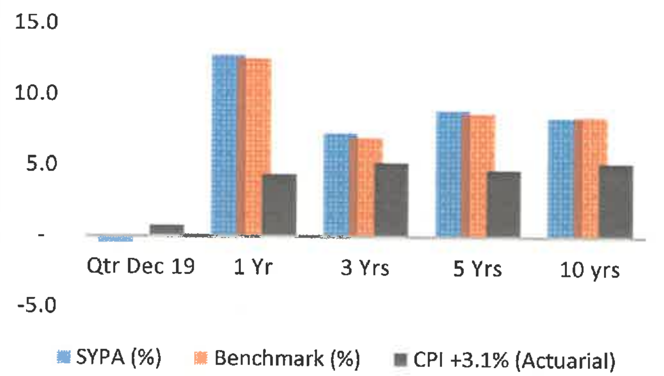
FUNDING LEVEL %



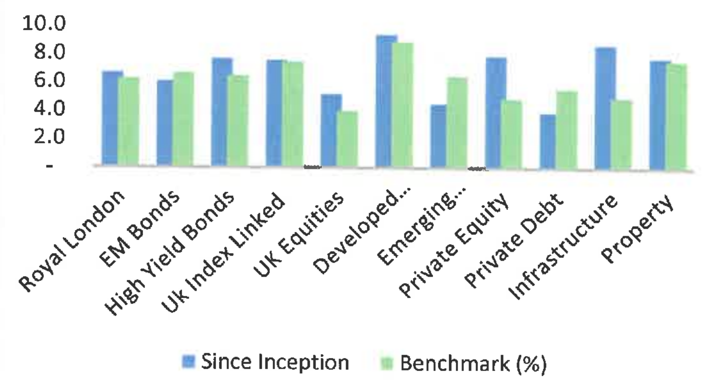
TOTAL FUND RETURN



TOTAL FUND RETURN EXCL EQUITY PROTECTION



ASSET PERFORMANCE BY TOTAL ASSET CLASS - SINCE INCEPTION



Market background

Articles of impeachment passed on President Trump was broadly ignored

Trade uncertainty faded with the US and China announcing an agreed "phase one" deal.

The Federal Reserve cut interest rates once in the quarter and then indicated that "the current stance of monetary policy is appropriate"

Christine Lagarde took over as president of the European Central bank

The General Election in the UK gave the Conservatives a clear majority on the mandate for Brexit. This means that the UK will exit the EU on 31 January 2020 with a "transition period" ending December 2020.

Equity markets responded positively to these events

Bond markets reflected the better mood as government bond yields rose, ie pricess fell. Corporate bonds outperformed government bonds.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Fund Valuation

as at 31 December 2019

	Sep-19 £m	%	Quarterly Net Investment	Dec-19 £m	%	Benchmark %	Range %
FIXED INTEREST							
Royal London	428.6	4.8	3.3	423.8	4.8	5	
UK ILGs	1140.2	12.8	-9.6	1014.5	11.6	12	
High Yield Bonds	216.5	2.4	-11.4	205.5	2.4	3	
EM Bonds	238.1	2.7	-6.1	230.6	2.6	3	
TOTAL	2023.4	22.7	-23.8	1874.4	21.4	23	18-28
UK EQUITIES	1298.0	14.6	0.0	1353.6	15.4	15	10 _ 20
INTERNATIONAL EQUITIES							
Developed Market - BCPP	2473.8	27.8	0.0	2506.7	28.6	27.125	
Developed Market - SYPA	115.2	1.3	-35.2	80.1	0.9		
Emerging Market - BCPP	681.0	7.6	0.0	711.1	8.1	7.875	
Emerging Market - SYPA	18.0	0.2	-1.9	15.9	0.2		
TOTAL	3288.0	36.9	-37.1	3313.8	37.8	35	30-40
PRIVATE EQUITY							
BCPP	7.6		-0.2	6.8			
SYPA	613.3		6.1	594.6			
TOTAL	620.1	7.0	29.0	601.4	6.9	7	2-12
PRIVATE DEBT FUNDS	359.1	4.0	14.6	361.0	4.1	3.5	0-8.5
INFRASTRUCTURE							
BCPP	1.9		2.6	4.3			
SYPA	366.3		11.9	368.0			
TOTAL	368.2	4.1	14.5	372.3	4.2	5	0-10
PROPERTY	768.3	8.6	33.1	796.4	9.1	10	7-13
CASH	256.4	2.9		245.1	2.8	1.5	0-10
EQUITY PROTECTION (EPO)	-68.5	-0.8		-149.3	-1.7		
TOTAL FUND	8913.8	100.0		8768.7	100.0	100	
COMMITTED FUNDS TO ALTERNATIVE INVESTMENTS	1042.5			975.9			

Asset Allocation Summary

£23m was raised from across the bond portfolios with £10m of this being raised from index-linked gilts. The other transactions were the redemption of some short dated bonds and the sale of some investment trusts that we held which would not be transitioned to Border to Coast. Index-linked gilts are the asset class that the Fund holds for inflation protection and we aim to maintain a neutral weighting. They are not cheap as an asset class and after a period of strong performance we reduced the overweight position that had developed.

£37m raised from the residual overseas portfolios and together these funded the £58m net investment across the alternative portfolios.

Within the property portfolio we made a net investment of £33m. The rationalising of the portfolio continued with the sale of two smaller retail units in Ipswich and London but we completed the purchase of Hartwell House the Bristol office unit mentioned in the last quarterly report and also made a £5m capital payment to the development at Fort Kinnaird Motor Village.

This leaves the Fund with an underweight position to bonds, alternative funds and property, and an overweight position to international equities and cash.

The change in weightings over the last few quarters can be seen in the next chart. The Fund has been very close to its benchmark weightings for most asset classes over this period although it can be seen that it has gradually been increasing its weighting to alternatives at the expense of quoted equities.

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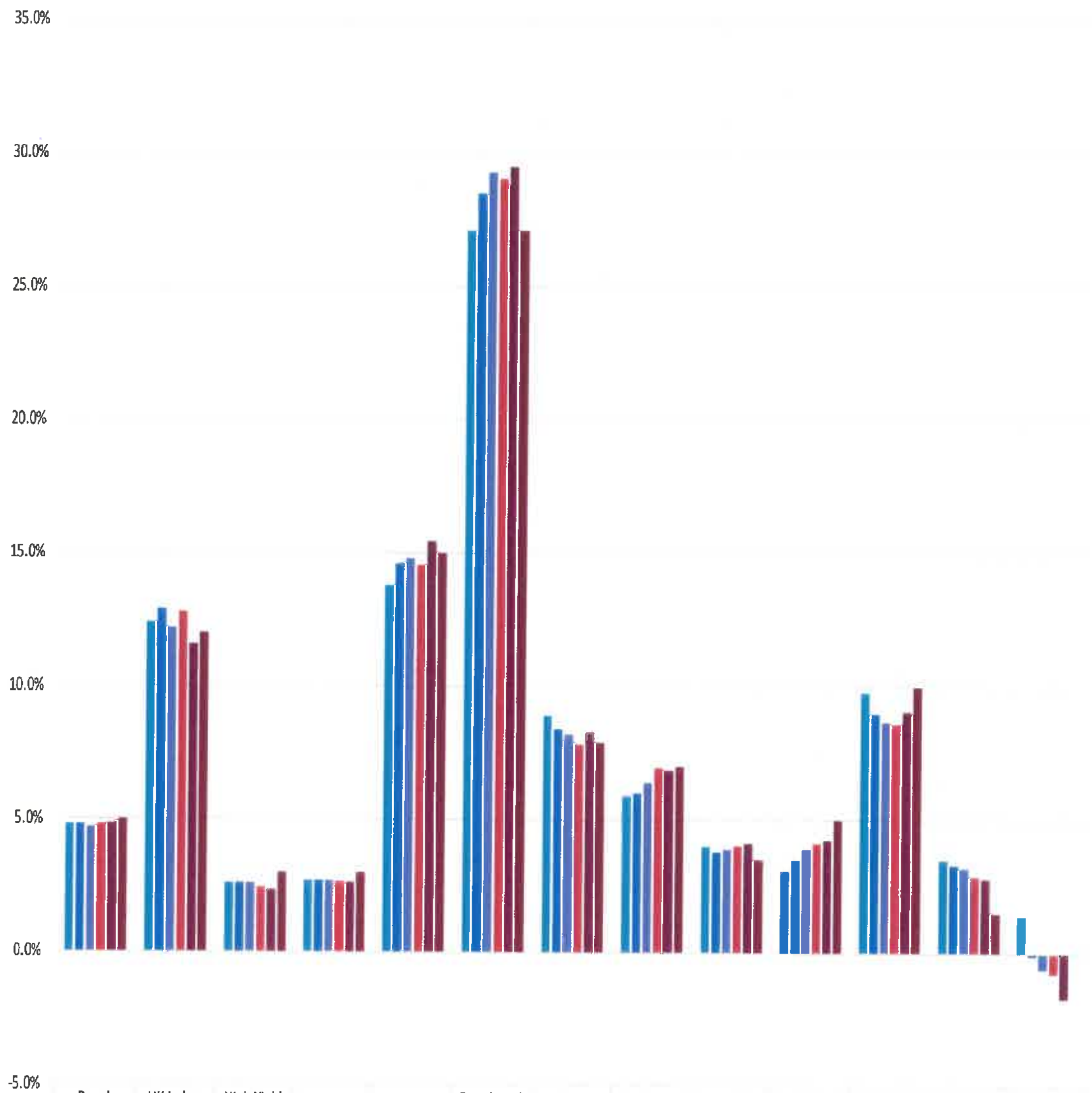
Asset Allocation



	Royal London	UK Index Linked	High Yield Bonds	EM Bonds	UK Equities	Developed Market	Emerging Market	Private Equity	Private Debt	Real Assets	Property	Cash	Equity Protection
31/12/18 (%)	4.8%	12.4%	2.6%	2.7%	13.8%	27.1%	8.9%	5.9%	4.0%	3.1%	9.8%	3.5%	1.4%
31/03/19 (%)	4.8%	12.9%	2.6%	2.7%	14.6%	28.5%	8.4%	6.0%	3.8%	3.5%	9.0%	3.3%	-0.1%
30/06/19 (%)	4.7%	12.2%	2.6%	2.7%	14.8%	29.3%	8.2%	6.4%	3.9%	3.9%	8.7%	3.2%	-0.6%
30/09/19 (%)	4.8%	12.8%	2.4%	2.7%	14.6%	29.1%	7.8%	7.0%	4.0%	4.1%	8.6%	2.9%	-0.8%
31/12/19 (%)	4.8%	11.6%	2.3%	2.6%	15.5%	29.5%	8.3%	6.9%	4.1%	4.3%	9.1%	2.8%	-1.7%
Benchmark (%)	5.0%	12.0%	3.0%	3.0%	15.0%	27.1%	7.9%	7.0%	3.5%	5.0%	10.0%	1.5%	0.0%

31/12/18 (%) 31/03/19 (%) 30/06/19 (%) 30/09/19 (%) 31/12/19 (%) Benchmark (%)

Performance Summary

For the quarter to the end of December, the Fund returned -1.4% against the expected benchmark return of 0.0% which gives a year to date return of 4.7% against an expected return of 6.3%

Looking at the Fund ex equity protection we showed an underperformance of the benchmark giving a return of -0.5%. The underperformance was due to stock selection as asset allocation was neutral over the period.

The breakdown of the stock selection is as follows:-

Bonds	0.1%
Total equities	0.2%
Alternative Assets	-0.7%

Now looking at the equity protection strategy, the nominal value of the portfolio which was protected rose in value over the quarter by 2.7% and the value of the options detracted by £80.8m from the value of the Fund. This effectively reduced the return to the fund by 0.9%.

The indicative funding level as at 31 December was 102.0%.

The performance of the Fund can be seen in detail in the following slides.

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Performance

as at 31 December 2019

	Qtrly Performance		Financial Y.T.D.	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
FIXED INTEREST				
Royal London	(1.1)	(0.7)	5.3	5.0
UK ILGs	(10.2)	(10.4)	0.2	0.2
High Yield Bonds	1.2	(0.7)	6.0	5.0
EM Bonds	0.3	(0.3)	4.8	3.9
TOTAL	**(5.8)**	**(5.8)**	**2.5**	**2.6**
UK EQUITIES	**4.3**	**4.2**	**9.9**	**8.9**
INTERNATIONAL EQUITIES				
Developed Market - BCPP	1.3	1.0	11..3	10.9
Developed Market - SYPA	0.6	1.0	9.7	10.9
Emerging Market - BCPP	4.4	3.4	6.1	6.7
Emerging Market - SYPA	1.0	3.4	(18.9)	6.7
TOTAL	**1.9**	**1.5**	**9..8**	**10.0**
PRIVATE EQUITY	**(4.1)**	**0.7**	**8.3**	**3.6**
PRIVATE DEBT FUNDS	**(3.3)**	**0.7**	**8.2**	**3.6**
INFRASTRUCTURE	**(2.5)**	**0.7**	**3.9**	**3.6**
PROPERTY	**0.3**	**0.6**	**1.3**	**1.8**
CASH	**0.1**	**0.1**	**0.4**	**0.4**
TOTAL FUND excl EPO	**(0.5)**	**0.0**	**6.4**	**6.3**
EQUITY PROTECTION (EPO)				
TOTAL FUND	**(1.4)**	**0.0**	**4.7**	**6.3**

Performance attribution

For the quarter, the Fund returned -1.4% which was behind the expected return of the benchmark, with the Fund valuation falling from £8913.8m to £8768.7m.

Bonds
Stock selection was mixed across the portfolios but overall was positive.

UK Equities
The performance was in-line with the benchmark.

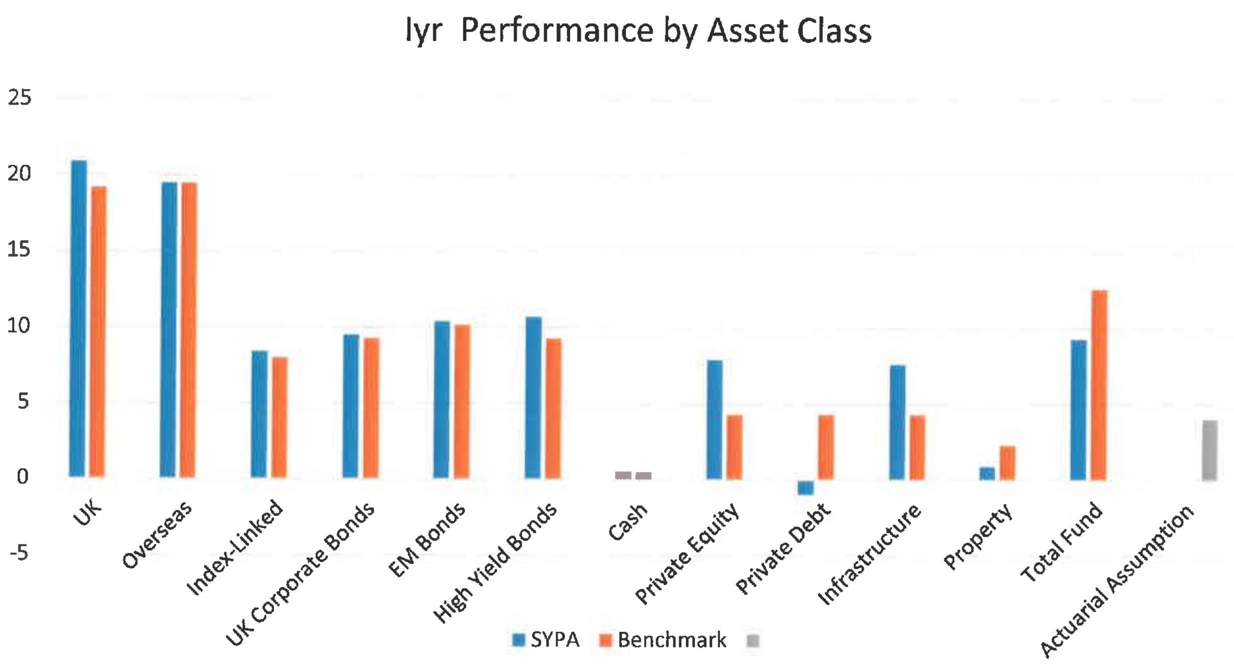
Overseas Equities
Stock selection was ahead of the benchmark. The residual portfolios are being sold down and are not expected to perform in-line with the benchmark.

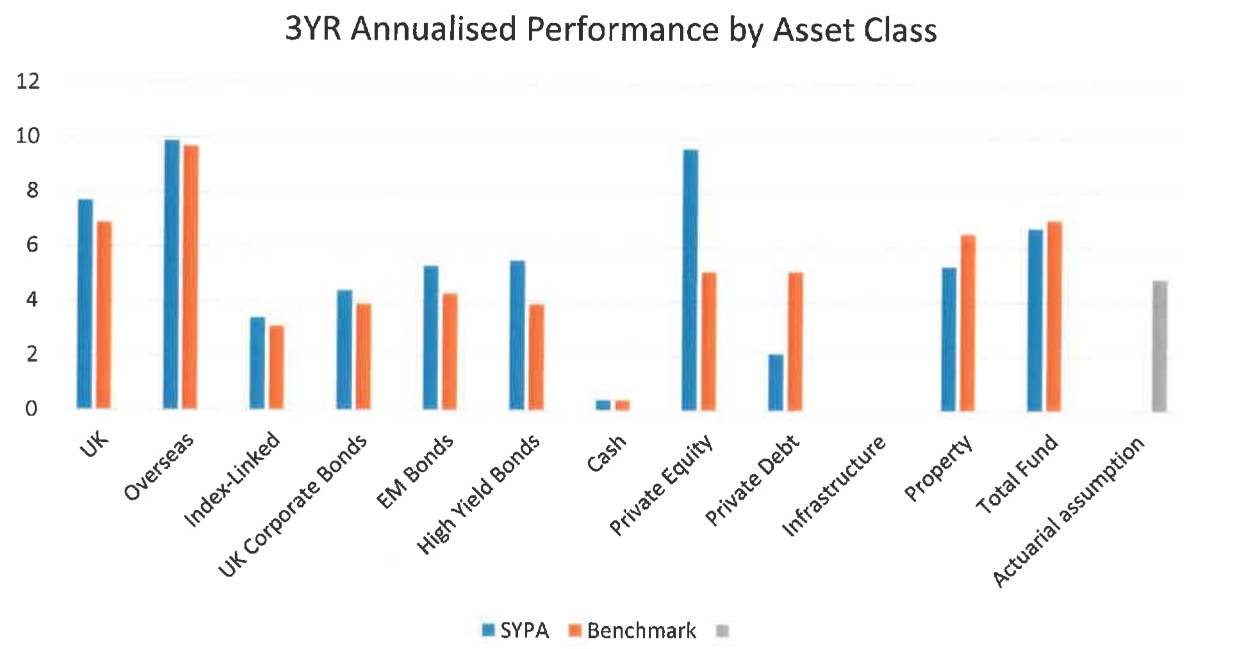
Alternatives
The performance across all the portfolios was negative due to the currency impact of the underlying investments.

Property
Performance was slightly behind with the benchmark.

Equity Protection
With the continued improvement in equity markets the equity protection strategy detracted value from the Fund.

Performance-Medium term





Equity Protection

The equity protection strategy generated a negative return over the quarter given the rise in the financial markets. The strategy impacted the Fund value by £80.9m, which detracted from overall performance by 0.9%.

The gap in valuation between the equity protection strategy and the underlying equities has varied over the period. When markets fall there has been a positive impact but more recently as markets have risen strongly we can see that there is now a negative impact for the Fund. At the end of December this negative impact was £149.3m.

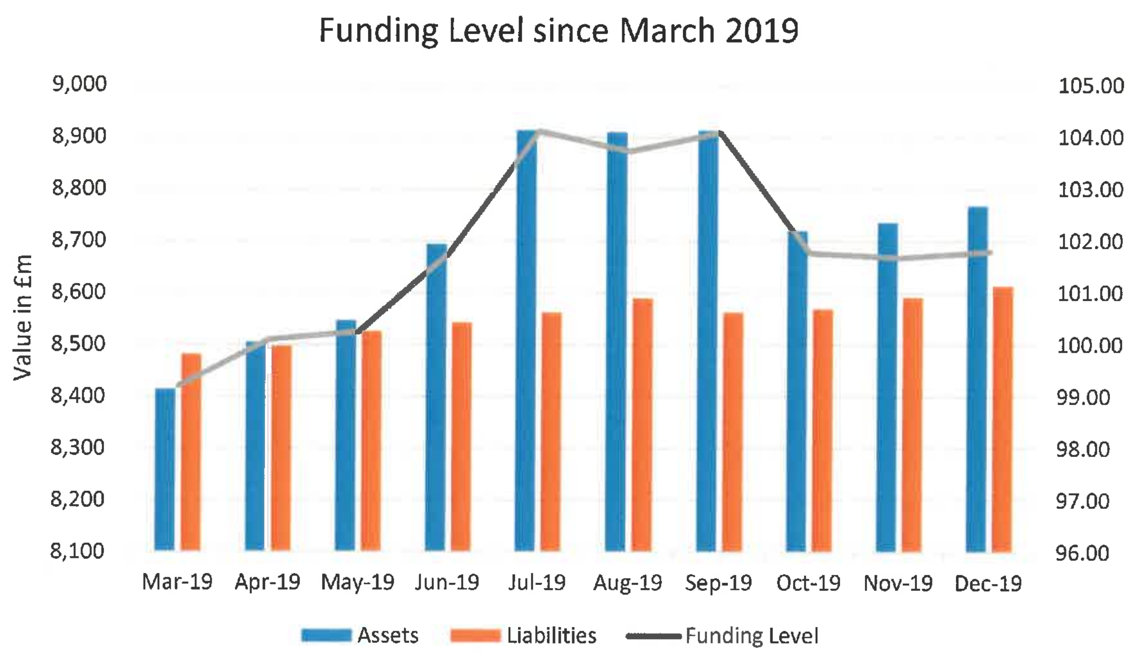
Funding Level

The funding level as at 31 December 2019 has decreased to around 102%.

The breakdown is as follows:

Fund's Assets:
As at 31 Dec 2019: £8,7682.3m
As at 30 Sep 2019: £8,927.3m
A decrease of £145.0m.

Funds Liabilities:
As at 31 Dec 2019: £8,613.3m
As at 30 Sep 2019: £8,563.3m
An increase of £50m.



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Outlook

The global economy remains weak but there are some signs of stabilisation and risk markets are performing well. There is a lot of event risk to get through in the coming months – US/China trade talks have further to go and Trump may turn his attention to the EU; Brexit moves to the next stage, which could be equally as difficult as the withdrawal agreement and in the US the election will get into full swing. Markets appear to be complacent about these risks so a correction is possible.

UK Equities

Some of the Brexit uncertainty has disappeared given the election result and Brexit now scheduled for 31st January. However the withdrawal process continues until the end of 2020 and now the initial rally has subsided there may be little progress from here in the short term. Look to keep neutral position.

Overseas equities

Global economic growth continued to soften during the quarter but leading indicators have shown some signs of stabilisation. The yield curve in the US is no longer inverted and recent positive developments in trade disputes have reduced uncertainty for export-oriented economies in both developed and emerging markets. Whilst political uncertainty has reduced in Europe, the impending US election is likely to drive sentiment.

Global inflation remains relatively benign and although recent increases in commodity prices will cause upward pressure, excess production capacity and weakening labour markets suggests that inflation will remain contained. Monetary conditions have become more accommodative in recent months, as inflation and interest rate expectations have fallen in response to weaker global economic growth. Concern remains that further quantitative easing risks merely boosting asset prices. Even though we have high rates of government debt it is now becoming likely that fiscal policy will be used to stimulate growth.

Following the rebound in markets at the end of 2019, valuations are now significantly above their long term averages in most markets and although there is expected to be some earnings growth in 2020 it is still questionable as to whether these multiples will lower substantially.

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Outlook

We expect market conditions to remain volatile, with a slowdown in global economic growth punctuated by rising and falling trade tensions and additional monetary and fiscal stimulus. We remain more weighted to overseas equities than to UK equities.

Will be reducing to fund the drawdowns to the alternative assets.

Bonds

The risk-off rally in government bonds pushed valuation levels to extremes in many markets – the recent pull back only makes markets slightly less expensive. In pretty much all bond markets, yields are very low and likely to stay low. Spreads in the corporate bond market (Investment Grade and High Yield) indicate little stress. However, the relative outperformance of BB credits versus CCC in the high yield market indicates investors are being cautious in their approach to the hunt for yield.

Risk free assets are very unappealing and credit spreads in riskier bonds especially are too low for them to be attractive to long term investors.

The transition of the Investment grade credit portfolio will take place during Q1 2020 and due to the inflow of early contributions from Sheffield we will be investing an extra £25m into this portfolio and also looking to add monies to the PIMCO Diversified Income Fund. We prefer equities or alternatives to gilts for the long term. Overall we will look to maintain a neutral weighting to index-linked gilts and remain underweight the other bond portfolios.

Real Estate

During the quarter ASI have increased their anticipated 3 year forecast returns from 1% to 1.9% reflecting the decisive election result which has removed a layer of political uncertainty from the economic outlook. However, the Brexit related risks have now been postponed until the end of 2020.

The forecasts anticipate that property will deliver negative capital and total returns in year 1, a marginally positive total return in year 2 and positive capital and total returns in year 3.

Income is expected to remain the focus for investors and ASI do not expect that there will be any material change to the investment themes that they have been advocating over the past year until there is more clarity on the macroeconomic outlook.

Outlook

Real Estate cont.

Will continue to reduce the Fund's retail weighting and will look to make further acquisitions in the industrial sector or assets with long dated income in one of the alternative sectors.

Alternatives

The alternative investment market which includes investments within private equity, private debt and infrastructure, generally generates above market returns and with the pension fund currently slightly underweight in this sector, we are looking to add further investments into this asset class.

Cash

The deployment of cash to alternatives should see the continued reduction in cash balances.

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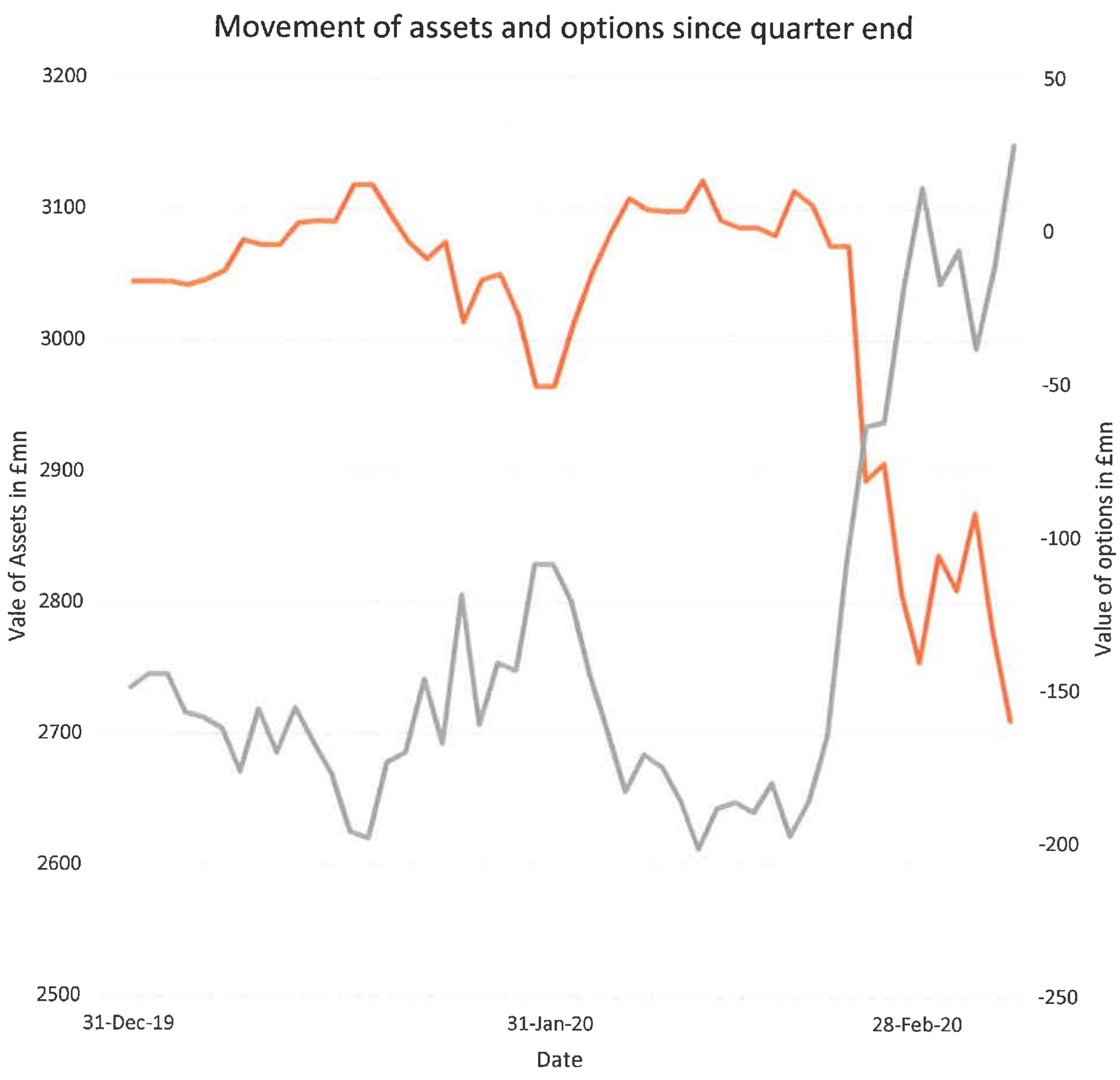

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Subject	**SYPA Responsible Investment Policies – Annual Review**	**Status**	For Publication
Report to	Authority	**Date**	March 2019
Report of	Fund Director and Head of Investment Strategy		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Fund Director	**Phone**	01226 772887
E Mail	ggraham@sypa.org.uk		

1 Purpose of the Report

1.1 To present to members for approval the annual review of the Authority's own policies in relation to responsible investment.

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2 Recommendations

2.1 Members are recommended to:

a. Approve the following updated policy documents:

- **i. The Authority's Responsible Investment Policy (Appendix A)**
- **ii. The Authority's Climate Change Policy (Appendix B)**
- **iii. The Authority's Policy on Responsible Investment for Commercial Property (Appendix C)**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

While much operational responsibility in relation to Responsible Investment is now exercised by Border to Coast on the Authority's behalf in line with policies agreed collectively by the 12 Partner Funds the Authority remains responsible for the overall policy framework in this important area, as well as remaining responsible for RI activity in relation to investments which have yet to be pooled. It is important that this policy framework is kept up to date and sets a clear direction for officers in their work to influence the development of Border to Coast's collective framework.

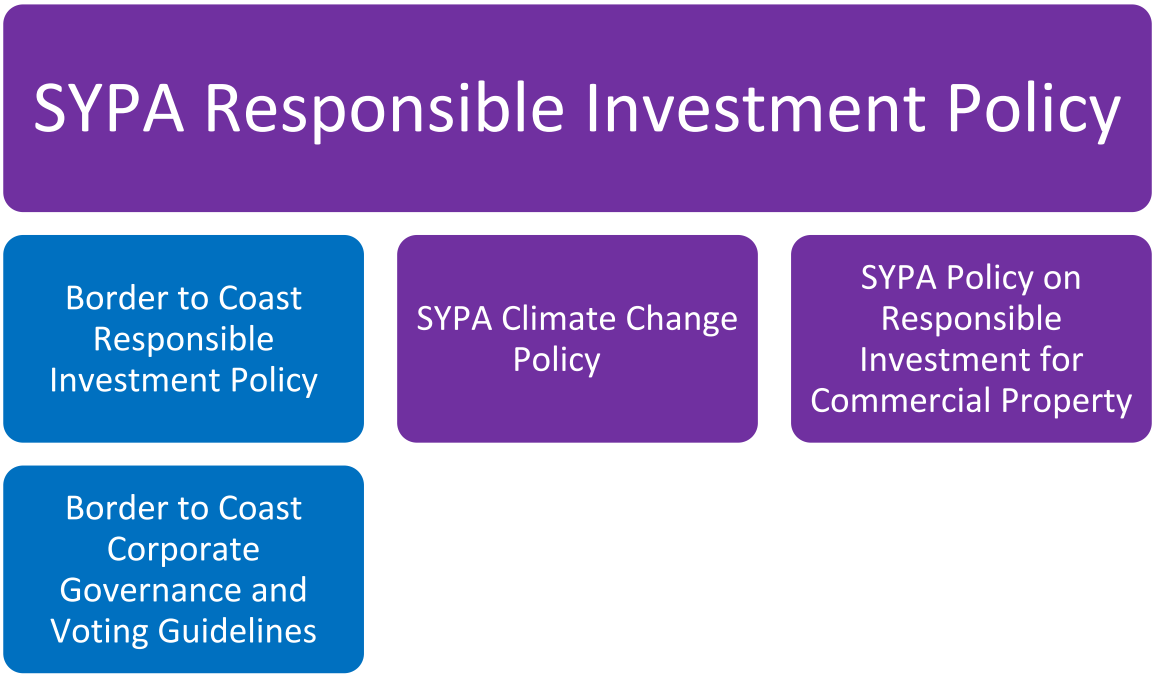
4 Implications for the Corporate Risk Register

4.1 Maintaining an up to date policy framework in relation to Responsible Investment which sits above the collective framework agreed through Border to Coast ensures that the Authority is addressing the risk of not meeting its regulatory obligations. In addition Climate Change is highlighted on the Authority's corporate risk register as a very significant risk and as such maintaining an up to date policy framework in this area supported by an annual action plan is one of a number of actions which allow the Authority to demonstrate that it is seeking to address this risk.

5 Background and Options

5.1 Responsible Investment as an approach is central to the Authority's investment beliefs and how it wants to see its money invested. It is therefore important that the policy framework in this area fully reflects members' intentions and is kept up to date. This report presents the annual review of key aspects of this framework for approval.

5.2 While pooling, through Border to Coast, changes the way in which the Authority makes investments the Authority retains responsibility for setting out its approach and intentions in relation to responsible investment matters, although now these may well be implemented in different ways. Border to Coast has taken a strongly collaborative approach to the development and implementation of its Responsible Investment approach very much building on its inheritance from its partner funds in particular SYPA. This approach results in an RI policy framework as illustrated below with the colours illustrating ownership of the various aspects of the framework:



5.3 SYPA's own policies are reflected in the Border to Coast policies, but also apply to assets which have not yet transferred into the pool. In addition SYPA's policies set out the direction in which the Authority will seek to influence the other partner funds within Border to Coast to move over the coming years.

5.4 The Climate Change Policy (2018) and Commercial Property Policy (2016) have not been reviewed for some time and it is therefore appropriate to review all the SYPA policies together in order to ensure consistency and place them on a common review cycle.

SYPA Responsible Investment Policy

5.5 The latest iteration of the Authority's overarching Responsible Investment Policy is set out at Appendix A. The policy has not been significantly changed but has been tidied up in some areas to ensure it reflects how the relationship with the collective policies agreed through Border to Coast works in practice.

SYPA Climate Change Policy

5.6 The proposed revised Climate Change Policy is at Appendix B. Again this update has not made fundamental change to the policy position, but clarifies the relationship with and expectations of Border to Coast. Further revision to the policy may be required when work being undertaken by Border to Coast in this area is concluded and agreed through the relevant decision making processes.

SYPA Policy on Responsible Investment for Commercial Property

5.7 The proposed revised policy on the application of responsible investment principles to the management of the Commercial Property portfolio is set out in Appendix C. The main changes proposed are:

- Setting out the policy in terms of matters that apply to properties already owned, to properties being considered for purchase, and consideration of development proposals.
- Making explicit reference to the expected environmental quality of purchases and developments using the BREEAM standards. It should though be noted that in terms of purchases not all buildings have a BREEAM certification and therefore to avoid unduly reducing the investment universe for purchases the Authority will look to acquire buildings that are either certified as BREEAM Good or meet that standard but are not certified.
- An intention to produce travel plans for multi-let properties is also set out. This is particularly relevant for the various retail park properties and multi-let offices where some wider benefits may be achieved through working with relevant local authorities and tenants to promote the use of public transport and active travel modes (walking and cycling).

5.8 SYPA is the only one of the four Border to Coast funds with a directly held property portfolio to have a policy of this sort and it is therefore likely that this will provide a platform for the development of the specific policy that will be required for any pooled vehicle(s) developed for property. It is therefore important that it is kept up to date and relevant to both the portfolio and developments across the industry.

Implications

6.1 The proposals outlined in this report have the following implications:

Financial	Approval of these reviewed policies in itself does not have any financial implications. Any implications arising from the policy in relation to the commercial property portfolio will be dealt with as now on the basis of an investment case either calling for some capital investment from the Authority or funded by tenants through service charges.
Human Resources	None
ICT	None
Legal	The LGPS Investment Regulations require the Authority to clearly state its position in relation to Environmental, Social and Governance issues. The maintenance and review of this policy framework fulfils that requirement.
Procurement	None

George Graham **Sharon Smith**

Fund Director **Head of Investment Strategy**

Background Papers	
Document	**Place of Inspection**

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RESPONSIBLE INVESTMENT POLICY

This Policy details the SYPA's approach to fulfilling its responsibilities with regard to responsible investment and stewardship.

Context

This policy is set in the context of the implementation of the Government's agenda for the pooling of the investment assets of the Local Government Pension Scheme in England and Wales. SYPA has chosen to participate in the Border to Coast Pensions Partnership. While SYPA retains responsibility for setting a policy stance in relation to responsible investment issues this will be implemented by Border to Coast, who have developed a policy on responsible investment and associated voting guidelines in conjunction with the 12 partner funds.

While endorsing the collective policy adopted by Border to Coast SYPA would like to move further in some areas and this policy sets out where the Authority will seek to influence partners and other organisations, such as the Local Authority Pension Fund Forum, to go further. In this way there will ultimately be greater collective weight behind the achievement of the Authority's responsible investment objectives.

Responsible Investment as a concept is fundamental to the Authority's statement of investment beliefs. Thus it is a key part of "how we do investment" (and how we expect those who manage money on our behalf to do it) rather than an add on or overlay.

Stewardship, Responsibility and ESG

The primary objective of any pension fund is to ensure that its assets are able to meet its liabilities when they fall due. In order to achieve this, funds have to produce the required levels of financial return without taking on undue levels of risk whilst also operating within the relevant regulatory framework.

Evidence shows that pension funds which consider i how the companies they are invested in behave in relation to environmental social and governance issues, tend to achieve better returns. In other words companies that are well managed and have strong governance are more likely to be successful long term investments. Consequently SYPA's aim is to be a "good owner of good companies, and to encourage the good to get better". This reflects our overall attitude to the stewardship of the Fund. As an active investor working to a long time horizon, we are aware that businesses that operate to high standards of corporate governance along with environmental and social best practice, have the potential to protect and enhance investment returns.

Our awareness of ESG issues when making investments means that we have adopted what is known as a responsible investment (RI) approach; incorporating ESG issues into the investment decision making process allows us to better manage risk and to generate sustainable long-term value.

Governance and Implementation

Under the LGPS (Management and Investment of Funds) Regulations 2016, the Authority is responsible for stewardship, which includes shareholder voting. The implementation of policy is delegated to Border to Coast with the Authority undertaking monitoring, scrutiny and challenge to ensure that the objectives of SYPA policy are delivered. Regular reports to the Authority will aid the monitoring process of the policy with a review at least annually alongside the review of Border to Coast's various policies.

Skills and competency

Officers at the Authority together with the staff at Border to Coast will maintain appropriate skills in responsible investment and stewardship through continuing professional development, and where necessary take expert advice from suitable RI specialists to fulfil obligations and responsibilities. In addition relevant training will be offered to members of the Authority as part of their learning and development programme.

Integrating RI into investment decisions

The Authority considers, and asks its service providers such as Border to Coast to consider environmental, social and corporate governance (ESG) issues when carrying out financial analysis and investment decision making and encourages companies to improve their practices in these areas. The factors considered are those which can cause financial and reputational risk, ultimately resulting in a reduction in shareholder value.

ESG issues will be considered and monitored in relation to both internally and externally managed assets. Border to Coast is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate Change Resource & energy management Water stress	Human rights Child labour Supply chain Human capital Employment standards	Board independence/diversity Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights Business strategy Risk management	Business strategy Risk management Cyber security Data privacy Bribery & corruption Single use plastics Political lobbying

Border to Coast directly manages the majority of the Authority's assets and the steps it takes in order to ensure proper stewardship and consideration of ESG issues are set out in the policy endorsed by all 12 partner funds, which is available on the Border to Coast website and is reviewed annually.

Stewardship

The Fund, as a shareholder, has responsibility for effective stewardship of the companies it

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invests in, whether directly or indirectly through mandates with fund managers and will practice active ownership through voting, monitoring companies, engagement and litigation to promote and support good ESG practices. In the pooled environment these activities will be exercised through Border to Coast in line with policies and guidelines agreed by the 12 partner funds. The Authority, as an asset owner, is a signatory to the UK Stewardship Code, which aims to enhance the quality of engagement between investors and companies to help improve long-term risk adjusted returns to shareholders. The Authority requires Border to Coast to be a signatory to both the UK Stewardship Code and the UN Principles of Responsible Investment.

Voting

Voting rights are an asset to the fund, and the Authority, in partnership with Border to Coast, will use them carefully to promote and support good corporate governance principles with the aim of voting in every market it invests in.

A specialist proxy voting advisor, Robeco has been appointed by Border to Coast to provide analysis of voting and governance issues and to ensure that votes are executed in accordance with its policies. The proxy voting advisor will implement a set of detailed voting guidelines provided by Border to Coast and agreed by the 12 partner funds, which are available on the Border to Coast website, to ensure that votes are executed in accordance with policies. The voting guidelines are administered and assessed on a case by case basis. A degree of flexibility will be required to reflect specific company and meeting circumstances. A process is available to allow the Authority to vote its proportion of any shareholding in a different way to the other Border to Coast partner funds should there be a difference in interpretation of the voting guidelines between the Authority and Border to Coast and Robeco.

The funds managed by Border to Coast and the remaining fixed income holdings managed internally (which do not attract voting rights) form part of stock lending programmes. Where stock lending is permissible, lenders of stock do not generally retain any rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock will berecalled ahead of meetings when:

- There is a contentious resolution on the agenda
- The holding is of a size which could potentially influence the voting outcome
- Border to Coast needs to register its full voting interest
- Border to Coast has co-filed a shareholder resolution
- A company is seeking approval for a merger or acquisition
- Border to Coast deems it appropriate

Lending can also be restricted in these circumstances.

Where appropriate Border to Coast will consider co-filing shareholder resolutions which support the long term economic interests of shareholders and will notify the Authority is advance of doing so.

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Engagement
The best way to influence companies is through engagement, therefore the Authority does not support disinvestment from companies principally on social, ethical or environmental grounds. As a responsible investor, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights. The services of specialist providers may be used
when necessary to identify issues of concern. Meeting and engaging with companies is an integral part of the investment process. The Authority expects all those managing its assets, of whatever type, to engage with companies across all markets and to report back on the outcomes of such engagement.

Border to Coast's contract with Robeco provides the principal (but not only) means of engagement with companies across the world, covering environmental, social and governance issues as well as UN Global Compact breaches. The UN Global Compact is a shared framework covering ten principles, recognized worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

The Authority is an active member and supporter of the Local Authority Pension Fund Forum (LAPFF) and encourages LAPFF in its campaigns and initiatives. The Authority will also engage with regulators, public policy makers, and other financial market participants as and when required. It will encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the Task force on Climate related Financial Disclosures (TCFD) recommendations and other developing initiatives, such as the Workforce Disclosure Initiative (WDI).

Litigation
Where assets held by the Authority are subject to individual or class action securities litigation, it will, where appropriate participate in such litigation.

There are various litigation routes available dependent upon where the company is registered. The Authority will use a case-by-case approach to determine whether or not to participate after having considered the risks and potential benefits. The Authority uses industry professionals to facilitate this. Border to Coast follow a similar model to the Authority on the assets it holds on SYPA's behalf.

Communicating and reporting
The Authority will report on its RI activities periodically and will keep beneficiaries and stakeholders informed. This will be done by making publicly available RI and voting policies, publishing voting activity on the Authority's website quarterly, reporting on engagement and RI activities to the Authority and in the annual report.

Training and assistance
Training on RI and ESG issues will be offered by Border to Coast. Where requested assistance will be given on identifying risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy

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Statements.

Conflicts of interest
In an event of any potential conflict of interests, a suite of policies have been drawn up between the Authority and Border to Coast.

Climate Change
The Authority recognizes the global issues and risks arising from climate change and the material impact it can have on the performance of the Fund. As a long term investor the Authority acknowledges its responsibilities and is fully committed to looking at ways in which it can address this situation, by participating with similar-minded investors and partners in initiatives such as Institutional Investors Group on Climate Change (IIGCC), the Taskforce on ClimateRelated Financial Disclosure (TCFD) and Climate Action 100+. The Authority will also expect Border to Coast to be aware of the investment risks associated with Climate Change and to take appropriate action to identify them and to mitigate their impact, including involvement in appropriate collaborative groups. The Authority's climate change policy will aim, where possible, to:

- Assess portfolios in relation to climate change risk where feasible.
- Ensure that those managing money on the Authority's behalf incorporate climate considerations into the investment decision making process.
- Ensure that Border to Coast support climate related resolutions at company meetings which are aligned with the collective RI Policy.
- Seek to establish its exposure to climate change and carbon risk through the commissioning by Border to Coast of a carbon audit of the equity and other listed asset portfolios managed on behalf of the Fund at least every two years. Results will be reviewed and used to focus engagement and strategy going forward.
- Develop with Border to Coast means of measuring the climate impact of its property and private market portfolios.
- Encourage companies to develop and implement strategies to deal with various scenarios in an energy transition (e.g. a 2°C policy outcome).
- Ensure that Border to Coast uses voting rights in line with the agreed policy.
- Support Border to Coast on co-filing shareholder resolutions at AGMs to request deeper disclosure on climate risk issues.
- Whilst recognising that active shareholder engagement should be the Fund's first option, consideration will be given to reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk and/or implementing a business strategy which supports the transition to a low carbon economy.
- Over time endeavour to work with fund managers to progressively reduce the Fund's carbon exposure.
- Continue to collaborate with other investors through groups such as LAPFF.
- Actively engage with policy makers through its membership of IIGCC.

March 2020

Climate Change Policy

South Yorkshire Pensions Authority's primary responsibility is to deliver the returns needed to pay scheme members' pensions, whilst maintaining stable and sustainable contribution rates. The Authority is a long-term investor and as such has to ensure that its investments are sustainable. In doing so it actively considers how environmental, social and governance (ESG) issues can be taken into account when managing investment portfolios. The Authority has a fiduciary duty to consider ESG issues where it is considered that they could have a material financial impact on the Fund's performance. This is supported by the 2014 Law Commission's review which concluded that ESG factors should be taken into account where Trustees think that issues are financially material to the performance of an investment. The Pensions Regulator also issued guidance in 2017 for Defined Benefit schemes, stating that ESG factors need to be taken into account if they are deemed to be financially significant and the regulations for trust based pension schemes have been updated to require trustees to set out their approach to ESG issues. The Local Government Pension Scheme Regulations also require the Authority to set out its position in relation to the consideration of ESG issues as part of its Investment Strategy Statement.

The greatest potential environmental risk to the Authority's investments is climate change, where the associated risks and opportunities may have a material financial impact across all asset classes. Thesystemic nature of climate change risk has the potential to reduce returns across all asset classes and will have a macro-economic impact that could affect the entire Fund. Equally, however, the need to transition to a low carbon economy and the innovation that will require presents a number of potential investment opportunities. Risks and opportunities can be presented in a number of ways and include:

- physical impacts,
- technological changes,
- regulatory and policy impacts,
- transitional risk and
- litigation risk.

The Authority will therefore consider climate change issues across the Fund in order to minimise financial risk and maximise long-term opportunities.

In December 2015 the G20 finance ministers and Central Bank governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate related issues. Such information is needed by investors, lenders and insurance underwriters in order to be able to assess climate related risks and opportunities. This led to the Task Force on Climate-related Financial Disclosures (TCFD) being established. Its remit was to develop a set of voluntary climate-related disclosures, which would assist in understanding the associated material risks of climate change. The final report with recommendation was published in June 2017, and can be accessed through the TCFD website here:
https://www.fsb-tcfd.org/

Supplemental guidance has been developed for financial and non-financial organisations which includes guidance for asset owners. The recommendations were based around four pillars;

- governance,
- strategy,
- risk management and
- metrics and targets.

The TCFD framework is widely recognised as the best practice guide against which investors' actions will be assessed. This Climate Change Policy will therefore be structured around these four themes.

Governance
The Climate Change Policy is owned and approved by the Authority with implementation and oversight of the Policy being by the Fund Director; it will be reviewed as necessary.

The Authority is required by the LGPS Investment Regulations to invest its assets through one of the LGPS investment pools, in this case the Border to Coast Pensions Partnership BCPP), however, the responsibility for responsible investment and ensuring the appropriate consideration of ESG issues remains with the Authority. The Authority expects Border to Coastto implement this policy on its behalf across all its investments; it will monitor implementation and require reports from the Company at least annually in order to fulfill its obligations under the LGPS Investment Regulations

Strategy
Climate change is an issue of greater significance than other ESG issues. It has the potential to impact returns across all asset classes (not just individual companies or sectors), and therefore has very material financial implications. The Authority will therefore expect Border to Coast to: be aware of the investment risks and opportunities associated with climate change; to incorporate climate considerations into the investment decision making practices and processes; and to monitor and review fund managers in relation to their climate change approach and policies. It will expect Border to Coast to engage with companies in relation to business sustainability and climate risk disclosure and to encourage companies to adapt their business strategies to support the transition to a low carbon economy. Whilst recognising that active shareholder engagement should be the first option, the Authority will encourage Border to Coast to consider reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk.

It will also expect Border to Coast to support climate related resolutions at company meetings when
deemed appropriate, and consider co-filing shareholder resolutions at Annual General Meetings (AGMs) on climate risk disclosure and related issues, such as trade association lobbying after engagement with its Partner Funds.

The Authority will engage with Border to Coast to ensure this approach is taken both with internallymanaged assets and appointed external managers.

The Authority will look to consider climate change when reviewing investment strategy with its investment consultants and how this will impact future asset allocation decisions. It will not actively divest from companies solely or principally because of social, ethical or environmental reasons. However, in light of the significant potential financial impacts of climate change, carbon risk and stranded assets, it has made the decision not to invest in pure coal and tar sand companies. The Authority will encourage BCPP to consider how it manages carbon risk and exposure across its various portfolios, and as stated above will consider seeking the agreement of partner funds to reduceexposure to high carbon intensity companies that fail to respond to engagement on climate change related issues.

There are limited low-carbon related investments in quoted markets, with more opportunities existing within the private equity and alternative investment asset classes. The current investment strategy which is being put in place to provide further diversification and reduce volatility of expected future returns, has resulted in a reduction in equities and a move into alternatives. This has therefore increased SYPA's exposure to assets that may be less sensitive to climate change risks.

The Authority's property allocation is mostly through direct property; and a standalone statement relating to responsible commercial property investing, details the approach taken. It takes into account current best practice regarding social and environmental considerations when managing its property portfolios and determining the selection, retention and realisation of investments. The Authority's aim is to reduce its impact on the environment and maintain a positive relationship with its customers, tenants and suppliers.

Risk Management

The Authority will look to measure and manage the risk of climate change, carbon exposure and stranded assets to the Fund. It will measure and manage climate risk across portfolios by monitoring carbon intensity (where possible) and commission a carbon audit of its investments on at least a biennial basis. It will take appropriate action to identify such risks by increasing internal knowledge and understanding of scenario and risk analysis tools available, and being aware of ongoing climate change policy discourse. The Authority's preferred approach is to endeavour to manage a tilt within portfolios in favour of lower carbon assets with a view towards progressively decreasing the Fund's carbon exposure. It will, therefore, work with Border to Coast to encourage carbon reduction across portfolios.

The Authority believes that collaboration with other like-minded investors leads to greater shareholder power to influence company change and behaviour. It will therefore, look to work in partnership with Border to Coast and other groups such as LAPFF, the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ to ensure there is appropriate engagement with companies on climate related issues, including business sustainability and disclosure of climate risk, in line with TCFD recommendations.

Governments' climate change policies are unpredictable leading to public policy uncertainty. Investors are lobbying policymakers to accelerate the development of a realistic carbon price. Carbon pricing is vital for businesses and investors to properly incorporate climate related risk into investment decision-making. The Authority will, therefore, actively engage with policy makers through its membership of IIGCC.

Metrics and Goals

The Authority will, where possible, report progress in line with TCFD recommendations; this Climate Change Policy has been structured around the TCFD's reporting themes. The TCFD believes that asset managers and asset owners, including public- sector pension funds, should implement its recommendations with disclosures made in annual public financial reports.

The Authority will measure its portfolios' exposure to carbon-intensive companies, where able, by conducting an at least biennial carbon audit expressed in tons CO_2e/$M Revenue. This is the metric recommended by the Task Force. However, the Task Force recognises the challenges and limitations of current carbon footprinting metrics, but sees it as a move towards developing investment decision-useful, climate-related risk metrics. This information will be used to highlight specific risks and inform company and fund manager engagement.

It will also report on additional metrics which will include company engagement meetings, both direct and collaborative. It will request that Border to Coast integrates climate risk and opportunities into the investment decision making process for both internal and external mandates.

March 2018

Responsible Investment Policy for the Commercial Property Portfolio

Introduction
Responsible investment lies at the core of the Authority's investment beliefs, and is fundamental to how we go about our business. However, how we invest responsibly differs between asset classes. When investing in equities the way in which we address Environmental, Social and Governance (ESG) issues is generally through engagement with companies and voting at company annual meetings, and the Authority's overall responsible investment policy (and those of the Border to Coast Pensions Partnership which sit underneath it) focus on listed assets and other financial investments such as private equity. Investing responsibly in the area of commercial property is a different and much more practical proposition and this policy sets out what the Authority aims to achieve and how in this area.

We can summarise our approach to Responsible Investment in traditional financial assets as:

"To be a good owner of good companies who encourages the good to become better"

Applying the same logic to commercial property as an asset class we can summarise the position we want to achieve as follows:

"SYPA wants to own and develop buildings which meet the highest economically feasible environmental standards and operate buildings in a way consistent with our policies on social and governance issues as applied to other asset classes."

This means that we need to identify specific actions in relation to:

- Buildings we already own;
- Buildings we propose to acquire;
- Buildings we propose to develop;

While the Authority will always aspire to the highest standards in terms of ESG in the area of commercial property there needs to be recognition that the interests of the Authority's tenants also need to be considered. All opportunities to improve the sustainability performance of assets shoud be considered on the basis of thier costs and benefits to SYPA as landlord and to occupiers and other stakeholders.

The Authority will at all times seek to promote awareness and adoption of responsible investment principles by its managers, agents and tenants across the property portfolio.

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Buildings we Already Own

When investing in commercial property the Authority is investing in the physical assets and not in the businesses of its tenants. However, the Authority will try to ensure the proper use of its properties by promoting leases that prohibit illegal, immoral and anti-social conduct and requires tenants to follow best practice when considering health, safety and pollution issues, and encourages tenants to review situations where their activities could be considered a high risk to the environment.

The Authority requires both suppliers and customers to comply with existing environmental legislation and to consider draft changes in legislation before they become law. The Authority strives to ensure its buildings are effectively managed and energy efficiency is maintained at optimum levels. Specifically:

- All energy contracts placed by or on behalf of the Authority in relation to multi-let properties or vacant single tenant properties will utilise renewable energy tarrifs.
- Where not installed when a building is purchased the Authority will investigate the feasibility of low-carbon technologies (e.g. solar PV) and other measures to improve operational efficiency. Potential improvement measures will be included in each asset's ESG action plan. If not feasible in the near-term, measures will be reviewed regularly, at least every two years.
- Where it is not the when a building is purchased the Authority will with the agreement of its tenants seek to, over time, bring properties to the standards specified in this policy for newly developed properties.

For multi-let properties the Authority and its agents will, where they do not already exist, seek to work with tenants and the relevant local authorities to develop travel plans (and facilities) which promote the use of public transport and active modes of travel (cycling and walking), for example by the provision of new bus stops or cycle parking.

In relation to the buildings which it owns the Authority and its agents will take the following steps across a range of areas:

Supplier selection
Major suppliers are encouraged to adopt good practice RI principles, in particular health and safety, waste management, recycling of materials and promotion of good labour standards.

The Authority will engage in a dialogue with contractors and suppliers over any areas of concern.

Planned maintenance and energy auditing
The Authority intends that planned preventive maintenance (ppm) schedules exist for all managed buildings to ensure regular checking of controls for heating and cooling, hot water and electrical systems.

Operating and maintenance manuals should be available to on site staff. They should identify optimum settings of plan and systems and correct operating procedures.

Maintenance staff should be aware of the correct operating parameters and compare energy usage against energy targets.

Log books recording all maintenance activities should be held on site.

Energy audits should be undertaken annually to review improvements. Planned upgrading or more energy efficient plant and systems should be considered in older buildings.

Building fabric should be maintained to ensure energy efficiency.

Ozone depletion
All refrigerants present in the building should be identified. The Authority seeks to produce a methodology for replacing ozone depletion refrigerants with new refrigerants, where possible.

It is important to replace Halon fire protection systems as part of a planned programme wherever possible.

Decanting facilities for recovering refrigerants should be provided and the Authority will consider refrigerant leak detection systems where appropriate.

Leak detection and recovery of refrigerants should be specified where practical.

Maintenance facilities should be adequate to monitor the integrity of the refrigerant equipment, and to recover decanted refrigerant.

Recycling
The Authority's managing agents will be encouraged to undertake a waste audit and review the scope for reduction and/or an increase in the level of recycling of the waste produced.

Lighting
The Authority encourages the use of high frequency ballasts with fluorescent light fittings to limit flicker and glare, reduce energy use and extend lamp life, and where possible supports the replacement of such fittings with LED's.

Steps will be taken to ensure lighting levels (allowing for deterioration) are not set artificially high. Where feasible, sensors to ensure lighting is only used in occupied space should be used.

Air Quality
The aim is to ensure air conditioning systems including ductwork, humidifiers and filtration systems, are adequately maintained in accordance with manufacturer's requirements.

Hazardous materials
Awareness of the Authority's Health & Safety requirements is promoted.

The Authority and its agent will identify presence of asbestos in a building and comply with regulations when removing or altering it.

The use of lead pipes for water is now restricted, but may be present in older buildings.

Performance monitoring and action planning
The contract with the managing agent provides all the management objectives for a comprehensive RI policy.

A ESG action planwill be kept on an online platform for all properties. The scope of actions will vary depending upon the size and nature of the property. The platform will enable the monitoring of performance trends against targets for energy, emissions and waste management. An inventory of any ozone depletion substances stored on site will be maintained by the M&E contractor where applicable. Waste management facilities, including records governing the control and disposal of hazardous materials, will be fully documented. Sustainability actions and recommendations for continuous improvement should be regularly monitored and reviewed.

Buildings we Propose to Acquire

In looking to acquire any property there are a number of key environmental and social factors that the Authority will examine in addition to purely financial considerations when making a decision to purchase. These are factors which will ultimately impact the financial performance of any specific asset. In all cases, the aim is to minimise downside risks and capitalise opportunities in order to enhance returns wherever possible.
The factors considered include:

- Environmental performance: Poor environmental performance can result in additional costs through having to "retrofit" buildings or higher costs for tenants due to issues such as increased energy use. Issues such as this make such properties less attractive to tenants thus potentially increasing void costs.
- Connectivity: this has a number of different aspects which can impact in differing ways for different types of property. Connectivity could apply to transport or to broadband. Thus, for example, a difficult to access office building is less likely to be attractive to tenants potentially increasing void costs.

Generally we will aim to acquire buildings in sustainable locations (relative to their use, the qualification here around use type reflects that a sustainable location for a logistics facility will be different from that for an office building) which have a BREEAM sustainability rating of good or higher (this reflects the top 50% of new non-domestic properties) however it should be understood that not all buildings have BREEAM ratings and so we may also acquire buildings that would in our opinion demonstrably meet this sustainability threshold. There may be occasions where we purchase buildings with lower

SouthYorkshirePensionsAuthority

sustainability ratings with a view to improving their ratings by way of refurbishment if we believe that the financial returns are sufficiently attractive.

We will positively weight the fact that buidlings have existing renewable energy infrastructure such as solar panels, small wind turbines, or gound source heat pumps in investment decision making.

Buildings we Propose to Develop

Clearly where the Authority is looking to develop a property it can seek to achieve an ideal in terms of environmental and social standards. However, there are limitations here, in that, it would make no sense to develop the perfect building from an environmental and social perspective if it resulted in rents that were unaffordable for the types of tenants for which the building is intended. That said, building in features during construction is likely to be more cost-effective than retro-fitting and can in itself be an attraction for some tenants.

Consequently where it is developing property the Authority will wish to deliver projects to at least the BREEAM Very Good Standard which is achieved by the top 25% of non-domestic buildings in the UK.

Where the Authority proposes to develop buildings it will have regard to:

- The relevant local plan, and it will not, for instance, seek to develop an industrial building in an area intended for residential development;
- The economic strategy for the area being promoted by the local authority, and/or Local Enterprise Partnership;
- The principles of sustainable development, in particular looking to opportunities for the redevelopment of brownfield sites rather than greenfield sites, and giving significant weight to a sites transport connectivity in the context of the proposed use.

Any proposed development goes through a number of stages and different responsible investment considerations apply at each stage. The following sections set out the considerations that apply at each stage:

Conceptual stage
Contractor and supplier selection
The Authority will promote awareness of its RI policy among our suppliers. Where environmental risk issues arise, the Authority will negotiate with suppliers and contractors.

The Authority will encourage the adoption of the Construction Industry Board’s procedures for selected Projects – the Considerate Constructors Scheme – in order to promote health and safety aspects, and consideration within the neighbourhood.

Life-cycle considerations

Life cycle costing and, where appropriate, whole life costing, are used to establish appropriate building specifications.

Planning and environmental assessment
Planning policy will dictate that in certain circumstances environmental impact studies should be undertaken to assess the potential environmental effects of a development. If required, the scope of this assessment will be determined in consultation with the local planning authority.

Contamination
Ahead of any development (or indeed any asset purchase) checks are carried out for evidence of any contamination.

The Authority undertakes an environmental land survey and record of every property within its portfolio.

Landscaping
The possibility of landscaping to minimise any detrimental impact the development may have is always considered.

Wind
A wind assessment is considered to ensure conditions near the development are satisfactory.

Energy efficiency and low-carbon technologies
Design energy standard initiatives based upon best practice government publications are encouraged.

Where possible, design techniques are used at the conceptual stage to minimise energy consumption. For example, opportunities to use natural ventilation and to use the shape and orientation of the building to maximise day lighting and reduce cooling requirements are considered.

Wherever possible opportunities for renewable energy generation through for example the mounting of solar panels as part of a development are taken.

Detailed design

Awareness of team
The Authority will ensure all participants in the team address environmental issues and are aware of its RI policy.

Demolition and recycled materials
The Authority considers it vital to identify and comply with requirements for disposing of hazardous materials. The Authority will also attempt to recycle materials resulting from demolition. Recycled building materials such as crushed demolition materials should be

considered for filling and for road bases. The use of recycled products should be considered wherever performance criteria can be met.

Design life and flexibility
The durability and flexibility of materials, particularly in relation to their reuse, should be considered at the specification stage.

The need for future alterations can be avoided if careful design and flexibility are built into space planning.

Energy conservation and greenhouse gas emissions
The target is to reduce consumption of fossil fuels directly or indirectly by specifying the use of energy efficient plant and equipment designed to minimise production of carbon dioxide and oxides of sulphur and nitrogen.

High levels of insulation should be incorporated into the building fabric with particular attention to window design.

The Authority will attempt to use natural day lighting to minimise electrical energy use. Thermal recovery devices should be considered in air conditioning systems. The Authority
will consider other designs that enable passive heating and cooling of buildings where practicable.

Energy efficient services, appliances and controls are considered in order to further reduce operational energy consumption.

Noise
Engineering systems should limit the external noise they generate and restrict the background noise to an acceptable level at night.

Ventilation
Natural ventilation should be used where possible.

Air intake points should be designed to avoid cross contamination. Filtration should be in
accordance with Chartered Institution of Building Services Engineers recommendations and should incorporate monitoring devices to ensure that maintenance procedures are adequate.

Indoor air quality
Fresh air allowance should follow Chartered Institution of Building Services Engineers recommendation. Where appropriate, windows should be of a style that can be opened. Ductworks should provide access points to enable periodic cleaning.

Thermal comfort
Controls should be incorporated to ensure local environments can be maintained

without
wasting energy by overheating or overcooling of the space.

Lighting and visual comfort
Buildings should be designed to maximise use of daylight, reduce glare and provide external views for occupiers where possible.

The use of low energy luminaires (LED where viable) with high frequency control gear will
always be advocated. The use of controls that permit timed zoned switching of luminaries or movement sensors will be recommended where appropriate.

CFCs, HCFCs and Halons
CFCs and HCFCs should not be used as blowing agents in insulation materials. Extruded polystyrene and polyurethane foams should not be used.

Halon fixed or portable fire control systems should not be specified.

The specified refrigerants should offer the lowest ozone depletion potential available at the time of specification, and should take into account planned future legislation.

Lead and solvent based paints
The Authority does not encourage the use of lead based paints. Solvent based paints that
may release Volatile Organic Compounds (VOCs) should be avoided as far as possible and
used in line with manufacturer's guidance where their use is unavoidable.

Asbestos/formaldehyde
The Authority opposes the use of asbestos or other such deleterious material. The use of building products containing formaldehyde should be avoided where there is an alternative available and all efforts should be made reduce the risk of release from specified materials.

Legionnaire's disease
Awareness of the Authority's water management standards should assist in the design of
new plant and systems.

Domestic water services should permit periodic chlorinating.

The design and specification of new plant should be in accordance with the approved code of practice.

Timber and stone
Timber and timber boards, including tropical hardwoods, and specified stone finishes

should be obtained from certified sustainable sources.. Timber products should be obtained from sustainably managed resources and the timber merchant's certificate should state the country of origin and plantation.

Landscaping and nature
Internal landscaping (e.g. green walls and planting) should be considered to provide a link
with nature for building users. External landscaping, where part of the scope of a development, should incorporate green space and natural features.

Recycling facilities and storage
Buildings and fit-outs should be designed to enable occupants to easily segregate and store recyclable materials. There should be sufficient space to store recyclable materials and enable them to be collected. Compaction facilities for waste are recommended where appropriate.

Water conservation
Demand for water should be reduced through the specification of water-efficient technologies. Water economy devices should be fitted to urinals and water meters installedto monitor consumption. Water flow regulators should be fitted to taps where appropriate.

Where appropriate, the use of rainwater and recycled grey water should be considered.

Wet evaporative cooling towers should not be used.

Cycling facilities
Secure and dry storage for bicycles together with changing facilities should be provided where feasible.

March 2020

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Border to Coast Pensions Partnership Ltd

South Yorkshire Pensions Authority

19th March

Responsible Investment

Responsible Investment Myths

…it involves investing in a specific investment strategy or product

Responsible investment (RI) is not a specific strategy or product. It simply ensures all relevant factors are accounted for when assessing risk and potential returns.

…it leads to lower investment returns

Responsible investment is designed to *enhance* risk and return characteristics. Academic evidence to support Environmental, Social and Governance (ESG) integration leads to well-managed, better performing companies.

…it's about divestment, exclusion and negative screening

Responsible Investing does not seek to take a moral or ethical stance to investing. Emphasis is on integration of ESG criteria into investment decision making.

ESG & Sustainability Issues

Environmental, Social and Governance (ESG) factors enable investors to consider issues that could cause financial and reputational risk, impacting shareholder value.

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Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management

Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Source SASB.org

Responsible Investment in Practice

Active ownership:

Voting

To **encourage good governance** and sustainable corporate practices, looking to protect shareholder value through voting and co-filing shareholder resolutions.

846 shareholder meetings voted
Co-filed 1 shareholder resolution

Engagement

To **influence** companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement, creating long-term sustainable value.

136 engagements held by Robeco

ESG integration:

ESG integration is the analysis of **all material factors** in investment analysis and investment decisions, including environmental, social, and governance factors which are financially relevant.

ESG and carbon screens on all portfolios

Reporting:

Transparency and disclosure on RI activities, keeping stakeholders and beneficiaries informed. Signatory to the UN backed Principles for Responsible Investment.

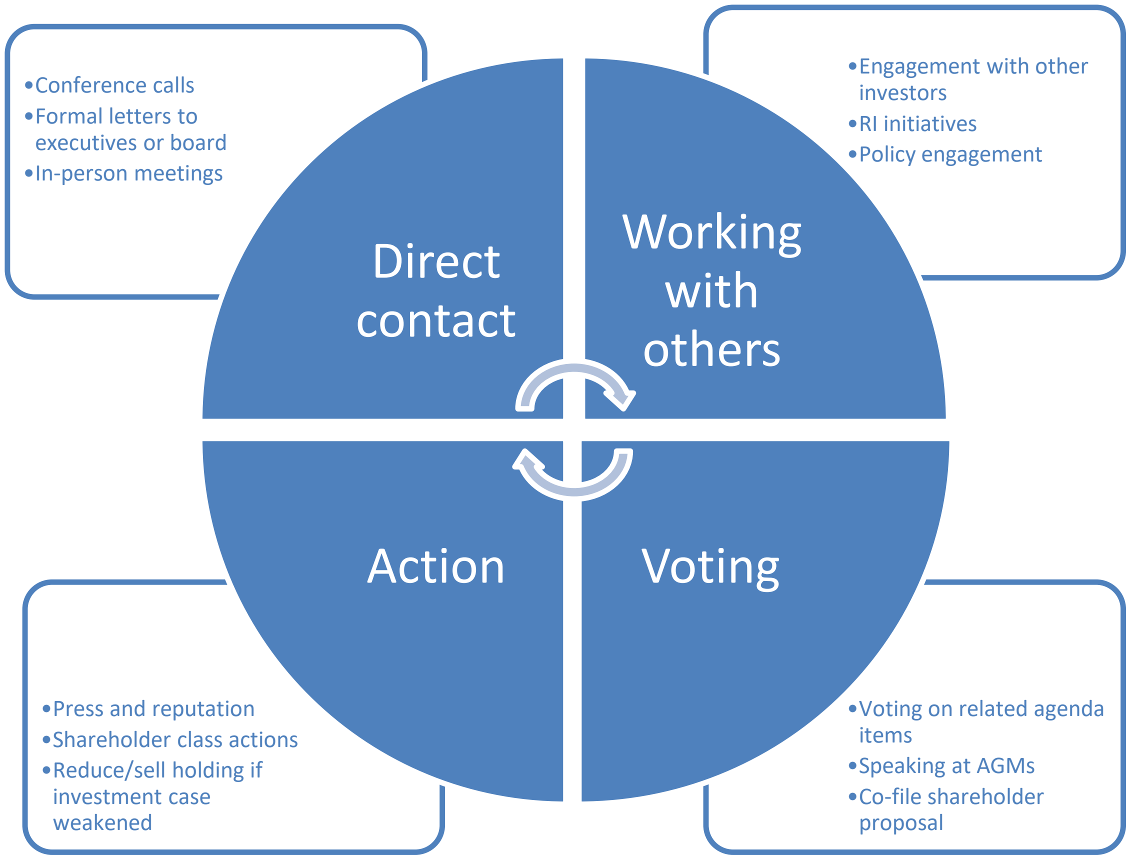
Quarterly voting & Stewardship reports
Annual RI report
PRI reporting

Voting:
BP – Using Shareholder Rights

Issue	Shareholder resolution	Vote	Corporate action
Concerns that BP had not demonstrated its strategy was consistent with the Paris climate goals	Institutional investors called for the company to broaden its corporate reporting to describe how its strategy is consistent with the goals of the Paris Agreement	99.14 % In favour	The BP Board announced it was supporting the resolution. The vote communicated a clear sign to the company about the importance of the resolution to investors. Will disclose on how business strategy is consistent with the Paris Agreement

Engagement

Engagement and constructive dialogue is more effective than excluding companies but may need to escalate if objectives not achieved



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Investor Mining & Tailings Safety Initiative

- Tailings dam collapse at mine owned by Vale
- Shares fell 24% wiping $19 billion off market value
- $6bn (10% of its market value) to cover reparations and decommissioning other dams
- Initiative supported by investors with over US$12 trillion AUM
- Letter sent to over 700 companies asking to disclose data
- Systemic issue for the whole industry

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fastFT Mining + Add to myFT

One in ten tailings dams experience 'stability issues', report finds

Survey results raise safety concerns after fatal Brazilian collapse in January

THE WALL STREET JOURNAL.

WORLD | LATIN AMERICA

Deadly Brazil Mine Accident Puts Waste Dams in Spotlight

The deadly collapse raises questions on whether mining companies are spending enough to build and maintain waste-and-water dams

By Scott Patterson
Jan. 30, 2019 1:53 p.m. ET

Climate Action 100+

A five- year investor led initiative engaging with 161 of the largest greenhouse gas emitters across a range of sectors

Achievements :

- **Shell, Repsol, Equinor and Total -** set long-term intensity targets to reduce emissions
- **BP -** to disclose how major investments are compatible with Paris Agreement
- **ArcelorMittal -** ambition to be carbon neutral in European operations by 2050
- **BHP Billiton -** committed to develop targets for its scope 3 emissions
- **Glencore -** to cap coal production to current levels of C145 million tonnes a year
- **Rio Tinto -** reviewed lobbying activity, exited from mining coal, committed to asset by asset review of its emission reduction targets
- **National Grid -** committed to net zero emissions by 2050

MSCI ESG Scores – Q4 2019

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	ESG Rating	Vs Benchmark	
Overseas Developed US	A	A	—
Overseas Developed Asia	A	A	—
Overseas Developed Europe	AA	AA	—
Overseas Developed Japan	A	BBB	↑
Emerging Markets	BB	BB	—
UK Listed Equity	AA	AA	—

Source: MSCI

Implementing the RI Strategy

	ESG Integration	Active Ownership	Disclosure	Promote PRI	Collaboration	Reporting
Where we are	• Embedding ESG • Developing external manager monitoring framework	• Creating process for selecting engagement themes • Tracking engagements	• Reviewing industry initiatives and disclosures	• Reviewing procurement process • Working with external managers	• Member of RI initiatives with medium level of involvement	• Produce quarterly & annual Stewardship reports • Engagement reporting
Where we want to be	• ESG integral to all investment processes across asset classes • Ext managers held to account	• Holistic approach to engagement • Clear voting indications	• Standard approach to disclosures	• Embedded in procurement process and contract monitoring	• Strong junior partner in collaborative engagement initiatives • Building external profile	• Strong disclosures and reporting • Standard reporting across external managers

Key Takeaways

- RI is integral to our investment philosophy
- Still in build phase – strategic development
- Opportunities to make a difference
- Working together

Thank you

Your questions please

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Subject	Responsible Investment Update Quarter 3 2019/20	Status	For Publication
Report to	Authority	Date	19th March 2020
Report of	Fund Director		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Fund Director	Phone	01226 772887
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1 Purpose of the Report

1.1 To provide an update for members of the Authority on responsible investment activity during the period October to December 2019

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2 Recommendations

2.1 Members are recommended to:

a. **Note the activity undertaken in relation to responsible investment issues during Quarter 3 of the financial year.**

b. **To approve continued participation in the Workforce Disclosure Initiative on a fee paying basis.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

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.

Companies which are well managed and appropriately address the Environmental, Social and Governance risks which they face are more likely to deliver strong returns making the achievement of the goals set out in the Investment Strategy more likely.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Responsible investment is a fundamental part of the Authority's investment beliefs and are central to how the Authority invests. A central part of a responsible investment approach is transparency about the activity undertaken both by and on behalf of the Authority.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

It is an important aspect of the Authority's accountability to stakeholders that the actions which it takes in relation to responsible investment are publicly reported so that there is proper transparency in relation to the Authority's activities.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report raise no specific issues in relation to the Corporate Risk Register.

5 Background and Options

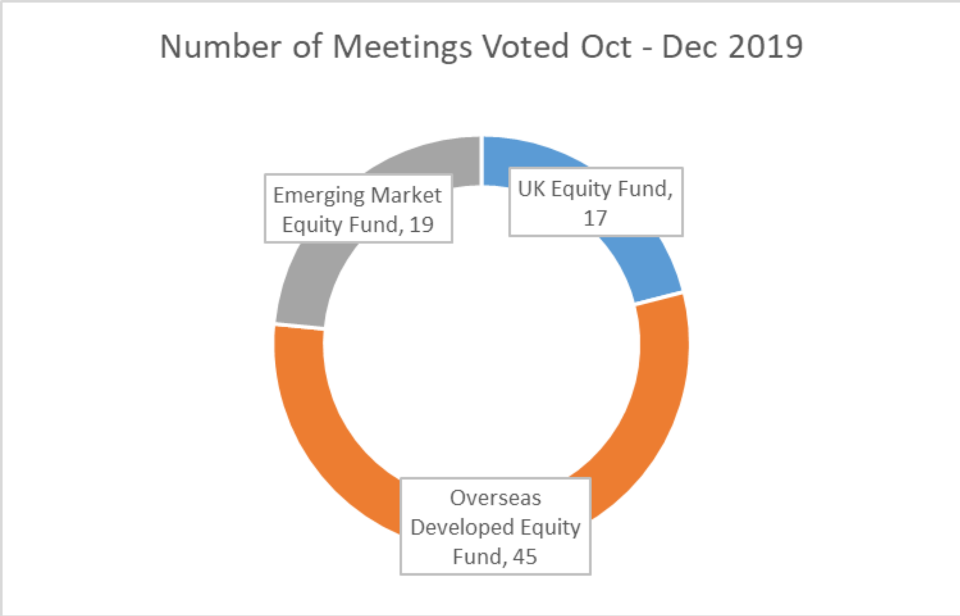
5.1 The Authority's approach to responsible investment is delivered through four streams of activity, largely in collaboration with the other 11 funds involved in the Border to Coast pool.

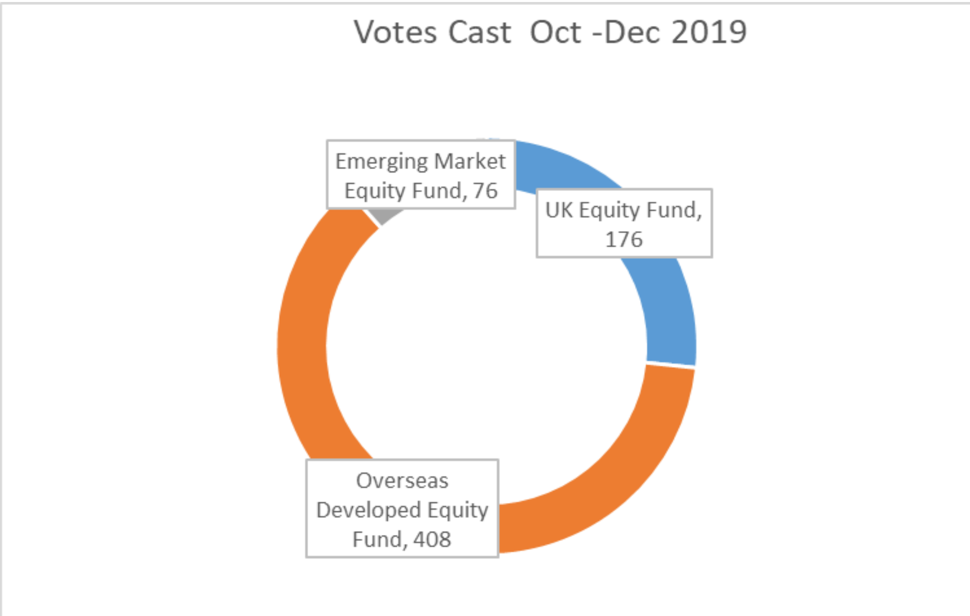
- Voting – Using the voting rights attached to shareholdings to influence the behaviour of companies to move in line with best practice.
- Engagement through Partnerships – Working with others to engage in dialogue with companies in order to influence their behaviour and also to understand their position on key issues.
- Shareholder Litigation – Joining in legal actions which seek to punish companies for corporate "misbehaviour" and thus protect the financial interests of the members of the pension fund.
- Active Investing – Making positive choices about which companies to invest in having considered the full range of responsible investment issues based on the premise stated above that well governed companies will produce sustainable and superior returns. This is part of the Authority's overall investment philosophy and is not covered in this report.

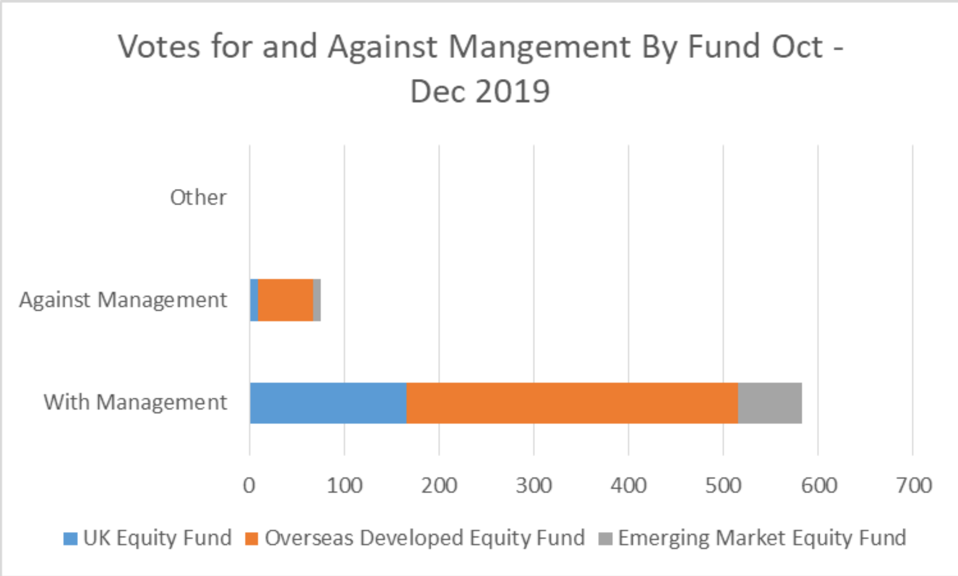
Voting

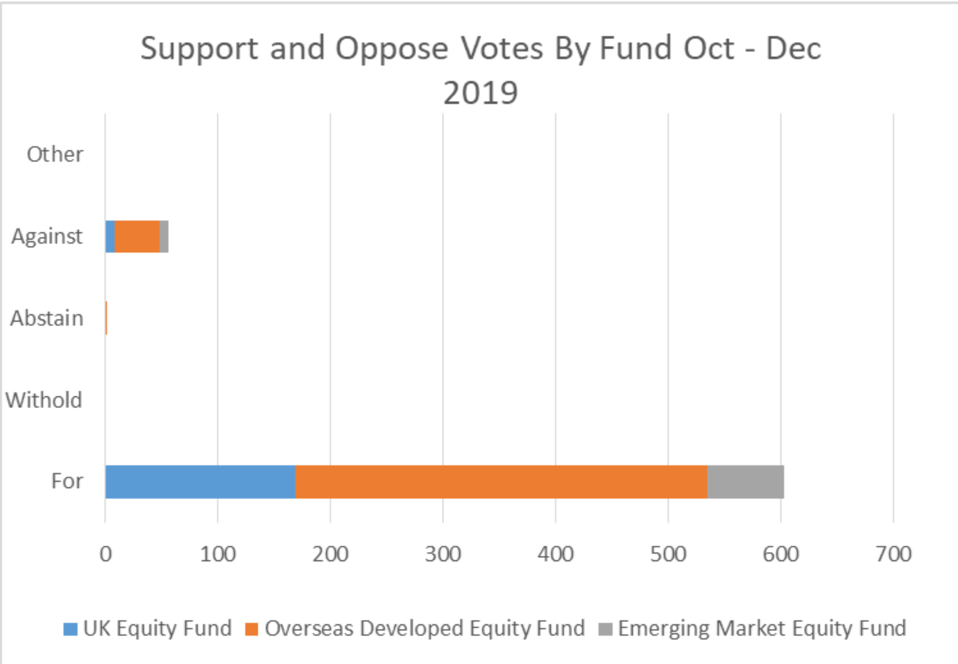
5.2 The charts below illustrate at a high level how the Authority's holdings in listed equities were voted in the period to the end of December 2019. Detailed reports setting out each vote are available on the Border to Coast website and in the member's on line reading room.

5.3 Again reflecting the fact that this is a relatively quiet quarter in terms of company meetings shares were voted on 660 resolutions at 81 meetings, with over 50% of meetings and votes being in relation to the overseas developed markets portfolio.


Number of Meetings Voted Oct - Dec 2019
Emerging Market Equity Fund, 19
UK Equity Fund, 17
Overseas Developed Equity Fund, 45


Votes Cast Oct -Dec 2019
Emerging Market Equity Fund, 76
UK Equity Fund, 176
Overseas Developed Equity Fund, 408





5.2 The majority of oppose votes and votes against management across all markets were concerned with issues of board composition and executive remuneration. This reflects the continuing issues which exist in achieving greater board diversity and independence and also in setting executive pay in a way which incentivises performance in a way which works in the wider interests of shareholders rather than individual executives. Given that resolutions on board membership and executive remuneration predominate at company meetings this pattern is unlikely to change in the medium term.

Trends in Environmental Shareholder Resolutions

5.3 The risks associated with the energy transition and physical impacts of climate change have put the energy sector under greater scrutiny in recent years. As a result, oil majors and utilities companies have increasingly been targeted by shareholder activism calling upon them to properly address environmental issues linked to their operations.

This activism most commonly takes the form of shareholder proposals submitted for a company's annual general meeting.

5.4 Growing concerns around the impact of climate change have also led to a shift in investors' voting approaches. For instance, increased collaboration amongst investors has led to a convergence of requests put forth to their issuers, starting from climate risks disclosure, to emission reduction targets, climate stress testing and climate risk governance. Similarly, the recommendations of the Task Force of Climate-related Financial Disclosures published in 2017 have become a reference point for engagement on climate issues and more broadly on ESG issues.

5.5 The increased pressure from investors using voting rights has also contributed to companies anticipating shareholders' concerns and addressing them through different channels outside proxy statements, which has coincided with a rise in the direct engagement between investors and companies. This increasing level of companies' responsiveness has concurrently contributed to a decline in the overall level of shareholders proposals submitted. For example, the most recent proxy season in the US saw the lowest number of shareholder proposal submissions in the last five years, from a high of 549 in 2015 to 420 in 2019.

5.6 This trend is in part explained by the varying means for companies to address shareholder concerns. In 2018 US proxy season, 48% of filed environmental proposals were withdrawn, while only 37% of filed proposals went to a vote. Historically, these figures were reversed, as a greater proportion of proposal would go to a vote compared to proposals that were withdrawn. However, given that engagement between institutional shareholders and companies has increased, it is likely that the decline in proposals filings could be related to discussions and engagement outside of the proxy process.

5.7 In the end, environmental issues are increasingly scrutinized by shareholders and corresponding shareholder resolutions can expect a growing level of support, as investors encourage more companies to improve disclosures and practices on such issues.

Proposed Changes in US Rules on Shareholder Resolutions

5.8 On 5th November 2019 the US Securities and Exchange Commission (SEC) proposed changes to several rules relating to the filing of shareholder resolutions and the services offered by proxy voting advisers (in the case of Border to Coast and SYPA Robeco). A significant number of prominent fund managers and other commentators believe these proposals will severely hinder shareholders rights and do not represent the long term interest of minority shareholders.

5.9 Shareholder resolutions serve as a useful tool to inform corporate management and boards of shareholders priorities and concerns. They have, in the last decade, been a strong mechanism in both the US and other markets for creating accountability and facilitating engagement between investors and companies while enabling the achievement of considerable change in corporate conduct. While shareholder proposals vary in quality and merit given that it is shareholders who own companies it seems appropriate that the judgement on these issues is left to shareholders. This is an ongoing debate and ultimately this is something the SEC will make a decision on in line with its political mandate.

Voting Highlights

5.10 **BHP Group –** A resolution in relation to corporate lobbying needing to be aligned with the goals and actions set out in the Paris Climate Change agreement was supported at the company's AGM. While this is an area where BHP is regarded as a leader the resolution was supported to underline the importance of this area and of conducting proper analysis of companies' involvement in trade associations that lobby on their behalf. BHP have subsequently published a report setting out their analysis of industry association memberships and identified areas of material misalignment which the company is prioritising to resolve through engagement with the relevant associations.

5.11 **Qantas –** This yeas around a quarter of shareholders in Qantas supported a resolution calling for the company to review its involvement in the forced deportation of refugees and asylum seekers. The resolution is based in the proposition that the risks associated with the company's commercial decision to participate in the deportation process through a contract with the Australian government would be mitigated by the implementation of a commensurate human rights due diligence process. In addition shareholders would benefit from additional information in order to assess how the company is managing such human rights related risks.

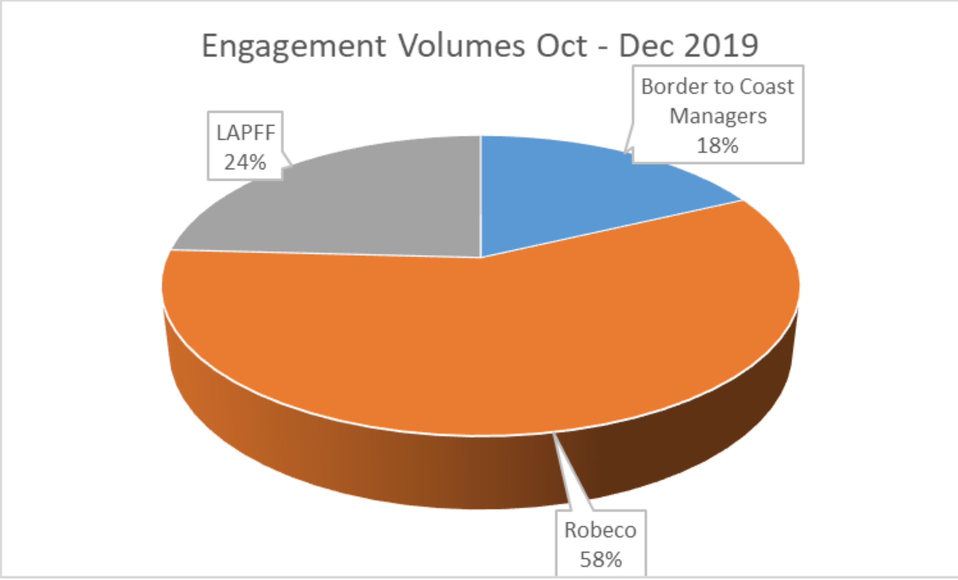
5.12 **Oracle Corp –** Votes were withheld for directors serving on the remuneration committee given the company's unresponsiveness to more than 50% of shareholders voting against the company's remuneration policy for two successive years. In this case given that Oracle's founder holds 35% of the shares the level of disapproval of this policy represents a clear majority of "independent" shareholders. Shareholders' feeling is that the remuneration policy does not properly link variable pay for the executive to individual performance and that the quantum of pay for the Chief Executive (at 7% of the company's net income ($261m)) is excessive. Voting against members of the remuneration committee is intended to highlight the need for the committee to properly engage with the wider shareholder base on these issues.

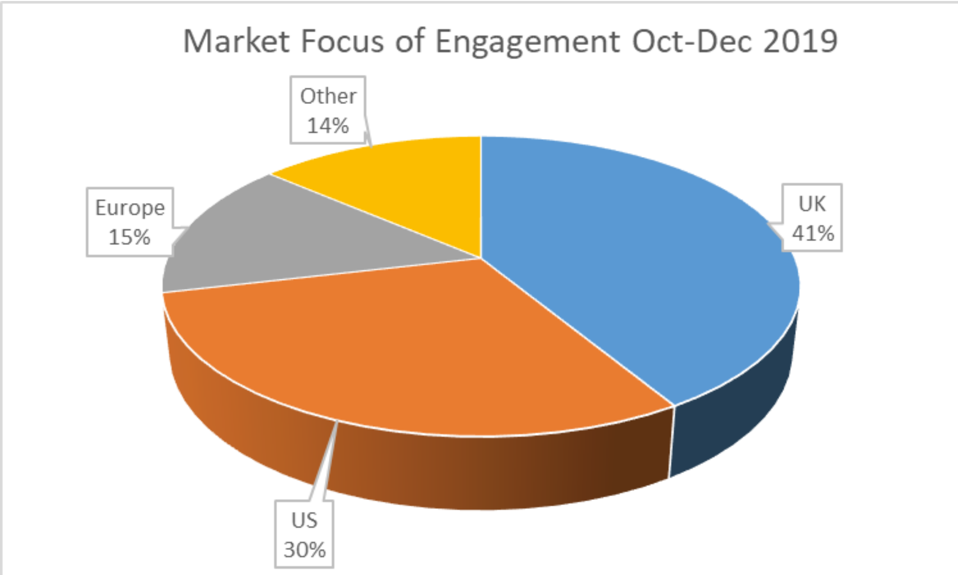
5.13 **National Australia Bank –** There were two climate related resolutions at the NAB annual meeting, one concerning exposure to fossil fuel assets and the other concerned with industry association memberships and climate lobbying. Border to Coast supported both resolutions with the first securing 13% support and the second 15%.

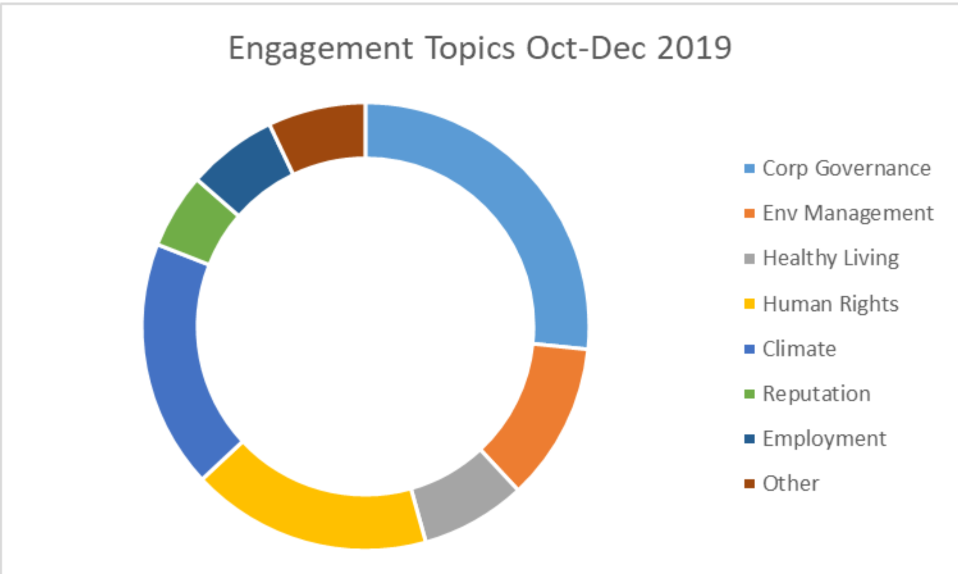
Engagement

5.14 The bulk of engagement activity carried out in relation to the Authority's holdings is undertaken either by Border to Coast using Robeco as their agent or the Local Authority Pension Fund Forum (LAPFF) who use PIRC as their agent.

5.15 The graphs below illustrates how the balance of engagement with a total of 145 companies over the quarter breaks down between the different organisations, the location of the companies and the topic of engagement.


Engagement Volumes Oct - Dec 2019
Border to Coast Managers 18%
LAPFF 24%
Robeco 58%


Market Focus of Engagement Oct-Dec 2019
Other 14%
Europe 15%
UK 41%
US 30%


Engagement Topics Oct-Dec 2019
Corp Governance
Env Management
Healthy Living
Human Rights
Climate
Reputation
Employment
Other

5.16 Again this quarter the majority of engagement activity took place in the UK and the US which represent the largest numbers of individual holdings within the various portfolios and also tend to contain the largest companies. In terms of the topics of engagement climate issues and environmental management continued as significant themes, with corporate governance issues also continued to be prominent, particularly in the run up to the peak voting season.

5.17 In terms of specific developments from engagement in the quarter the following are of note:

- Boeing committed to an independent assessment of its governance arrangements following the issues around the problems with the 737 MAX model. In addition the company has already separated the roles of Chair and CEO in line with accepted good practice.
- Sainsbury's have committed to release a sustainability strategy early in 2020 which will set out its approach to becoming a net zero business.
- Southern Company, a US Energy business, has announced that it will withdraw from the American Coalition for Clean Coal Electricity (ACCCE) next year. Given the general push back from American companies against shareholder resolutions and engagement on issues associated with lobbying by trade associations counter to companies' stated positions, particularly on climate issues, this is a significant step.

Property Portfolio Sustainability Performance

5.18 Elsewhere on the agenda members are asked to consider an update to the Authority's policy on Responsible Investment in relation to the commercial property portfolio. Each year Aberdeen Standard (ASI) the Fund's property manager submits the portfolio for assessment against the Global Real Estate Sustainability Benchmark (GRESB), which is the accepted standard in this area for this asset class. The latest report based on data at 30th September 2019 has now been received4.

5.19 GRESB is a comprehensive assessment framework considering a range of aspects which results in a very detailed report of nearly 100 pages. The dimensions assessed are:

- Management
- Policy and Disclosure
- Risks and Opportunities
- Monitoring and Environmental Management Systems
- Performance Indicators
- Certifications and Energy Ratings, and
- Stakeholder Engagement

5.20 Comparator Scores are provided in a number of different forms both against the whole GRESB universe and against a comparator peer group of similar portfolios. These data are summarised below:

Overall Score

69% compared to an overall average of 72% and a peer group average of 65%. This placed the fund 15th of its peer group of 37 UK diversified, non-listed, indirectly managed funds (and 136th of 230 in a global peer group of 230). Scores in management and policy areas (94%) were significantly ahead of the peer group and global averages, while those in implementation and measurement areas (61%) were materially behind the global average, although ahead of the peer group.

Note this score has declined from 72% in the previous year largely due to a decline in the score in the Performance Indicator section which is largely down to an increase in like-for-like energy consumption across the fund in calendar year 2018. The main limitation on improving the score in this section is data coverage (i.e. obtaining information from tenants), and discussions will take place with ASI to identify ways in which these scores can be cost effectively improved.

Environmental Factors Score

The score on environmental issues was **55%** compared to a peer group average of 51% and a global average of 65%

Social Factors Score

The score on social issues was **76%** which matches the peer group average and compares to a global average of 79%

Governance Factors Score

The score on governance issues was 100% compared to a peer group average of 92% and a global average of 84%.

5.21 The conclusion that can be drawn from this work which reflects a similar pattern of results to previous years is that the policy framework which is largely derived from that provided by ASI as our fund manager is strong. The issues holding back improvement appear to be in implementation, which are more concerned with the day to day management of properties. These are issues which are being followed up in the ongoing work on the contract for the Managing Agent. Discussions are also taking place with Aberdeen Standard in terms of the strategy for each property over the coming year to ensure that issues that can be addressed while still meeting investment goals are dealt with.

Collaborations

LAPFF

5.22 The most recent LAPFF business meeting took place during January and a briefing on the business considered has been placed in the on line reading room for members, while the quarterly engagement report is available on the LAPFF website. The most significant item discussed in terms of the way in which the Forum develops was consideration of the draft work plan for the coming year. All members will be consulted on this in due course before it is formally agreed. Given the way in which the pools, including Border to Coast have developed their activity (and resources) in the area of Responsible Investment this represents an opportunity for LAPFF to identify a role which genuinely adds value and is distinct from the Pools, while focussing on a smaller number of more defined outcomes. For example the work on engaging with communities around the Tailings Dam disasters is something that only LAPFF can really do effectively. This feedback was provided by officers (and colleagues from other funds) at the business meeting and is reflected in the more formal feedback provided to LAPFF which has been made available for members in the on line reading room.

Workforce Disclosure Initiative

5.23 The Authority has been a supporter of the Workforce Disclosure Initiative (WDI) since its inception. This is an initiative which seeks to encourage companies to provide greater disclosure about their policies and practices in relation to their direct and supply chain workforces, seeking over time to achieve a step change in reporting in the same way as the Task Force on Climate Related Financial Disclosure (TCFD). The initiative has been extremely successful in moving the dial in this area, and is now supported by 140 investors (including Border to Coast in addition to the Authority). The principal source of initial financing for the initiative was a grant from the UK Department for International Development. This has been extremely successful in pump priming this work but it is now coming to an end and the initiative is looking at means to achieve longer term financial sustainability, and greater independence from Shareaction the lobby group which has hosted it. Part of this process is a proposal to move to a subscription model focussing membership on institutions such as the LGPS pools rather than the underlying funds. Border to Coast have indicated that they will become a subscribing member and while the Authority will maintain its support of the initiative's objectives as we are no longer a direct holder of investments it is appropriate for engagement with the initiative to be undertaken by the pool.

Climate Action 100+

5.24 Climate Action 100+ produced its progress report in October 2019. This is an investor led initiative which engages with some of the companies with the largest levels of carbon emissions The161 companies under engagement by CA 100 account for around 80 of global industrial emissions Of these 70 have set long term emissions reduction targets 9 have emissions targets that are in line with (or go beyond) the minimum goal of the Paris Agreement 8 of companies have policies in place to ensure lobbying activity is aligned with climate change 40 undertake and disclose climate scenario analysis 30 of companies have formally supported the TCFD and 77 have defined board level responsibility for climate change. Clearly further and faster progress is desirable but it has to be recognised that some of these companies operate in sectors such as iron and steel where decarbonisation is particularly challenging and the accelerating rate of progress shows that there is beginning to be increasing alignment and understanding between companies and investors over these issues.

5.25 Details of the work being undertaken by other collaborations supported either by the Authority or Border to Coast is available in the quarterly reports to which links are provided as background papers.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	There are no specific financial implications arising from this report. Provision exists within the relevant budgets to support the Authority's involvement in collaborative initiatives and its share of the costs of work undertaken by Border to Coast.
Human Resources	None
ICT	None
Legal	Participation in these activities is within the statutory powers of the Authority and is positively encouraged by the LGPS Investment Regulations.
Procurement	None

George Graham

Fund Director

Background Papers	
Document	**Place of Inspection**
Local Authority Pension Fund Forum Quarterly Engagement Report	www.lapfforum.org
Border to Coast Voting Reports	https://www.bordertocoast.org.uk/?dlm_download_category=voting-activity
Border to Coast Quarterly Engagement Report	https://www.bordertocoast.org.uk/?dlm_download_category=engagement
Robeco Quarterly Engagement Report	https://www.bordertocoast.org.uk/?dlm_download_category=engagement

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Treasury Management Strategy 2020/21**	**Status**	For Publication
Report to	Authority	**Date**	19 March 2020
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	N/a
Contact Officer	Gillian Taberner, Head of Finance & Corporate Services	**Phone**	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 **Purpose of the Report**

1.1 To comply with: the Local Government Act 2003 and supporting regulations, CIPFA's *Treasury Management in the Public Services: Code of Practice 2017 Edition*, and *Prudential Code for Capital Finance in Local Authorities 2017 Edition* and the Ministry for Housing, Communities and Local Government's (MHCLG) *Statutory Guidance on Local Government Investments 3rd Edition (2018)*.

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2 **Recommendations**

2.1 Members are recommended to:

a. **Approve the 2020/21 Treasury Management and Annual Investment Strategy;**
b. **Approve the Treasury & Prudential Indicators for 2020/21; and**
c. **Approve the Minimum Revenue Provision statement as set out in this report.**

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3 **Link to Corporate Objectives**

3.1 This report links to the delivery of the following corporate objectives:

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.

The Treasury Management Strategy sets out the parameters in which the cash balance of the Fund will be managed with the aim to achieve optimum return commensurate with proper levels of security and liquidity as the key priorities. By producing this report, the Authority ensures compliance with the relevant legislation, CIPFA Codes of Practice and statutory guidance.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report have no direct implications for the identified risks outlined in the Corporate Risk Register but robust risk management is central to the development and implementation of the treasury management strategy.

5 Background and Options

5.1 Treasury management is the management of an Authority's cash flows, borrowing and investments, and the associated risks.

5.2 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to "have regard to" the following guidance:

a. The CIPFA Prudential Code of Practice (2017);
b. The CIPFA Treasury Management in Public Services Code of Practive and Cross-Sectoral Guidance Notes (2017);
c. MHCLG Statutory Guidance on Local Authority Investments (2018); and
d. MHCLG Statutory Guidance on Minimum Revenue Provision (2018)

5.3 This Authority's sole purpose is as administering authority for the South Yorkshire Pension Fund and therefore all of the expenditure of the Authority is on behalf of the Fund and is recharged to or financed by the Fund. Consequently, not all of the objectives and requirements of the Prudential Code (e.g. in respect of borrowing and capital expenditure and financing) are directly applicable to the Authority.

5.4 However, the Authority has regard to all of the relevant guidance as required and sets out in this annual strategy all of the appropriate objectives, indicators and policy statements as applied to the operating context of the Authority.

5.5 The CIPFA TM Code adopts the following as its definition of treasury management activities:

"The management of the organisation's borrowing, 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 optimum performance consistent with those risks".

5.6 The above definition is intended to apply to public service organisations. In our context as an administering authority for the SY Pension Fund, it is applied to our management of the cash balance of the Fund and the management of the Authority's operational cash flows (i.e. payment of benefits, receipt of contributions, payments to suppliers, etc.). Whereas the management of the Pension Fund itself is separately governed by the Investment Strategy in accordance with extant regulations.

Reporting Requirements

5.7 The Authority will receive reports on its Treasury Management activities including, as a minimum, an annual strategy for the forthcoming year (this report), an annual report after year end, and interim updates as part of the quarterly corporate performance reports (rather than the minimum six-monthly report required by the Code).

5.8 This annual strategy report is forward looking and includes:

a. the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators;
b. an investment strategy, (the parameters on how investments are to be managed); and
c. To the extent that they apply in this Authority, capital plans, prudential indicators and minimum revenue provision policy statement.

5.9 The responsibility for the implementation and regular monitoring of its treasury management policies and practices remains with the full Authority, and responsibility for the execution and administration of treasury management decisions is delegated to the Authority's Section 73 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. In accordance with the Authority's financial regulations, responsibility for the day-to-day application of the strategy is delegated to the Head of Finance & Corporate Services, who is also the Deputy S.73 Officer.

Training

5.10 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training relevant to their needs and responsibilities. At this Authority, Members receive an annual induction which includes coverage of treasury management issues and have undertaken a programme of quarterly training seminars during the year with an emphasis on investments and the management of risk.

5.11 Officers involved in treasury management have their training needs regularly reviewed as part of the appraisal and review process.

Use of External Service Providers

5.12 The Authority uses Link Asset Services, Treasury Solution as its external treasury management advisers.

5.13 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

5.14 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

5.15 The Authority also uses Broker services from the following providers to assist in placing deals and deposits with banks and with local authorities as required:

a. City Deposits
b. BGC Partners

5.16 It is now proposed to add Imperial Treasury Services to the approved list of brokers that may be used. Imperial Treasury Services is a relatively new company formed in January 2019 that has been set up by individuals who previously worked for the other broker firms working with local government clients in particular. The company is an Appointed Representative of Frank Investments Limited, a firm authorised and regulated by the Financial Conduct Authority (''FCA'').

5.17 The company advises that it has over 700 clients within local government, housing associations, charities and banks & building societies. By adding Imperial to the list of approved brokers, this will help to increase the range and number of potential counterparties when seeking to place deposits and/or loans in order to achieve the most advantageous rates available. There is no cost to the Authority, nor is it under any obligation to use the broker's services.

Annual Investment Strategy

5.18 The Authority's strategy in relation to investments of the Fund's cash balances has the general objective to invest surplus cash prudently whilst managing risk effectively. The Authority's priorities in this respect are, in order of importance:

a. The security of capital; and
b. The liquidity of its investments.

5.19 The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

5.20 The Authority has defined the list of approved investment instruments as follows.

Specified Investments	Minimum short term credit rating	Maximum limit per institution	Max. maturity period	Notes
Term deposits with banks and building societies	F1	£40m - £50m	364 Days	The lending limit per institution is £40m but is permitted to be increased to £50m in exceptional circumstances when short term placing of excess funds pending market settlements is required.
Money Market Funds (CNAV / LVNAV)	AAA Fund Rating	£50m per Fund and up to 50% of total specified investments	Liquid	
Local authorities	UK Government	£25m	364 days	Loans to local authorities are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk.
DMADF – UK Government	UK Government	Unlimited	6 months as set by the Debt Management Office	Should this facility be used for sums over £50m, such use will be reported to the next Authority meeting.

Risk Assessment and Credit Ratings

5.21 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

a. No new investments will be made;
b. Any existing investments that can be recalled or sold at no cost will be; and

c. Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.22 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above investment criteria.

5.23 A summary of the treasury investments held at the end of Quarter 3 is attached at Appendix A to this report.

Treasury and Prudential Indicators

5.24 The CIPFA Treasury Management and Prudential Codes require local authorities to set and monitor against specified indicators for prudence and sustainability. The indicators specified relate to capital expenditure and financing, external debt and affordability. The majority of these are not directly relevant in the Authority's context.

5.25 Capital Expenditure

5.26 Capital Expenditure is that which is incurred on assets that provide service potential for more than one year such as buildings, equipment and IT software. The Authority incurs very limited capital expenditure and this will always be on behalf of the Fund and financed by the Fund.

5.27 The Authority's estimated capital expenditure for the forthcoming financial year is Nil. In the following two financial years, 2021/22 and 2022/23, it is estimated that there may be capital expenditure of up to £750,000 in relation to the purchase and implementation of IT software systems (back-office systems and Pensions Administration system) and also in respect of long-term office accommodation requirements. The precise expenditure requirements and timing for these projects will only be determined following the outcome of procurement exercises and options appraisals.

5.28 Capital Financing Requirement

5.29 The capital financing requirement (CFR) reflects an authority's underlying need to finance capital expenditure by borrowing or other long term liability arrangements.

5.30 The Authority has a CFR of Nil. Capital expenditure is incurred on behalf of the Fund and is financed by the Fund so there has been no underlying need to borrow. The estimated CFR for the next three year period (2020/21 to 2022/23) is also Nil. Based on current plans, any capital expenditure undertaken in this period will be fully financed in the year in which it is incurred from available reserves. During 2019/20, a new capital projects earmarked reserve has been set up for this purpose.

5.31 External Debt

5.32 For the reasons outlined above, the Authority has no requirement to undertake external borrowing in its own right under the powers granted in the Local Government Act 2003.

5.33 Therefore the indicators for gross external debt and the capital financing requirement and actual external debt are not applicable.

5.34 Whilst there is no expectation of any external borrowing requirement, the Authority nevertheless sets and keeps under review the Authorised Limit and Operational Boundary indicators as required by the Prudential Code.

5.35 Both the authorised limit for its gross external debt and the operational boundary should be consistent with the Authority's plans for capital expenditure, financing and treasury management activities.

5.36 The limits for the Authority are therefore set as follows.

	2020/21	2021/22	2022/23
Authorised Limit	£750,000	£750,000	£750,000
Operational Boundary	£500,000	£500,000	£500,000

5.37 Affordability

5.38 The Prudential Code sets out the need for local authorities to ensure that the revenue implications of capital finance, including financing costs, are properly taken into account and in assessing affordability, authorities should consider the council tax implications of capital, borrowing and investment decisions. As all expenditure of this Authority is on behalf of and recharged to the Fund, there are no direct implications for taxpayers. However, we do 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. Therefore affordability is a key consideration when making decisions on capital expenditure and financing.

5.39 The indicator of the ratio of financing costs to net revenue stream is not applicable as there are no financing costs expected for the Authority in the forthcoming period and up to 2022/23.

Minimum Revenue Provision (MRP) Statement

5.40 The Authority is required to have regard to the statutory guidance on MRP issued by the Ministry of Housing, Communities and Local Government (MHCLG). MRP is a provision for the repayment of debt based on paying off the accumulated capital financing requirement through an annual charge to the revenue account. The statutory guidance requires that authorities make an MRP charge that is deemed to be prudent and to have their policy on MRP approved by the equivalent of Full Council in advance of each year.

5.41 There is no requirement to charge MRP where the capital financing requirement (CFR) is nil or negative at the end of the preceding financial year. For this Authority, a nil MRP charge is made because the CFR is nil.

5.42 There is no expectation currently that there will be any CFR generated in the next three years because, as outlined above, it is planned that any capital expenditure will be fully financed from reserves. Therefore it is anticipated that there will be no MRP charges required in the next three years.

5.43 Nevertheless, the Authority is required to set out its policy on MRP. Therefore, should the capital plans of the Authority change and lead to a CFR, the policy for the MRP charge will be to apply the ‘Asset Life Method – Equal Instalments’ set out as Option 3 in the MHCLG Statutory Guidance. Using this method, MRP is calculated based on the estimated useful life of the assets created. This provides for a reduction in the borrowing needs over approximately the useful life of the asset.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	As outlined in the report. The strategy is to seek the optimum return consistent with prioritising security & liquidity.
Human Resources	None apparent.
ICT	None apparent.
Legal	This report ensures compliance with the Local Government Act 2003 and supporting regulations.
Procurement	None apparent.

Neil Copley

Treasurer

Background Papers	
Document	**Place of Inspection**
None	

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Treasury Portfolio

The following table shows the treasury investments by counterparty as at the beginning of the 2019/20 financial year and as at the end of Quarter 3.

South Yorkshire Pensions Authority Treasury Portfolio Treasury Investments by Counterparty	Actual 01/04/2019 £m	 %	Current 31/12/2019 £m	 %
Banks	170	62%	148	63%
Local Authorities	55	20%	37	16%
Money Market Funds	50	18%	50	21%
Total Treasury Investments	**275**	**100%**	**235**	**100%**

The following table analyses the treasury investments held as at the end of quarter 3 by the period to maturity and shows the average interest rate achieved on these.

Treasury Portfolio at 31/12/2019 by Maturity	Average Interest Rate	Banks £m	LA £m	MMF £m	Total £m	Allocation %
Call	0.66%	8		50	**58**	**25%**
Up to 1 Month	0.71%	55			**55**	**24%**
3 to 6 Months	0.76%	65	10		**75**	**32%**
6 to 9 Months	0.82%		17		**17**	**7%**
9 to 12 Months	1.05%	20	10		**30**	**13%**
Total	**0.80%**	**148**	**37**	**50**	**235**	**100%**

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Pensions Administration Strategy Statement**	**Status**	For Publication
Report to	Authority	**Date**	19 March 2020
Report of	Head of Pension Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the proposed changes to the Administration Strategy and the collection of contributions via direct debit.

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2 Recommendations

2.1 Members are recommended to:

a. **Approve the changes to the Administration Strategy at Appendix A which has been consulted on with employers**

b. **Approve the change in the contribution collection process from April 2020**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers). The proposed changes to the contribution collection process referenced in the administration strategy should be easier and more efficient for employers.

Listening to our stakeholders

To ensure that stakeholders' views are heard within our decision making processes. The consultation period should provide sufficient time for employers to raise any concerns about the proposed changes to the Administration Strategy.

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4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report should have a positive impact on Risk O2 which concerns failure to meet statutory requirements because it should lead to more timely and accurate receipt of data and contributions from employers.

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5 Background and Options

5.1 The legislation governing the LGPS provides that administering authorities should consider publishing an **Administration Strategy** which sets out how the pension fund will administer the pension scheme and details the requirements on employers in the fund which need to be met if the fund is to be administered effectively. The Administration Strategy also sets out the penalties that may be imposed on employers in the pension fund in the event that there are shortcomings in meeting their obligations.

5.2 SYPA first published an Administration Strategy in April 2016 and this was updated in March 2018 immediately prior to the introduction of Monthly Data Collection. There is an expectation that the Administration Strategy should be reviewed routinely as a matter of course but also where there is a procedural/legislative change that would impact on the Strategy.

5.3 Monthly Data Collection (MDC) has now been successfully embedded into employer processes and routines and officers wish to move to the MDC process driving the collection of contributions from employers on a monthly basis via direct debit. This would have the obvious advantage of reconciling the individual scheme member data against the contributions paid by the employer at source rather than relying on a separate reconciliation between the MDC file and the direct payment of contributions from employers.

5.4 The existing Administration Strategy has been updated to reflect the proposed change in process and the opportunity has been taken to update some other minor areas of the Strategy document which had become outdated e.g. the removal of references to Year-End returns which are no longer required. **Appendix A** shows the full Strategy document with the tracked changes.

5.5 Members will note that the draft Administration Strategy does continue to provide for the application of penalties to employers where required. As the document itself makes clear in the introduction, the strategy was designed in a spirit of partnership working with employers and every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

5.6 Any penalties carried within the strategy are intended to apply as a last resort but it is important that the fund has the ability to intervene where employers are not complying with their statutory requirements. No increase in the maximum penalties for employers are proposed at this time, the main change being to require employers to provide a direct debit mandate in time for the change in process to direct debit collection from 1 April 2020.

Employer Consultation

5.7 A consultation on the proposed changes to the Administration Strategy (including the collection of contributions by direct debit) was issued to employers in December 2019. As part of the consultation, it was proposed that in order for the direct debit collection process to meet statutory timescales, employers would be required to submit an MDC file by the 5th day of the month following the end of the payment period. This would leave sufficient time to ensure that the payment of contributions could be achieved by the statutory deadline of the 19th of the month following the end of the payment period.

5.8 Although the creation of an MDC file should be an automated payroll process, it was acknowledged that the proposal to bring forward the MDC file submission date to 5th of the month following the end of the payment period did cause some initial concern amongst a small number of employers when the proposal was raised at the recent annual Employers Forum. To provide employers with sufficient time to raise any concerns with SYPA regarding the change in process, the consultation remained open for a six week period.

Consultation response

5.9 A total of ten responses were received from employers during the consultation period. Only one of the responses referenced the changes to the Administration Strategy and this was a comment from a Parish Council who felt the penalties were excessive. They have since been advised that the amounts shown were the maximum values and that in reality the penalty charges are rarely applied.

5.10 The remaining responses received focused on the proposed move to direct debit collection and the issues raised were as follows:-

a) Seven employers responded that the deadline of the 5th of the month following payroll was short and requested a few days flexibility.
b) Two employers (admitted bodies) did not support the principle of direct debit, though they did not clarify the reasoning for their objection.
c) Rotherham Council provides payroll administration services for a large number of employers and has raised a few practical concerns about how direct debit collection will operate in practice. Further engagement is being undertaken directly with this employer to resolve any concerns specific to their circumstances.

5.11 In discussing direct debit recovery with the fund's banking provider, we have been able to introduce some flexibility to the date by which the MDC file will be required whilst ensuring that contributions are still received in line with the statutory deadline. This will extend the deadline for receipt of the MDC file to either the 9th/10th/11th of the month following the payroll period (depending on the month in question) and should accommodate those employers who were concerned with the original deadline date.

5.12 The Local Pension Board have been provided with a summary of the feedback received from employers following the consultation and expressed their support for the move to direct debit collection provided that the flexibilities referred to above were available where required.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	Employers who do not comply with the requirements of the Strategy may face financial penalties.
Human Resources	None
ICT	None
Legal	Although the publishing of an Administration Strategy is not currently a mandatory requirement, it is likely to be one of the outcomes of the Good Governance review currently being undertaken by the Scheme Advisory Board.
Procurement	None

Jason Bailey
Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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SOUTH YORKSHIRE PENSIONS AUTHORITY

STRATEGY FOR THE ADMINSTRATION OF THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2020.

It has been updated in consultation with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Jason Bailey

Head of Pensions Administration
South Yorkshire Pensions Authority

REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned, or deemed necessary, outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2013
- The Pensions Act 1993
- The Pensions Act 1995
- The Pensions Act 2014
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to collect payment of employee and employer contributions from employers via direct debit, to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment to the Fund of employee and employer contributions including any additional contributions paid by scheme members
- The payment to the Fund's appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement
- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- The Provision of Scheme compliant Payroll Services by employing organisations
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
  - Individual member retirement benefit estimates
  - Bulk member retirement benefit estimates
  - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

"The Authority wishes and intends to provide a high quality pensions' service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority"**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that is complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its four locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as there is sufficient demand and it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement
- By a follow up letter confirming the excess savings amount and the implications for tax if any

- By providing further information on the options available through the Scheme for discharging any tax liability arising

Additionally, to assist SYPA in providing as timely and accurate a service as possible in relation to Annual Allowance issues it will, at the end of March each year, write to every participating organisation having any members deemed to be at risk of breaching the Allowance to request additional details of those members' pay for the period 6 April to 5 April for the year in question. This information will have to be provided to SYPA by the 21 April. This is in addition to the provision of a monthly return and covers a slightly different but critical period to that covered by the return.

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting "material" employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at:
www.thepensionsregulator.gov.uk

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting "*material*" data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 came into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a “Data Controller”, will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Publish a Memorandum of Understanding with employers to clarify the arrangements for sharing personal data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Publish a Privacy Notice to explain how and why it uses personal data
- Only use their data for the purposes for which it was collected
- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority’s systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications’ Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person’s previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pension Benefits Team Manager, this avoids any conflict with the IDRP Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the potential recipients.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person’s pay any contributions payable by the member under the Regulations
- To decide any question relating to a person’s rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within three months of the end of the Scheme Year, with a statement of details of every employee that has been an active member during the scheme year. Employers now meet this requirement via the submission of monthly data files.

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case(s) concerned.

Therefore, as a minimum, SYPA will always administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other appropriate legislation.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.
- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issue Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. SYPA may increase the charge to reflect the cost of living and/or any changes to the information required to be issued which result in additional resourcing requirements. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties according to the Court's direction.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a

statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period.The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member
The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as announced by the Government in the 2015 Spring Budget and enabled in subsequent legislation

Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
  - **1 January to 31 March**
  - **1 April to 30 June**
  - **1July to 30 September**
  - **1 October to 31 December**

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' workshop/training event at least once a year, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Employers will be directed to the online portal to process requests for retirement estimates. However, where the online portal is not available, Estimate requests for individual employees will be provided **within 5 working days** of the Authority being in possession of all information necessary to ensure the accuracy of the estimate.
- Bulk Retirement Estimate requests **involving 20 or more employees** will be provided **within 10 working days** of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided **within 10 working days** of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations

Other Administering Authorities:

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems' client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	**July**
Interim Results	**September/October**
Individual Employer Results Consultation	**October/November**
Formal Report	**March**

There are no employer charges or fees related to the Valuation unless additional bespoke work is requested. Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by submitting a monthly data file to facilitate the collection of contributions by direct debit. This is an Audit requirement.

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain and provide the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year as follows:

- Organisations with a Year End of 31 March
- Educational Establishments with a Year End of 31 July
- Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
Mid-February prior to Year End	-	Data issued to Actuary
Mid-April following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins.
By 3rd week in July	-	Data issued to Actuary
End of August following		

Year End	- Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End	- SYPA writes to employers inviting participation and collection of data begins
By Mid-August	- Data issued to Actuary
End of September following Year End	- Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "minimum risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents

The Authority has signed up to be included in the National Audit Office's (NAO) bi- annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, and the General Data Protection Regulations, (effective May 2018), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies are required to enroll their non-teaching staff into LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Pay the actuarial fees associated with the creation of the academy as a new employer in the SYPA fund

Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of or, where appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one of the contract
- Have other systems and staff in place to ensure continuity of the pensions administration function from day one of the contract

Community Admission Bodies

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff

- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme in the format required
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted
- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for work associated with the creation and termination of employers and for any work unique to an Employer (or Group of Employers) such as a bulk transfer of pension rights.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work which could then compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information
- Non-routine or bespoke actuarial work (see later Section on Actuarial Services)

- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing Organisation in the original decision making review process. Possibly as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or some bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it is on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is participating in the South Yorkshire Fund.

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that the new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a finacial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task. The measurements exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

- Respond to employer queries — **5 working days**
- Individual retirement benefit estimates — **5 working days**
- Individual early retirement employer costs — **5 working days**
- Bulk retirement benefits estimates (20 or more) — **10 working days**
- Bulk early retirement employer costs — **10 working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the "event date" to the date of receipt by SYPA in its HQ Office at, Barnsley,

Employing Organisation to Administering Authority

- Notification of a new scheme joiner — 6 **weeks**
- Notification of a member's contractual change — **4 weeks**
- Notification of a member leaving the Scheme with a right to immediate payment of benefits — **4 weeks**

- Notification of a member leaving the Scheme without a right to immediate payment of benefits — 6 **weeks**
- Notification of the death of an active member — 1 **week**
- Provide a written response to any query — **1 week**

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

- Complaints — **3 working days**
- General Enquiries — **5 working days**
- Provision of information for Divorce Proceedings — **5 working days**
- Notification of death benefit entitlements to Dependants and/or representatives — 5 **working days**

Active Members

- Setting up a new joiner record — **5 working days**
- Making changes to records — **5 working days**
- Providing information about Additional Benefits — **12 working days**
- Provision of Retirement Benefit Estimates* — **5 working days**
- Providing transfer value quotations — 10 **working days**

Preserved Pensioner Members

- Notification of Entitlement — **20 working days**
- Provide an updated benefit statement — **5 working days**

Pensioner Members

- Information on re-employment — **7 working days**

*Subject to the Authority's policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non- compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies
The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.

The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned. The table in **Appendix A** provides details of the fixed penalty charges.

Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund
- Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for

the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension
- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure their officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose financial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	**£350 + VAT**
Provision of information in relation to Accounting Standards Exercises	Currently **£100 + VAT** but subject to review
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	**£350 + VAT**
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

Penalties

Monthly Returns from April 2020 Failure to submit an accurate monthly return permitting the correct collection of contributions by direct debit by the 5th of the month following the month of employees' contribution deduction	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline
Service Level Agreements Failure to submit member event information in line with the requirements of the SLA	**£25** per case

Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of **£500** plus a Further fixed penalty of **£250** for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of **£1000** for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline **plus** the standard penalty for late submission of monthly returns
Direct Debit Mandate **Failure to complete a mandate to consent to the collection of contributions via direct debit prior to 1 April 2020 or the date of joining the SYPA fund or date of change in banking arrangements if later**	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline

Original version April 2016 – V1
Revised wef April 2020 – This version: V3

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Review of the Consultation and Communication Strategy**	**Status**	For Publication
Report to	Authority	**Date**	19 March 2020
Report of	Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jason Bailey	**Phone**	01226 772954
E Mail	JBailey@sypa.org.uk		

1 Purpose of the Report

1.1 To provide the Authority with the opportunity to review the updated Consultation and Communication Strategy

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2 Recommendations

2.1 Members are recommended to:

a. Approve the draft Consultation and Communication Strategy set out in the Appendix.

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

to design our services around the needs of our customers (whether scheme members or employers). The Strategy sets out how we will communicate with our customers.

Listening to our stakeholders

to ensure that stakeholders' views are heard within our decision making processes. Members of the Board as well as employers and Focus Group members are invited to comment on the draft Strategy.

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times. The provision of a Communication strategy is a statutory requirement.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report do not have implications for the Corporate Risk Register.

5 Background and Options

5.1 Regulation 61 of the LGPS Regulations 2013 (as amended) sets out that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members and their representatives, prospective members and scheme employers.

5.2 The legislation requires that the statement must set out its policy on:

a) the provision of information and publicity about the scheme..
b) the format, frequency and method of distributing such information or publicity
c) the promotion of the scheme to members and employers

5.3 SYPA meets these requirements through the Consultation and Communication Strategy which was first published in 2009 and is reviewed periodically.

5.4 The Strategy has been updated to reflect the move towards digital communications and interactions with members as well as to recognise the creation of the Customer Centre. It is attached as **Appendix A**.

5.5 The Strategy has been issued to the scheme members who make up the Focus Group for comments as well as to employers in the fund. No comments have been made by employers to date but the comments made by the Focus Group are shown below.

- I think it is an excellent document and I am happy with the document as it stands.
- It is clear that some work has gone into the document, and it is written so that we retired members can understand (most of) it. Good luck with it.
- I know updating a document must be a chore, but it is surprising how often such docs get stuck in a cupboard and forgotten about. The fact that you have dusted it off and made minor changes, gives me, as a pensioner member of "our" scheme, great confidence in the effective management of the organisation.
- The Consultation and Communication Strategy is comprehensive, clear and uses plain language. It would be useful to review it in 6 months and 12 months to test that your actual communications are aligned to your strategy. A stakeholder survey would be a good way to do this. I particularly like that you don't use acronyms in the strategy document.
- I have read the document and feel no comments are necessary as i understood all the text and content and really cannot see how it could be improved without being extremely pedantic. Well Done
- Having perused the draft, I conclude that it is comprehensive in its format and content, and should continue to inspire the memberships' confidence in the SYPA.
- This document seems fine. Just a suggestion, apologies if I have missed it, but as this is the Communications Strategy perhaps including some contact details somewhere might be useful?
- As usual, I am impressed by how much information you manage to contain in a relatively short document, and by how concisely it is, on the whole, presented. I would recommend that

you consider these additional points which are all cosmetic, but I accept that I'm a bit of a pedant as far as the English language is concerned. I do acknowledge, however, that what matters is that your readers should understand what is being said however it is expressed. Good luck with all of this, and I look forward to receiving the final version.

- The information is clear and succinct and actually has highlighted a couple of points which had slipped my memory. I was also wondering if this communication had stopped so good news that it hasn't.

5.6 The draft Consultation and Communication Strategy was also reviewed by the Local Pension Board at their meeting on 13 February 2020 and the Board were satisfied with the content of the Strategy.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	None
Procurement	None

Jason Bailey

Head of Pensions Administration

Background Papers	
Document	**Place of Inspection**

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SOUTH YORKSHIRE PENSIONS AUTHORITY

STRATEGY FOR THE ADMINSTRATION OF
THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2020~~9 March 2018. For the South Yorkshire Passenger Transport Pension Fund, (the administration of which is carried out by South Yorkshire Pensions Authority on an agency basis), and its one participating employer, First South Yorkshire Ltd, the effective date of this strategy will be 1 May 2016~~.

It has been updated ~~developed and adopted~~ in consultation ~~and agreement~~ with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Jason Bailey~~Gary Chapman~~

Gary chapman

Head of Pensions Administration
South Yorkshire Pensions Authority

REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned, or deemed necessary, outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2013
- The Pensions Act 1993
- The Pensions Act 1995
- The Pensions Act 2014
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- ~~The annual provision of information by employers about their scheme members (it is anticipated that 2018 will be the last year that annual information will be required, see next bullet point)~~
- The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to collect payment of employee and employer contributions from employers via direct debit, to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment to the Fund of employee and employer contributions including any additional contributions paid by scheme members
- The payment to the Fund's appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement
- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- The Provision of Scheme compliant Payroll Services by employing organisations
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
  - Individual member retirement benefit estimates
  - Bulk member retirement benefit estimates
  - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related

- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

"The Authority wishes and intends to provide a high quality pensions' service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority"**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that is complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its four ~~ive~~ locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as there is sufficient demand and it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement

- By a follow up letter confirming the excess savings amount and the implications for tax if any
- By providing further information on the options available through the Scheme for discharging any tax liability arising

~~In addition SYPA will run a tax seminar each year aimed at those members whose level of earnings might demand more information on these tax issues for the people concerned. Such seminars will be presented by Independent Advisors licensed to provide information and advice.~~

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting "material" employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at: **www.thepensionsregulator.gov.uk**

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting "*material"* data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 ~~are due to~~ ca~~o~~me into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a “Data Controller”, will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Publish a Memorandum of Understanding with employers to clarify the arrangements for ~~Enter into all necessary agreements with those parties with whom it obtains and~~ sharing personal ~~es~~ data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Publish a Privacy Notice to explain how and why it uses personal data ~~Obtain the appropriate consent from individuals to hold their data on any of its systems~~
- Only use their data for the purposes for which it was collected
- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority’s systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications’ Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person’s previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pension Benefits Team~~s~~ Manager, this avoids any conflict with the IDRP Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the potential recipients~~estate and any dependants~~.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within three months ~~41 days~~ of the end of the Scheme Year, with a statement of details of every employee that has been an active member during the scheme year. Employers now meet this requirement via the submission of monthly data files.~~Whilst Regulation requires provision within three months, SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise and from the commencement of Monthly Posting from April 2018~~

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case(s) concerned.

Therefore, as a minimum, SYPA will always administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other appropriate legislation.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.
- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issue Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. SYPA may increase the charge to reflect the cost of living and/or any changes to the information required to be issued which result in additional resourcing requirements. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties according to the Court's direction.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a

statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period.The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member
The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as announced by the Government in the 2015 Spring Budget and enabled in subsequent legislation

Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
  - **1 January to 31 March**
  - **1 April to 30 June**
  - **1July to 30 September**
  - **1 October to 31 December**

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' workshop/training event~~Forum~~ at least once a year, ~~usually in the Autumn,~~ to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Employers will be directed to the online portal to process requests for retirement estimates. However, where the online portal is not available, ~~Retirement~~ Estimate requests for individual employees will be provided **within 5 working days** of the Authority being in possession of all information necessary to ensure the accuracy of the estimate.
- Bulk Retirement Estimate requests **involving 20 or more employees** will be provided **within 10 working days** of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided **within 10 working days** of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations

Other Administering Authorities:
The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems' client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:
Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation
The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	**July**
Interim Results	**September/October**
Individual Employer Results Consultation	**October/November**
Formal Report	**March**

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There are no employer charges or fees related to the Valuation unless additional bespoke work is requested. Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by submitting a monthly data file to facilitate the ~~deducting and~~ collection of contributions by direct debit~~paying over the correct contribution amounts~~. This is an Audit requirement.

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain and provide the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year as follows:

- Organisations with a Year End of 31 March
- Educational Establishments with a Year End of 31 July
- Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
Mid-February prior to Year End	-	Data issued to Actuary
Mid-April following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins.
By 3rd week in July	-	Data issued to Actuary

End of August following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
By Mid-August	-	Data issued to Actuary
End of September following Year End	-	Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund
These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "minimum risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents
The Authority has signed up to be included in the National Audit Office's (NAO) bi- annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, and the General Data Protection Regulations, (effective May 2018), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months

- ~~Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6~~
- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework ~~relating to the payment of Death Grants from the Fund~~ the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies ~~have no choice and~~ are required to enroll ~~offer~~ their non-teaching staff into ~~membership of the~~ LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

- Pay the actuarial fees associated with the creation of the academy as a new employer in the SYPA fund

Transferee Admission Bodies
Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of or, where appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one of the contract
- Have other systems and staff in place to ensure continuity of the pensions administration function from day one of the contract

Community Admission Bodies
Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils
Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme in the format required
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted
- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for work associated with the creation and termination of employers and for any ~~non-standard~~ work unique to an Employer (or Group of Employers) such as a bulk transfer of pension rights.~~requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.~~

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work which could then compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing Organisation in the original decision making review process. Possibly as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or some bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it is on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is ~~a~~ participating in the South Yorkshire Fund.

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that t~~T~~he new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a finacial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task. The measurements exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

- Respond to employer queries **5 working days**
- Individual retirement benefit estimates **5 working days**
- Individual early retirement employer costs **5 working days**
- Bulk retirement benefits estimates (20 or more) **10 working days**
- Bulk early retirement employer costs **10 working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the "event date" to the date of receipt by SYPA in its HQ Office at ~~18 Regent St~~, Barnsley, ~~S70 2HG.~~

Employing Organisation to Administering Authority

• Notification of a new scheme joiner	6~~8~~ **weeks**
• Notification of a member's contractual change	4 **weeks**
• Notification of a member leaving the Scheme with a right to immediate payment of benefits	4 **weeks**
• Notification of a member leaving the Scheme without a right to immediate payment of benefits	6~~8~~ **weeks**
• Notification of the death of an active member	1~~2~~ **week~~s~~**
• Provide a written response to any query	1 **week**

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

• Complaints	3 **working days**
• General Enquiries	5 **working days**
• Provision of information for Divorce Proceedings	5 **working days**
• Notification of death benefit entitlements to Dependants and/or representatives	5~~4~~ **working days**

Active Members

• Setting up a new joiner record	5 **working days**
• Making changes to records	5 **working days**
• Providing information about Additional Benefits	12 **working days**
• Provision of Retirement Benefit Estimates*	5 **working days**
• Providing transfer value quotations	10~~5~~ **working days**

Preserved Pensioner Members

• Notification of Entitlement	20 **working days**
• Provide an updated benefit statement	5 **working days**

Pensioner Members

• Information on re-employment	7 **working days**

*Subject to the Authority's policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non- compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies
The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.
  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned. The table in **Appendix A** provides details of the fixed penalty charges.

Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)

- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund
- Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.
- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension
- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure their officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose financial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	**£350 + VAT**
Provision of information in relation to Accounting Standards Exercises	Currently **£100 + VAT** but subject to review~~being reviewed~~
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	**£350 + VAT**
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

Penalties

~~**Year End Returns 2018**~~ ~~Failure to submit a usable, balanced Year End Return by the deadline detailed in this document~~ ~~**(4-00 pm, Friday 11 May 2018)**~~	~~A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline~~
~~**Queries arising from the Year End**~~ ~~The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query~~ ~~Responses to queries necessitating a re-query~~	~~**£25** per case query~~ ~~**£10** per case re-query~~
Monthly Returns from April 20~~18*~~20 Failure to submit an accurate monthly return permitting the correct collection of contributions by direct debit by the 5~~19~~th of the month following the month of employees' contribution deduction	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline

Service Level Agreements Failure to submit member event information in line with the requirements of the SLA ~~through the monthly posting facility effective from April 2018~~	**£25** per case
Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of **£500** plus a Further fixed penalty of **£250** for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of **£1000** for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline **plus** the standard penalty for late submission of monthly returns
Direct Debit Mandate **Failure to complete a mandate to consent to the collection of contributions via direct debit prior to 1 April 2020 or the date of joining the SYPA fund or date of change in banking arrangements if later**	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline

~~***SYPA anticipates and expects that there could be initial teething problems with the submission of monthly returns.**~~

~~**For 2018 only, and for the month of April only, the first submission under the new monthly return procedure will, if late, not incur a penalty where the Employing Organisation or its Payroll Provider, is having difficulties and communicates those difficulties to SYPA immediately they are aware of them. Where such communication is made SYPA will endeavour to provide all the assistance and guidance it can to ensure the problem is rectified.**~~

~~**Where no communication is made any subsequent penalty incurred as a result will stand.**~~

Original version April 2016 – V1
Revised wef April 2020~~March 2018~~ – This version: V3~~2~~

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SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Review of the Governance Compliance Statement**	**Status**	For Publication
Report to	Authority	**Date**	19th March 2020
Report of	Fund Director and Monitoring Officer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	George Graham Fund Director	**Phone**	01226 772887
E Mail	ggraham@sypa.org.uk		

1. Purpose of the Report

1.1 To approve a revised Governance Compliance Statement following the changes to the Authority's governance arrangements as required by s55(1) of the Local Government Pension Scheme Regulations 2013.

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2 Recommendation(s)

2.1 Members are recommended to:

a. Approve the revised Governance Compliance Statement set out in the Appendix.

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3. Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Maintaining an up to date Governance Compliance Statement ensures that the Authority is meeting the regulatory requirements for transparency placed upon it.

4. Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5. Background and Options

5.1 The Local Government Pension Scheme regulations have for many years included a requirement that Administering Authorities produce a Governance Compliance Statement which sets out how their governance arrangements comply with a number of hallmarks of good practice. This requirement is designed to ensure transparency on these matters for scheme members and scheme employers, as in traditional administering authorities which form part of a council these arrangements are not always obviously apparent. While SYPA is not a traditional administering authority the regulatory requirement remains and the discipline of producing the statement and revising it when governance arrangements change is helpful in ensuring that the degree to which good practice is adopted can be regularly reflected upon.

5.2 The Governance Compliance Statement was last reviewed at the Authority's meeting in June 2019 following the adoption of revised governance arrangements at the Annual Meeting. As part of the process of preparing the Authority's Annual Governance Statement for inclusion in the 2019/20 Annual Report and Accounts the Statement has been reviewed again. The principal changes relate to:

- Clarifying the position in relation to representation of the wider employer base within the Authority's structures.
- Providing additional information in relation to the Local Pension Board.

5.3 As has previously been reported the current Governance Compliance Statement will be replaced by a new Enhanced Governance Compliance Statement as part of the reforms flowing from the Good Governance Review. In order to reduce the burden represented by both this process and the need to produce and Annual Governance Statement officers will in producing this year's annual report seek to examine whether it is possible to merge the two statements into a single document.

6. <u>Implications</u>

6.1 The proposals outlined in this report have the following implications

Financial	None
Human Resources	None
ICT	None
Legal	The production of this statement meets a requirement set out in the Local Government Pension Scheme regulations and failure to produce and approve such a statement could result in action either by the Secretary of State or the Pensions Regulator.
Procurement	None

Andrew Frosdick **George Graham**

Monitoring Officer **Fund Director**

Background Papers	
Document	**Place of Inspection**
Local Government Pension Scheme Regulations 2013	https://www.legislation.gov.uk/uksi/2013/2356/contents/made

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Governance Compliance Statement

March 2020

South Yorkshire Pension Fund

Governance Compliance Statement – Effective March 2020

1. Introduction

1.1 As a statutory public service pension scheme the Local Government Pension Scheme (LGPS) has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democracy since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement under s 55(1) of the Local Government Pension Scheme Regulations 2013, which requires:

An administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—

- (i) the terms, structure and operational procedures of the delegation,
- (ii) the frequency of any committee or sub-committee meetings,
- (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

1.2 This statement has been revised as part of an annual process of review supporting the preparation of the Authority's Annual Governance Statement.

2. Governance of the South Yorkshire Pension Fund

2.1 South Yorkshire Pensions Authority was created by the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The Authority has a unique place within the LGPS as the only democratically accountable single purpose pension organisation.

2.2 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority. While elected members are party politicians political groups have not been formed on the Authority.

2.3 Under Section 41 of the Local Government Act 1985 arrangements are made enabling members of the four constituent district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions. One member from each district has been nominated as the Section 41 spokesperson.

2.4 The Authority has created two committee's to support it in its work:

2.5 The **Audit Committee** which is responsible for fulfilling the following core audit committee functions:

a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

b) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

d) Approve (but not direct) internal audit's Charter and annual plan.

e) Monitor performance against internal audit's Charter and annual plan.

f) Review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.

g) Receive the annual report of the Head of Internal Audit.

h) Consider the annual reports of external audit and inspection agencies.

i) Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.

j) Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

k) To oversee the production of and approve the Authority's Annual Governance Statement.

l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:

- the suitability of, and any changes in accounting policies;

- major judgemental issues e.g. provisions.

m) To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.

n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

2.6 The **Staffing Appointments and Appeals Committee** which is responsible for the following functions.

(1) To exercise all the Authority's functions in respect of:

a) Appeals by staff (where a right of appeal exists).

b) Complaints against senior officers.

(2) To exercise the Authority's functions in relation to the appointment of Statutory Officers and Chief Officers, subject to legislative requirements regarding the approval of statutory officer appointments by the Authority.

(3) To approve proposals for changes to the organisation of the Authority's staffing where more than 5 posts are affected.

(4) Determining appeals and requests under the Local Government Pension Scheme Regulations not otherwise delegated to officers.

(5) To make appointments of Independent Investment Adviser (s) on behalf of the Authority.

(6) To approve arrangements for the procurement of external fund managers, the Fund Actuary and Custodian.

2.7 The Authority meets five times a year, the Audit Committee meets three times a year and the Staffing, Appointments and Appeals Committee meets as and when required.

2.8 The Authority has established a Local Pension Board made up of 10 members (5 employers and 5 scheme members) which meets in public at least 4 times per year. The Board has its own constitution and terms of reference and these together with details of the Board's membership and papers for its meetings are available through the Authority's website.

3. Representation

3.1 Unlike other Administering Authorities within the Local Government Pension Scheme the Authority's constitution is laid down in the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 In addition, 3 non-voting observers nominated by the Regional Secretaries of the three largest trade unions recognised by the National Joint Council for Local Government Services (Unison, the GMB and Unite) are provided with the facility to attend and participate in meetings of the Authority and its committees, other than in matters concerned with staffing and labour relations.

3.3 The Audit Committee is chaired by the Authority's Vice-Chair and contains 4 other Authority Members (including the Chair). Representatives from the trade unions, who are nominated by their regional Secretaries/Organisers, attend as observers.

3.4 The Staffing Appointments and Appeals Committee is chaired by the Authority's Chair and contains 4 other Authority members (including the Vice Chair). Representatives from the trades unions, who are nominated by their regional Secretaries/Organisers, attend as observers, other than for matters concerning staffing and labour relations.

3.5 Both Committees have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

4.1 Myners' first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority are required to undertake the LGA fundamentals training and the Pensions Regulator's Public Sector Toolkit and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues and differing types of investment. In addition, a Learning and Development Strategy is in place which identifies individual learning needs and aims to address them through both internal and external means.

4.2 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation on the Authority provides the appropriate balance between accountability and inclusion.

4.3 Changes in the way in which the local public sector operates have led to a very significant increase in the number of employers within the Fund. These employers are not directly represented on the Authority for the following reasons:

i. They represent a relatively small proportion of the membership when compared with the constituent councils;
ii. Achieving a logical framework for representation of an extremely diverse group would create an Authority so large it would effectively be unmanageable, and there is no means in such a situation to ensure accountability to those employers an individual represents, which is different to the case for councillors and those appointed by the Trade Unions.
iii. The interests of employers as a group are essentially the same (broadly to achieve stable and affordable contributions) and therefore the representation provided by Councillors who are democratically accountable will be looking to achieve the same objectives.
iv. In addition the employer membership of the Local Pension Board specifically includes a wider range of employer interests.

4.4 In addition to the above there has been no request for representation by scheme employers on the Authority.

5. Arrangements Outside of Formal Governance

5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website, and is included with the Annual Report as required by the relevant regulations.

5.2 The Authority holds an annual meeting, usually in October, to which members and employers are invited. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with information about topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions.

5.3 The Authority has established, with effect from 1 April 2015, a Local Pension Board in accordance with Regulatory requirements comprising equal numbers of employer and scheme member representatives.

5.4 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to relevant Circulars from National Bodies whenever these are published so that they can view the national perspective as well as the local view.

5.5 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Authority normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.

5.6 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required and provide an annual update to the South Yorkshire Leaders' Meeting.

6. Comparison with "Best Practice" Principles

6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

Appendix A

Principle A – Structure

		Compliant*
a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Yes**
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Mainly**
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Yes**
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's separate legal status ensures that a), c) and d) are complied with and ensure representation (proportionate to size) of the major local authority employers. It is not practical for the many non-local authority employers, whose activities are diverse, to be separately represented, and for the reasons set out in para 4.3 it is not felt appropriate to extend employer representation on the Authority. Trade union representatives attend meetings of the Authority and Committees. For this reason the Authority mainly complies in relation to b).

The Local Pension Board as required by regulations operates alongside the formal Authority structure but is intrinsically linked with it, and the membership of the Board includes a wider range of employer interests.

Principle B – Representation

		Compliant*
a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Mainly**
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A b) and para 4.4 above with regard to the wider representation of employers.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority appoints 2 independent investment advisers who attend meetings of the Authority and give advice to members during discussion of investment related matters in line with both the Myners principles and the requirements of the LGPS regulations to take proper advice.

Principle C - Selection and role of lay members

		Compliant*
a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Induction courses are held for all new members who are also required to attend initial basic training via the LGA 3-day programme and the Pensions Regulator's Public Sector Toolkit. A series of member seminars to address new topics or cyclical issues such as the actuarial valuation are included in the programme of meetings and members (whether elected or Trade Union observers) are able to attend approved conferences and external seminars details of which are circulated to all members at the beginning of the year.

Principle D – Voting

		Compliant*
a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The Order creating the Authority and its constitution provides full voting rights to all elected Members. TU representatives do not have voting rights. However, the Authority operates by consensus and formal votes are rare, thus it is not considered that this limitation has any practical impact on the effectiveness of the TU representatives.

Principle E – Training/Facility time/Expenses

		Compliant*
a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Yes**
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Yes**
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Induction and in-house training events are made available to all members of the Authority, and Committees, including Trade Union Observers. In addition, all Authority members are required to undertake the Fundamentals course provided by the LGA and the Pensions Regulators Public Service Toolkit within the first year of their appointment. Members are offered individual training plans. Records of training received are logged and published.

Principle F – Meetings (frequency/quorum)

		Compliant*
a)	That an administering authority's main committee or committees meet at least quarterly.	**Yes**
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Yes**
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The Authority meets five times per year, the Audit Committee three times and the Staffing Appointments and Appeals Committee as required. In addition annual forums are held for both fund employers and Scheme members

Principle G - Access

		Compliant*
a)	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations) The only exception to this general principle is that Trade Union Observers are not permitted access to papers concerned with individual staffing matters, such as the appraisal for the Head of Paid Service.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H Scope

		Compliant*
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle I – Publicity

		Compliant*
a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Details of the Authority's governance arrangements are published both on its website and in its annual report. The details of the Authority's meetings are publicised both on the website and social media and the public parts of meetings of the full Authority are webcast. The Authority maintains a specific policy that the number of items to be considered in private is minimised thus opening up the maximum amount of its business to scrutiny by scheme members and the wider public.

Subject	**Appointment of Monitoring Officer**	**Status**	For Publication
Report to	Authority	**Date**	19th March 2019
Report of	Clerk		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gill Richards	**Phone**	01226 772806
E Mail	grichards@syjs.gov.uk		

1. **Purpose of the Report**

1.1 To seek approval from the Authority to appoint Garry Kirk as Monitoring Officer to the Authority following the retirement of the current Monitoring Officer, Andrew Frosdick, at the end of May 2020.

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2 **Recommendation(s)**

2.1 **Members are recommended to:**

a. Approve the appointment of Garry Kirk (Service Director, Legal, Barnsley MBC) as the Authority's Monitoring Officer with effect from 1st June 2020.

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3. **Link to Corporate Objectives**

3.1 **Effective and Transparent Governance**

The Monitoring Officer has an important role to promote and enhance good corporate governance in terms of the quality of decision making as well as ensuring legality, probity and propriety.

4. **Implications for the Corporate Risk Register**

4.1 None.

5. **Background and Options**

5.1 The Authority has a statutory duty to appoint a Monitoring Officer under s5 of the Local Government and Housing Act 1989.

5.2 The functions of the Monitoring Officer are:

- To maintain the Constitution.
- Ensure lawfulness and fairness of decision making.

- Provide advice on the scope of the powers of the Authority, its Committees and officers to take decisions and in matters involving maladministration and probity.

5.3 Andrew Frosdick, Executive Director (Core Services) Barnsley MBC, the Authority's Monitoring Officer is retiring at the end of May 2020. The Council has appointed Garry Kirk, Service Director, Legal as Monitoring Officer.

The Authority is therefore recommended to formally appoint Garry Kirk as Monitoring Officer to the Authority.

6. Implications

6.1 The proposals outlined in this report have the following implications

Financial	None
Human Resources	None
ICT	None
Legal	It is a statutory requirement to appoint a Monitoring Officer
Procurement	None

Sarah Norman

Clerk

Background Papers	
Document	**Place of Inspection**
S5 of the Local Government and Housing Act 1989	http://www.legislation.gov.uk/ukpga/1989/42/contents

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

Agenda Item 20

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of the Local Government Act 1972.

Agenda Item 21

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Agenda Item 22

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Appendix A

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Appendix C

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