

SOUTH YORKSHIRE PENSIONS AUTHORITY
AUTHORITY MEETING
08 JANUARY 2024

PRESENT:

Councillor J Dunn (Chair)

Councillors: M Havard (Rotherham), R Bowser (Barnsley), S Clement-Jones (Sheffield), A Dimond (Sheffield), D Fisher (Rotherham), J Mounsey (Doncaster), D Nevitt (Doncaster) A Sangar (Sheffield), M Stowe (Barnsley)

Officers: G Graham (Director), G Taberner (Assistant Director - Resources & Chief Finance Officer), W Goddard (Head of Finance), D Sharp (Assistant Director – Pensions), Chloe Knowles (Executive Management Support Officer)

Apologies for absence were received from:

Cllr C Gamble Pugh, Cllr S Cox, N Doolan-Hamer (Unison), G Warwick (GMB), Richard Bedford (Unite)

1 **APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 **ANNOUNCEMENTS**

Apologies were noted as above.

3 **URGENT ITEMS**

The Chair welcomed Cllr Jabbour who is the Vice Chair of the Border to Coast Joint Committee who will be observing the meeting today.

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

Five items are to be considered in the absence of the public and press starting at item 14.

5 **DECLARATIONS OF INTEREST**

Senior officers have an interest in item 18 and will therefore leave the room at that point.

6 **SECTION 41 FEEDBACK FROM DISTRICT COUNCILS**

None

7 **MINUTES OF THE MEETING HELD ON 07/12/2023**

RESOLVED: That the minutes of the meeting held on 7 December 2023 can be agreed as a true record.

8 REVIEW OF THE CORPORATE STRATEGY 2024 – 2027

The Director presented the updated Corporate Strategy covering the three years 2024-2027 for approval. The Corporate Strategy would usually be fully reviewed during the valuation, which is due this time next year, however the Authority recognised a need to do further work on the strategy following discussions with members at the Members Away day in November.

Work has been done to put more focus on driving improvements in the Pensions Administration service, and a report with further details on this will be brought to the next meeting.

Members praised the Authority for taking onboard the feedback following the Members Away Day in November 2023 and were pleased that work had already taken place to put more focus on this area. Members commented that the Away Day was very positive and highlighted the importance of working collectively.

Members further questioned where the Authority thinks we will be in 4 years' time in terms of the pensions administration processes and clearing the backlogs.

The Assistant Director – Pensions responded that we hope to see improvements over the next year as capacity is increased in the team and work has already taken place to ensure we are catching up on system updates, one of which will be due to go live next week. The Director further followed up that staff are now fully on board with the agenda for change and this attitude will help to drive addressing the changes in pensions administration.

Members probed the Authority on the Risk Register and whether other Pensions Authority's would have similar risks and if they would be positioned in a similar way on the matrix.

The Director explained that most of the risks on the Authority's risk matrix would be on every other fund's matrix however, we score climate risk higher than others to reflect our net zero target. Additionally, some of the investment risks are lower than other funds due to the nature of the Authority's Investment Strategy in that it is less volatile than the average. This was reflected in the CEM benchmarking results which for investments indicated that we take much less risk, whilst still achieving added value and at a lower cost.

Members further probed around how this informs the Corporate Strategy. The Director followed up that each project on the Corporate Strategy is linked to the risks on the risk register with some being more obvious than others.

Members raised questions about the way in which scheme members and stakeholders might influence further development of the Investment Strategy.

The Director responded that it has not yet been decided how the consultation will be conducted due to the vastly different levels of understanding amongst scheme employers and scheme members, so this will need to be framed in a way in which people will understand. Work will commence on this in the early part of the next calendar year and planning will commence later this year.

RESOLVED: Members approved the updated Corporate Strategy set out in Appendix A.

9 BUDGET 2024/25

The Assistant Director – Resources presented the Authority budget proposals for 2024/25 for approval of £8,271,400.

The total increase in the budget is £1.4million in comparison to last year’s budget, however the majority of this has been driven by developments that have been separately approved primarily by the Staffing Committee in October 2023 in relation to the Pensions Administration Improvements and the outcomes of the Pay & Benefits Review. Two further reports in the exempt section of the agenda will also result in part of this budget growth.

Members commented on the large increase to the budget and how they expect to be able to measure improvements over the next year to see that we have delivered on the investment.

The Director responded that the senior management team are very conscious of ensuring that we demonstrate the delivery on this significant investment. The Assistant Director – Resources followed up on this point raising that in December the new Service Manager – Programmes & Performance was appointed, and part of his work will focus on demonstrating outcomes and measuring performance to enable us to bring reports to the Authority which show the steady progress and delivery of outcomes from this investment.

Members further queried the reserves forecast being at such a low level and why nothing could be done in the short to medium term.

The Assistant Director – Resources responded that the Authority had drawn down on the reserves over the past 2 years to deliver on large projects such as the new office building and the Pay & Benefits Review, this had been built up following underspends in the years leading up to this. With a large increase in the budget for 2024/25 which will allow the Authority to deliver on the strategy, it was felt not necessary to further add to the reserves and we will move back to putting money into this from 2025/26 to build it back up again for any future projects.

The Director further assured Members that these are not contingency reserves, and that the Authority is backed by the Pension Fund which meet all costs including what would be calls on a contingency reserve.

RESOLVED: Members approved the 2024/25 budget for the Authority, a total of £8,271,400.

10 MEDIUM TERM FINANCIAL STRATEGY 2024/25 TO 2026/27

The Head of Finance presented the Authority’s Medium Term Financial Strategy 2024/25 to 2026/27 for consideration and approval.

The key points to note were:

- In 2022/23 investment costs returned to similar levels seen in 2020/21, this is positive and shows the assets are performing well. The Authority utilise a lot of expensive investment assets as part of the Investment Strategy which is why we are at the top end of expenses for investments.
- CEM Benchmarking work showed that the cost of our asset mix is below the benchmark, therefore despite costs looking high when taking into account the alternatives we are using, the cost is relatively low in comparison to other funds.
- For the operational budget most of the changes were accounting for the 4% inflation in 2024/25. Moving forward we expect inflation to move to 2%, however this is very volatile and one of the challenges the Authority face when setting the medium-term financial strategy.
- Investment Management expenses are expected to increase due to cost changes at BCPP and we expect that this year we will see an increase in investment management costs.

Members questioned whether the political issues in the Middle East would affect any of the investments the Authority currently hold.

The Director responded that any forecast has a range of uncertainties and are always based on assumptions, therefore it is important to look at how the risk is managed, the Authority's investment strategy is designed to expect less volatility than the average and this is how we manage that risk. Political uncertainty will affect the value of our assets, however the aim of the strategy is to ensure that when we are hit by something like this, it has less of an impact than the average.

Members further probed around whether fund managers will conduct modelling around these worst-case scenarios where political uncertainty is involved and additionally are they modelling other scenarios such as a rapid transition in terms of climate.

The Director responded that fund managers do conduct climate scenario modelling as part of reporting under the TCFD Regime. With regards to political events this is less likely and instead fund managers look at how the political event will affect the stocks we hold and reposition the portfolio to take this into account.

Members raised that the Investment Strategy is very reliant on alternatives and questioned whether this is likely to remain the same in the foreseeable future and if there would be years like 2021/22 in terms of investment costs where we would be considerably away from the median of other LGPS.

The Director responded that the strategy would continue to be reliant on alternatives now and in the future and that it can be difficult to compare costs due to not all funds reporting as they should causing the comparison to be skewed. Work is being done to improve this on a national level and this will allow us to see improvements on the comparison and it has also been suggested that performance fees would be separated from base fees when reporting which would further contribute to this improvement.

Overall, the Authority is paying less than the benchmark to implement our strategy, but we will not become complacent and will continue to evaluate cost.

Members sought assurance on the Pension Fund Forecast Graph which showed an increase year on year, highlighting this was nice to see but do we think this is a realistic forecast.

The Director responded that the forecast is based on the fund growing in line with the actuarial long-term assumptions. This assumes that we will make returns in line with what the actuary tells us we need to make, and in the long term historically we have achieved this however this can swing on a year-by-year basis. At present we are likely to end the year close to £10.7billion which is reasonably close, dependent on how the year finishes over the next six weeks.

The Head of Finance followed up that the Actuary assumes 4.5% and over the last 30 years we have achieved close to 9% so despite this not being year on year, overall we did outperform this significantly so we could be more optimistic with the figures but have gone with the actuarial percentages.

RESOLVED: Members approved the Medium-Term Financial Strategy 2024/25 to 2026/27.

11 TREASURY MANAGEMENT STRATEGY 2024/25

The Head of Finance presented the Treasury Management Strategy for 2024/25. The key points to note were:

- There have been no major changes to the strategy, other than a few clarifications around the Money Market Funds and Section 114 notices to allow us to show that we are minimising counterparty risk.
- Tables in Appendix A confirm the Authority's investments as at 31/12/2023, however the local authorities have now matured meaning we now have no exposure to Section 114 notices for the Treasury Management Strategy.

RESOLVED: Members approved

- a. The 2024/25 Treasury Management and Annual Investment Strategy and the treasury and prudential indicators set out in the report.**
- b. The Treasury Management Policy Statement attached at Appendix B.**
- c. The Treasury Management Practices attached at Appendix C.**
- d. The Minimum Revenue Provision statement as set out in this report.**

12 PAY POLICY STATEMENT 2024

The Assistant Director – Resources presented the Pay Policy Statement 2024 for approval. The Authority are required to produce this annually, and the statement reflects the Pay Award for 2023/24 and the impact of the outcomes from the Pay and Benefits Review which was approved last October.

This has had a positive impact on the metric showing the ratio of the highest paid role in the organisation to the lowest paid role which has reduced from 6.1 times to 5.6 times which remains well below the Hutton reviews finding that the highest paid shouldn't be no more than 20 times the lowest paid.

The pay grading included in the statement will require updating for any pay award agreed for 2024/25. This is published on the website so is viewable to the public.

Members probed around the Hybrid Working Policy and if there are any penalties for staff members who are unable to attend the office 2 days per week, due to how this may affect performance.

The Assistant Director – Resources responded that full time staff are required to attend the office 2 days per week and part time staff 1 day per week.

There are on occasion times when individuals are unable to attend the office such as for a medical issue, however they can still perform by working from home and deliver using the technology available.

This is always temporary, and their line manager and HR will work with the individual to ensure a return to the office. As an organisation we place importance on office attendance alongside the flexibility of being able to work from home.

RESOLVED: Members approved the revised Pay Policy Statement at Appendix A.

13 GOVERNANCE UPDATE

The Assistant Director – Resources provided members with an update on current governance related activity and regulatory matters.

The key points to note were:

- The new Pensions Regulators General Code of Practice has been published which is expected to come into force on 27th March. Officers are currently working through the content of this and making use of training materials and webinars to support with planning to ensure we can demonstrate compliance with the code.
- An Independent Governance Review will be undertaken by AoN following a procurement process. The report provides the scope of the work to be undertaken and the final report will be presented to the Board in June. One of the aspects of work being discussed with AoN is the potential for the scope of this review to include some detailed work on assessing our position against the new General Code using a tool that they have developed for this purpose and the Authority will update the Board on this as we progress.

RESOLVED: Members noted the updates included in the report and welcomed the action being taken to undertake an independent Governance Review.

14 INDEPENDENT ADVISER APPOINTMENTS

The Director updated members with regard to the arrangements for the independent investment advice and independent advice to the Local Pension Board.

The Director requested an amendment is made the Ms Scott's contract so that it ends on 30th April instead of 29th February as stated in the report before approval.

RESOLVED: Members

- a. **Noted the changed circumstances of two of the Authority's independent advisers resulting in a need to make further appointments.**

- b. Agreed to the ending of Ms Devitt's contract on 31st March 2024.
- c. Agreed to the extension of Mr Castledine's current contract to 30th September 2026.
- d. Approved the arrangements at paragraph 5.7 to be made for the appointment of a further Independent Investment Adviser with an initial contract term ending in 2027.
- e. Approved the ending of Ms Scott's contract on 30th April 2024.
- f. Approved the arrangements at paragraph 5.10 for the appointment of a replacement adviser to the Local Pension Board for an initial term of three years.

15 DEBT WRITE OFFS

The Head of Finance presented the report to request the Authority's approval to write off irrecoverable debts relating to the Pension Fund's commercial property portfolio and pension member overpayments.

RESOLVED: Members approved the writing off of debts amounting to £264,095.08 excluding VAT.

16 BORDER TO COAST STRATEGIC PLAN

The Director presented the Border to Coast Strategic Plan to secure approval for the casting of the Authority's shareholder vote in favour of the Border to Coast Strategic Plan and Budget.

RESOLVED: Members

- a. **Noted the contents of the Border to Coast Strategic Plan and Budget set out in the attached appendices.**
- b. **Approved the casting of the Authority's shareholder vote in favour of the Border to Coast Strategic Plan and Budget.**

17 FINANCE SERVICE RESOURCING

The Assistant Director – Resources presented the report to secure Members' approval for proposals to strengthen resourcing in the Finance Service.

RESOLVED: Members approved the addition of 1 FTE Senior Finance Business Partner and the other team structure changes outlined in paragraph 5.9 of this report and shown on Appendix A.

18 SENIOR MANAGEMENT REMUNERATION AND SUCCESSION PLANNING

The Director presented a confidential report making proposals in relation to senior management remuneration following consultation on the Pay and Benefits review and in relation to specific issues concerned with two senior management roles.

RESOLVED: Members

- a) **Approve the changes proposed to Grades L and M within the Authority pay and grading structure set out in para 5.4 with effect from 1st April 2023.**
- b) **Approve the payment of a non-consolidated additional responsibility allowance to the Assistant Director – Resources backdated to 1st April 2023 as set out in para 5.4.**
- c) **Approve the arrangements set out in the body of this report for the process to appoint a successor to the current Assistant Director – Investment Strategy.**
- d) **Approve the advertising of the role at a salary of between £106,136 and £116,693 reflecting a market supplement of 20% on the substantive grade for the role.**
- e) **Authorise the Director to update the 2024/25 Pay Policy Statement to reflect these changes.**

CHAIR