

SOUTH YORKSHIRE PENSIONS AUTHORITY

LOCAL PENSION BOARD

15 FEBRUARY 2024

PRESENT: R Nurennabi (Sheffield Hallam University) (Chair)
N Doolan-Hamer (Unison) (Vice Chair), D Gawthorpe (Unite), Cllr K Richardson
(Barnsley MBC), D Webster (Employee Representative), Cllr E Hoddinott
(Rotherham MBC), Andrew Gregory (Scheme Member Representative), G Warwick
(GBM)

C Scott (Independent Advisor to the Board) (except item 17)

Officers in Attendance: G Graham (Director), S Ghuman (Deputy Clerk), D Sharp
(Assistant Director – Pensions), A Palmer (Team Leader – Governance),
C Knowles (Executive Management Support Officer)

APOLOGIES: N Gregory (Academy Representative)

1 **WELCOME, INTRODUCTIONS AND APOLOGIES**

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

2 **ANNOUNCEMENTS**

None

3 **URGENT ITEMS**

Clare Scott is stepping down from her role as Independent Adviser to the Board due to other commitments and increased potential for conflicts of interest. The Director expressed his great regret over Clare leaving the Board and that arrangements regarding a replacement will be discussed later in the meeting.

The Board expressed their appreciation to Clare for the invaluable work she has contributed to the Board.

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

A report considering an investment matter that went to the December Authority meeting in item 18 and item 17 to discuss the arrangements for replacing the Independent Adviser to the Board.

5 **DECLARATIONS OF INTEREST**

The Independent Adviser declared an interest in Item 18 and advised that she also advises the Cumbria Pension Fund who also have an interest in investing in the Border to Coast fund.

6 **MINUTES OF THE MEETING HELD ON 09/11/2023**

The minutes were approved as a true record by the Board.

7 REVIEW OF ACTION TRACKER

The Chair thanked the Authority for pulling together the action tracker as a useful tool in tracking progress made.

The Director confirmed there was nothing that he needed to highlight to the Board on the action tracker.

8 GOVERNANCE AND REGULATORY UPDATE

The Director provided the Board with an update on current governance related activity and regulatory matters.

Members questioned the reasons why there has been no uptake for the employer post on the Local Pension Board and whether there are any actions based on feedback that can be taken to mitigate this.

The Director responded that the Authority has not received any direct feedback, but instead heard that people are too busy to uptake the role or feel pensions is a very technical area which is intimidating to some. Allowances have been made available for the post and the Authority will continue to keep promoting the role.

Members probed around the Government Consultation response and elements within this response being ambitions rather than mandatory requirements, and asked what the decision-making process will be within the Authority to provide a response in the best interest of our members.

The Director responded that the Government have framed these as ambitions to ensure they are not seen to be telling pension funds how to invest.

The Authority have already taken a decision in relation to place based impact investments (which address “levelling up”) targeting 5% of the fund, and this decision was led by a working group of members of the Authority. This was being conducted with a focus on things we can invest in to support the growth of the South Yorkshire economy, but this doesn’t change the investment strategy.

One of the ambitions in the Government Consultation was that 10% of an LGPS fund is invested in private equity, this is more challenging particularly when putting money into UK private equity through a pooled structure.

If the Authority did decide to increase the allocation, which is already at the top of the range in the LGPS, the money would need to be taken from somewhere else so this will need to be addressed at the Investment Strategy review. This is not currently a priority before the review as the Authority are well above average in the LGPS.

Members further probed around the Government Consultation asking if the Authority would do anything before 2025 or would it wait for the valuation.

The Director responded that, for levelling up investments, the Government have asked for LGPS funds to produce a plan.

The member working group report provides the basis for this plan and hope to get this done in the next 12 months and this is also helpful in setting some of the framework for the strategy review.

In addition to this, there are some things on reporting which the Authority will seek to implement before they become mandatory.

Members sought assurance on investing in levelling up and how the Authority would make money on these investments.

The Director provided assurance that all local and “levelling up” investments were judged against the same financial criteria as other investments in the same asset class.

Members asked if the Board would receive a briefing on the context of the new General Code of Practice.

The Director responded that this will be reflected in the development programme next year.

RESOLVED: Members a) Noted the updates included in the report and b) welcomed the action being taken to undertake an Independent Governance Review.

9 COMPLIANCE WITH PENSIONS REGULATOR CODE OF PRACTICE

The Assistant Director – Pensions provided the Board with an update on compliance with the Regulator’s Code of Practice for Public Sector Pension Schemes.

Key Points to note:

- Appendix A showed the latest assessment against the Code of Practice 14 which is currently in place and the developments the Authority has made to improve compliance with this. One of these being Risk Management Training and work to improve tracking of internal disputes and looking at improving KPIs in the pensions administration teams.
- The new General Code of Practice has been published and comes into place at the end of March, some aspects of this are not applicable to public sector funds.
- Cyber controls and Scams are now included in the new code which was previously just guidance and so the Authority will need to prove that there are strong processes in place which comply with this.
- The Authority will be undertaking an Independent Governance Assessment with provider AoN and as part of this they will assess us against the new code.

Members expressed their interest in watching the AoN webinar on the new Code of Practice.

Action – DS to send the link to the webinar onto Members alongside additional written materials published on the new General Code of Practice.

Members asked what their role would be in deciding what would be monitored going forwards to ensure these are the right things and how the Authority will approach the applicability of the different elements of the code.

The Director responded that although some parts of the code are not directly applicable to our fund, these are good practice, and the Authority strives to always demonstrate good practice and an example of this would be how risk is managed. There will however be some things that will be ignored as they would not be applicable to LGPS funds but if this is the case, an explanation as to why will be provided.

The work being undertaken by AoN would provide a baseline position and allow future efforts to be targeted at these areas where improvement is required.

RESOLVED: Members noted the contents of this report and provided officers with feedback on areas which they felt required attention.

10 UPDATE ON DECISIONS MADE BY THE AUTHORITY

The Director provided the Board with an update on decisions made by the Authority and its Committees, and any decisions taken under the urgency procedure between meetings of the Authority.

The Independent Advisor asked the Director to further expand on item 15 around the Border to Coast Responsible Investments and a councillor's dissent to this item. The Independent Advisor advised the Board that they should be aware of increasing discussion and debate on responsible investment and divesting to ensure that Board discussions are held in an informed way and that the decisions made by the Authority are in line with the interests of the members and employers whilst taking the risks and issues into account.

Members requested further insight into the dissent which was noted in the December Authority meeting and more context around some of the decisions that were made.

The Director responded that Border to Coast have three policies which are collectively endorsed.

These are reviewed annually and come through to partner funds for endorsement. In line with the consensus view across the partnership, the broad policy framework favours engagement with companies over divestment.

There are certain types of company that Border to Coast won't invest in and are excluded such as Coal and Tar sands producers. The number of companies

excluded is gradually increasing to support the climate objectives, however there are no blanket exclusions.

The view of the Councillor concerned is that the Authority should not invest in companies operating in the fossil fuel sector, however this is not the view across the partnership, and it is legitimate that they ask for their dissent to be noted.

This is an area of increasing debate and something the Authority is regularly lobbied on. Many of these things pose risk to the Fund's investment so if a company does not have a clear plan to transition away from carbon etc then investment managers will make decisions around this.

Members further probed around whether there had been similar discussions and dissent at other authorities and what the risk of getting this consensus was at the Border to Coast level.

The Director responded that similar dissent has been made in other funds but equally they have come from the opposing view also. It was difficult for Border to Coast to achieve consensus however they have successfully done so as every partner fund has endorsed the policy framework.

Member expressed interest in the Staff Survey and asked whether there was anything they should be aware of that stood out in the results.

The Director responded that the results were very positive, and the net promoter score had moved from a minus number into a positive. The survey did highlight areas for improvement, one being the perceived lack of progression opportunities amongst some groups of staff, however the SMT were already aware of this, and work is in hand to deal with this.

Overall, the survey didn't flag anything SMT were not already aware of, but reinforced the direction of travel.

RESOLVED: Members noted and commented upon the decisions included in the report.

11 MEETING CALENDAR AND OUTLINE WORK PROGRAMME 2024/25

The Director presented the 2024-25 Governance Meetings and Training Calendar to the Board for review and approval. This outlines the agendas based on regular flow of work and will evolve as required.

The Independent Advisor asked how the Authority plans to share the results of the Independent Governance Review with the Board.

The Director responded that the Authority should expect the results around June and once received, a joint session for members of the Pension Board and Authority Board will be arranged to discuss these and help to shape the actions taken by the Authority. If this is completed in June this can then be brought to the Board meeting in August and the Authority meeting in September.

Action – the Authority to arrange a joint session for members of the Pension Board and Authority Board in June to discuss the results of the Independent Governance Review to help shape the actions taken by the Authority.

Action – the Authority to update page 74 of the report to amend errors on the days and dates which don't match and reframe the wording to make it clear which training meetings each Board need to attend, and which seminars are open to the Board as the topics are relevant.

Members sought assurance on how the Authority ensures new members have the appropriate skill and knowledge to comply with the increasing regulation.

The Director responded that there is a mandatory minimum level of training which new members must undertake in their first year, this provides a base level of understanding alongside attending meetings which are learning opportunities for members.

The Authority provides as much training as any other fund alongside focusing on building knowledge around relevant issues shortly before these arise in meetings to prepare members.

The general guidance is for members to undertake between 15 and 25 hours of training per year and the Authority aims to meet this requirement.

Members of the Board further asked if it would be helpful to have a similar Member induction session ahead of the first Board meeting of the year like the Authority Board.

Action – The Authority to explore whether a member induction session is viable ahead of the first Board meeting of the year.

RESOLVED: Members approved the 2024/25 Local Pension Board Meetings Calendar and Outline Work Programme at Appendix A.

12 GOVERNANCE COMPLIANCE STATEMENT

The Director presented the annual review of the Governance Compliance Statement to the Board to provide comment and any recommended changes or additions for the Audit & Governance Committee.

The statement sets the Authority's arrangements to meet regulation and there have been no substantive changes to this other than updating terminology and further explanation on some points.

Action – The Authority to update page 81, point to add some explanation around how the LPB operates rather than it being in the appendix.

The Independent Advisor asked if there was any idea on the changes in the guidance the Scheme Advisory Board are working on and if this would be imminent.

The Director responded that it is understood that statutory guidance on this will emerge later this year, but nothing has come up through the Scheme Advisory Board yet.

RESOLVED: Members a) Reviewed the Governance Compliance Statement at appendix A and b) Provided comments on the Governance Compliance Statement for the Authority's Audit & Governance Committee consideration.

13 RISK REGISTER UPDATE

The Team Leader – Governance presented the Risk Register update giving members the opportunity to review the updated Risk Register which supports the Corporate Strategy.

Risk Management Training was delivered in September to the Senior Management Team and Middle Managers as part of the plan to introduce the next operational layer of the risk register. As a result of the training some changes have been made to the format of the risk register to facilitate implementing this on Pentana. The following changes have been made to risks:

- G3 was a risk arising from the COVID-19 Lockdown therefore this score has been reduced from a 6 to a 4 and will be removed from the next version of the Risk Register.
- I1 was reduced from a score of 12 to 9 which is the target score, this risk will remain on the register to show this is continually monitored.
- P2 has now been removed as this was regarding a vacancy within SMT which has now been filled by the new Assistant Director – Pensions.
- P3 'Single point of failure due to unexpected vacancies or long-term absence/s in specialist knowledge roles' was a new risk added to the register.

The latest version of the Risk Management framework was approved at the Audit and Governance Committee in December.

Members asked whether Pentana was now fully operational.

The Team Leader – Governance responded that some progress has been made but the team have had to refocus on other priorities due to not having the capacity in the team to get it up and running, however this is a priority for the next quarter.

The Director followed up that Pentana is a priority for several reasons and is aware the Authority has not delivered to timeframe due to capacity issues in the team.

However, a recent appointment of a Governance Officer will help with this, and the Risk Register is now much stronger and has been significantly developed following the review, it is now just a case of getting the tools in place.

RESOLVED: Members a) Noted and commented upon the revised corporate Risk Register at Appendix A and b) noted the updated Risk Management Framework at Appendix B.

14 QUARTERLY ADMINISTRATION UPDATE - INCLUDING PERFORMANCE REPORT, BREACHES, COMPLAINTS AND APPEALS

The Assistant Director – Pensions presented the Quarterly Administration Update Report to members. Following feedback from the Board this report has been condensed down from three reports into one.

Action – Future Quarterly Administration Update under 5.3 to show how the Authority is performing against the overtime plan so Members can see if the Authority is on track to clear the backlog.

Members raised concern over staff wellbeing in ensuring that they are not undertaking too much over-time.

The Assistant Director – Pensions confirmed this is being monitored and there are rules and limitations in place to ensure staff are still taking a break over the weekend.

Members welcomed the summary that will be provided in future reports to provide them with statistics on the scale of the operation and work involved day to day such as the number of calls and emails that come into the Authority.

Action – The Authority to check the number of backlog cases as the number of cases at 34,000 that was mentioned does not tie in with the numbers in the report. Members sought assurance around the breach in paragraph 9.2 which is shown as a breach of law and requested further explanation on this.

The Assistant Director – Pensions responded that under the current scheme rules a refund must be paid to someone within five years of them leaving, and the Authority were unable to contact the member to confirm they wanted the refund and where they would like it paying to so in this case were forced to breach despite numerous efforts. The recording of breaches also requires improvement, and this is something which will be worked on.

Members raised whether they should be concerned about the 87 quotations for deferred members which took over 16 days to complete.

The Assistant Director – Pensions responded that despite this process being online which should make things quicker, members are still required to prove their identity by sending certificates through the post. Our service provider is currently looking into ways that members could prove their identity online to reduce this timescale, but the Authority needs to ensure it remains Cyber compliant.

RESOLVED: Members accepted the report with comment and indicated areas where they would like to receive further detail.

15 PLANNING FOR NEXT MEETING AGENDA

The Director set out the draft agenda for the next meeting of the Board for discussion. Following previous discussions, the Director suggested a report on

Responsible Investment and if the timescales aligned something on the layout of the Annual Benefits Statement.

The Independent Advisor suggested that feedback on the Annual Benefits Statement could be done offline if timescales don't allow for this to be brought to a Board meeting.

Members asked if there could be a Governance, Regulatory and Policy update to provide detail on how the Authority is responding to these.

The Director confirmed this is under item 8 and will be brought to the Board as part of the Quarterly Administration update provided by the Assistant Director – Pensions.

RESOLVED: Members discussed and commented on the draft agenda for the April meeting as set out in paragraph 5.1 of this report.

16 PRIVATE (EXEMPT) REPORTS FROM DECEMBER AUTHORITY MEETING

The Director updated members on the progress with the delivery of the Border to Coast UK Real Estate Proposition and the implications for the Authority.

RESOLVED: Members noted the progress made by Border to Coast in delivering a UK Real Estate proposition and the implications for the Authority of the transition of assets into the new proposition.

17 INDEPENDENT ADVISOR ROLE

The Independent Advisor left the meeting for this item.

The Board discussed options for replacing the current Independent Advisor following her resignation and agreed to seek to make an appointment during the summer.

CHAIR