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SOUTH YORKSHIRE PENSIONS AUTHORITY

Authority Meeting.

9 February 2023.

PRESENT: Councillor J Mounsey (Chair).

Councillors: R Bowser, S Cox, A Dimond, D Fisher, M Havard, D Nevett, A Sangar and G Weatherall (Vice Chair).

Non-Voting Co-Opted Members: N Doolan-Hamer (Unison) and G Warwick (GMB)

Officers: W Goddard (Financial Services Manager), G Graham (Director), J Stone (Head of Governance) and G Taberner (Assistant Director – Resources)

Apologies for absence were received from Councillor B Curran, Councillor S Clement-Jones, Councillor M Stowe and D Patterson.

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

Tribute was paid and a minute's silence held for former Authority member Councillor Murphy who passed away recently.

The Director reported that at the LAPF awards held in December 2022, the Authority was successful in the "LGPS Fund of the Year over £2.5bn" category. It was also highly commended in two categories at the Pensions for Purpose awards for Impact Investing.

Chair thanked the Officers for their work in securing the awards.

3 URGENT ITEMS

Two members of the public, Mr Henshaw and Ms Cattell had submitted questions directly to the Authority. These were read out for Members and answered by the Director. A copy of the questions and the written responses are available in the appendixes of the minutes.

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

RESOLVED – That item 12 'Border to Coast Strategic Plan' be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None

7 MINUTES OF THE MEETING HELD ON

A discussion was held as to the level of detail to be included in agenda item 13.

The Director and Head of Governance will discuss this with the Local Pension Board Independent Advisor. No amendments requested at this time.

RESOLVED – That the minutes of the meeting held on 8th December 2022 be agreed as a true record.

8 CORPORATE PLAN AND MEDIUM TERM FINANCIAL STRATEGY

8a) Feb 2023 Review of the Corporate Strategy 2022/25

The Director presented the 3-year Corporate Strategy update. There had been no substantive changes although there has been a degree of slippage, some of which is beyond the Authority's control. The revised timeline for actions was shown in the report.

The staffing changes agreed at the Staffing Committee in October were designed in part to counter any future slippage of deadlines. Some positive benefits of the changes are already being seen.

Councillor Fisher asked about section 5.5 of the report. Is it expected that Fund Manager fees will reduce because of the updated investment strategy?

The Director responded that as more of the fund's investments are moved into Alternatives, we will be subject to more performance fees. The high fees indicate the fund has been successful in providing a return.

Councillor Nevett asked about the intended increase of Full Time Equivalent (FTE) employees. Does the Authority have the resilience needed to move to 115 FTE from 94 FTE in the next financial year?

The Director replied the increase is designed to add resilience to the organisation. There may be some issues around the capacity to find suitable applicants for some roles. It will be a staggered recruitment process to ease the impact on HR and 3rd party recruitment agencies are also being engaged to help with the process.

Councillor Dimond sought confirmation that Net Zero was still the goal of the Responsible Investment strategy. The Director confirmed that it is.

Councillor Dimond then questioned the strategy to engage with companies that are currently high producers of CO2 and that in his opinion are not decarbonising quickly enough to reach Net Zero by 2030.

The Director replied, engagement has been the focus of the fund's approach to dealing with this. A decision to commit to a dis-investment strategy is not one the Authority can make alone as its assets are held in pooled funds.

Councillor Dimond asked about staff appraisals. Concern that the information whether staff are receiving appraisals is not available given the importance of regular supervision.

The Assistant Director – Resources replied that currently it is not possible to produce the information in a format that would be useful to Members. The situation is monitored and reviewed and all staff do receive regular monthly meetings with Team Leaders and Managers, a half yearly review in addition to a full appraisal at year end.

Councillor Cox asked about the number of staff who currently Work from Home (WFH).

The Assistant Director – Resources replied that SYPA operates a hybrid working policy. This enables FTE staff to have 3 days per week WFH and 2 days in the office. Part Time staff can have 1 day per week WFH. Several people choose to do more than 2 days per week in the office.

Councillor Cox expressed concern around performance monitoring and data security for staff WFH.

The Assistant Director – Resources confirmed all monitoring standards around performance are maintained and regular face to face meetings are required.

In response to a further point the Director added the security risk has been reduced significantly as no paper files for scheme members are used. Equipment including additional monitors and desks are provided to help staff have a separate workspace where possible. Regular data security training and reminders are given to staff.

8b) Pensions Authority Budget 2023/24

The Assistant Director – Resources presented the operating budget proposals for 2023/24.

The overall proposed total is £6.6 million, an increase of £800k on the current year.

This includes £200k increase in general costs and £600k in the salaries budget. An analysis of the staffing cost increase can be found on page 57 of the agenda.

Page 59 of the agenda presents the detail for the other cost increases. This is subject to change due to estimates of various factors being uncertain. Office accommodation and utility cost increases forms a significant part of this.

In the current year the budget includes a Corporate Contingency budget to cover various costs that were unknown at the time in relation to the Director's review into resilience and sustainability, the pay award for 2022 and the outcome from the pay and benefits review.

These figures are now known and been included in the forecast. Work on the pay and benefits review is now likely to crossover into 2023/24. Consequently, a large underspend is expected from the contingency budget in the current year; it is therefore proposed to carry that over into an earmarked reserve specifically for that purpose. If required it could also be used to cover the costs of a pay award beyond the estimated 2% increase.

8c) Medium Term Financial Strategy 2023/24 to 2025/26

The Financial Services Manager presented the strategy.

External factors like the war in Ukraine and volatile inflation rates are impacting the ability to make accurate forecasts particularly of some of the Fund's cashflows.

The fund's total costs as a proportion of its value continue to show the Authority providing good value for money.

The permitted level of reserves has been increased to 10% as a precaution to the uncertainty noted above.

Councillor Sangar asked why the figure of 2% been used to estimate the pay award and at what point is it anticipated that the funds costs will begin to reduce as a result of pooling?

The Assistant Director – Resources replied to the pay question. 2% is the figure built into the main budget, but as reported previously, there is also the contingency fund if required. The forecast was also done before the Unions had submitted their pay claim for 2023/24.

Councillor Sangar asked if it would be better to factor in 4% and have less of a contingency?

The Assistant Director – Resources replied that historically the Authority underspends on the staff salaries budget, due to turnover of staff and delays in recruitment. It also factors in the phased recruitment of the additional FTE mentioned previously. On this basis it was felt that there were likely to be sufficient compensating savings to fund a higher pay award as had been the case in the current year.

The Director responded to the question around pooling. The Authority was starting from an unrealistically low-cost base and the move of assets away from Listed Equities into Alternatives increases costs due to Alternatives being a more expensive asset class, but one that better meets the requirements of the investment strategy.

The Director added that there is significant pressure across the LGPS that is pushing up costs and is reflected in the uprating budget. The administering of a more complex scheme naturally impacts cost. While Governance reporting requirement increases are also a factor and requires additional resources to comply with.

Councillor Nevett asked about utilities costs. Have any changes been made to the budget to factor in the rapid and continued increase?

The Assistant Director – Resources confirmed these had been factored in. Some of the increase in cost has been off-set by a reduction in the cost of the facilities management contract.

Councillor Dimond sought further clarification on the 2% amount used for staff pay award increase in the budget and whether an award at this level was the intention.

The Assistant Director – Resources indicated the inclusion in the budget was not a recommendation or endorsement of the figure; it had been concluded that 2% was the best estimated figure to include in the forecast.

Resolved: Members approved the updated Corporate Strategy (at item 8a), the 2023/24 Authority Budget (at item 8b) and Medium-Term Financial Strategy (at item 8c).

9 TREASURY MANAGEMENT STRATEGY 2023/24

The Financial Services Manager presented the annual report. It has been updated to reflect the Cipfa 2021 code and Prudential 2021 code. The appendices a to c reflect the way the Authority operates comply with the code.

No material changes to previous years strategy. Continue to maintain a relatively liquid cash.

No questions or comments from Members.

10 PAY POLICY STATEMENT

The Director presented a pro-forma report outlining the basis for setting remuneration amounts, particularly for Senior Managers. It also provides the required ratio of Senior Manager to Other staff level of pay.

It reflects the last pay award and will be updated when a new pay award is agreed and any amendments required from the pay and benefits review.

A revised statement will be brought back to members as and when required.

Councillor Sangar commented he felt significant progress has been made on the issue of pay in recent years. Do we now have the level of pay required to attract people to the various new posts?

The Director replied the evidence suggests in some technical areas; investment, finance and IT the pay scales are significantly behind the labour market. Two roles within the organisation currently receive market supplements as a result and the position is reviewed on a case-by-case basis.

A challenge to recruitment in those areas comes from the job evaluation method. It does not always account for the value the market attaches to the skills and knowledge required for certain roles.

A number of the recommendations in the pay and benefits review could be adopted to mitigate this but is unlikely to resolve the issue entirely.

In response to a request from Councillor Nevett in respect of the data in table 14.1 Employee Pension Contributions, an explanation of the 50/50 scheme was given.

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

11 GOVERNANCE UPDATE

The Head of Governance delivered an update on the actions of the Governance Team since the last meeting and drew attention to the following areas

- The beginning of work by external solicitors to comprehensively review the constitution.
- The completion by all members of the required mandatory training.
- The process to procure a contract for ongoing legal advice.
- An update on a previously reported data breach where the Information Commissioner had indicated that they were content with the Authority's response

Councillor Sangar stated it was very helpful to receive regular refresher training as the duties of members is very different to the work as a Councillor.

**Resolved: Members a. Noted the current Authority governance position, including the outcome of the data breach previously reported to the ICO;
b. Welcomed the progress made on training and development of Authority and LPB members
c. Approved the 2023/24 Governance Calendar.**

12 BORDER TO COAST STRATEGIC PLAN

The Director presented a report setting out the Border to Coast operating company's Strategic Plan and Budget for the coming year. Following discussion and debate members:

**Resolved: Members a. Noted the Strategic Plan and Budget for the period 2023-2026 proposed by the Board of the Border to Coast operating company at Appendix B.
b. Authorise the casting of the Authority's vote in favour of the shareholder resolutions required to approve the Strategic Plan and Budget.**

Chair concluded the meeting.

Summary of Agreed Actions.

Agenda Item	Agreed Action	Responsible Officer
3	Issue a written response to scheme member questions	Director
7	Discussion to take place RE: future minutes structure with the LPB Independent Advisor	Director & Head of Governance

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Response to Public Question for the Pensions Authority Meeting 9th February 2023

Question from Mr G Henshaw

Mark Carney, former governor of the Bank of England has said that 'the vast majority of oil and gas reserves are unburnable if global temperature rises are to be limited to below 2degreesC.

Some insurance companies and banks have also raised the issue of oil and gas assets being stranded at some point in the near future. Is the Pension Fund recognising this in its latest Investment review?

The Strategy Review currently being carried out for the Pension Fund the results of which will be reported at the March meeting is working to a brief which includes assessing the impact of different strategy options on the likelihood of achieving the Authority's climate goals. However, it is important to recognise the distinction between the Authority's role in setting strategy and determining what proportion of the Fund should be invested in each type of asset which is the largest contributor to performance and the role of investment managers in determining which individual assets to invest in.

Question from Ms J Cattell

South Yorkshire pensions holds bonds in Bank Leumi Le Israel, Bank Hapoalim B.M. Mizrah Tefahot and Altice all companies that are named on the United Nations list of companies linked to illegal Israeli settlements. The extensive human rights impact of settlements on the human rights of Palestinians has been well documented in successive reports of the Secretary General of the United Nations The violations of human rights associated with the settlements are pervasive and devastating, reaching every facet of Palestinian life.

In your Responsible Investment Policy 2022 you state that well governed assets should show, "Respect for the human rights of the communities with which they interact and their various stakeholders"

SYPA working through Border to Coast and the Local Authority Pension Fund Forum has a policy of engagement to influence the behaviour of companies on key issues.

In view of your belief in protecting human rights I would like to know what engagement activity has taken place with the four companies named above, what progress has been made and what time scales are you working to in achieving a satisfactory response of withdrawal from Israeli Settlements in Palestine.

This question arrived at 4pm on 7th February and a full answer requires the gathering of information from Border to Coast and other sources. Therefore a full answer will be sent to the questioner and copied to Authority members after the meeting once all the information has been gathered.

