

SOUTH YORKSHIRE PENSIONS AUTHORITY

24 NOVEMBER 2016

PRESENT: Councillor M Stowe (Vice-Chair)
Councillors: R Wraith, A Sangar, P Wood and K Wyatt

Trade Unions: N Doolan-Hamer (Unison), G Warwick (GMB)
and F Tyas (UCATT)

Officers: S Barrett (Interim Fund Director), J Bell (Director of
Human Resources, Performance and Communications,
BMBC), G Chapman (Head of Pensions Administration),
B Clarkson (Head of Finance), F Foster (Treasurer), A Hunt
(Risk and Governance Manager, BMBC), M McCarthy (Deputy
Clerk) and G Richards (Democratic Services Officer)

Observers: G Boyington (Chair, SY Joint Local Pension
Board)

Apologies for absence were received from Councillor S Ellis,
Councillor E Butler, Councillor J McHale, Councillor H Mirfin-
Boukouris and A Frosdick

1 APOLOGIES

The Chair welcomed everyone to the meeting.

M McCarthy informed Members that apologies had been received from the Chair who was in London to meet the Minister, Marcus Jones, with other members of the Border to Coast Pooling Partnership.

Apologies were also received from Councillors E Butler and J McHale who were attending a rearranged meeting of Doncaster MBC.

2 ANNOUNCEMENTS

There were no announcements.

3 URGENT ITEMS

None.

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

RESOLVED: That items 18 and 19, both relating to the release of preserved benefits, be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST.

There were no declarations of interest.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 6 OCTOBER 2016

With regard to minute 20, Councillor Wraith queried whether CIVICA would be invited to a future Authority meeting.

G Chapman replied that the situation with regard to the new management team at CIVICA was being monitored; they had to be given time to make an impact. If they delivered what they had promised there would be no need for them to attend but the option was open if the situation did not improve.

RESOLVED – That the minutes of the Authority meeting held on 6 October 2016 be signed by the Chair as a correct record.

7 MINUTES OF THE JOINT LOCAL PENSION BOARD HELD ON 20 JULY 2016

RESOLVED – That the minutes of the meeting of the Joint Local Pension Board on 20 July 2016 be noted.

8 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

The Chair reported that all updates on matters arising since the last meeting were covered elsewhere in the agenda.

9 WORK PROGRAMME

Members considered the Work Programme to March 2017.

RESOLVED – That the report be noted.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

There was no Section 41 feedback from the District Councils.

11 BOARD CHAIRS' REPORTS

None – all issues were covered elsewhere on the agenda.

12 RISK MANAGEMENT ARRANGEMENTS

The Chair welcomed A Hunt, Risk and Governance Manager, BMBC, to the meeting.

A Hunt informed the Authority that the Risk Management Framework and Risk Register had been developed during 2016 in liaison with G Chapman, S Barrett and M McCarthy.

The Risk Management Framework comprised:

- Foreword prepared by Councillor Ellis;
- Aims, Objectives, Approach and Benefits;
- Governance – roles and responsibilities;
- Appendices covering definitions and processes.

The Risk Register contained nine risks relating to:

- Succession Planning;
- Members knowledge and experience;
- Data quality issues;
- Social investment;
- 'Credit' risk;
- 'Liquidity' risk;
- Data protection;
- Reconciliations; and
- Pooling arrangements.

With regard to risk numbers one and two, Cllr Sangar commented that these were uncertain times, the administration system, LGPS 2014 and investment pooling were all big issues for the Authority to deal with.

Concerning risk number two, as Lead member for Training and Development, everything possible was being done to ensure Members were kept up to date on ever-changing issues, but there were concerns regarding yearly changes to membership of the Authority; more stability would be preferable.

The Chair agreed, noting that each district had differing ways of selecting members to sit on the Authority, which was out of the Authority's hands. He suggested that the Section 41 spokespersons should request stability from their respective authorities.

RESOLVED – That the Risk Management Framework at Appendix A and the Risk Register at Appendix B are approved.

13 GOVERNMENT CONSULTATION ON INVESTMENT POOLING

S Barrett reported that, as mentioned earlier, representatives of the Border to Coast Pensions Partnership (BCPP) were in London for a meeting with Marcus Jones, MP. It was hoped that the BCPP pooling proposals would be verbally approved and a letter was expected in due course. It was expected that the 1 April 2018 deadline would stand, despite the delays.

Work on developing the pooling arrangements continued, with officer and member steering groups meeting regularly.

In the coming weeks, officers would be meeting the advisors of all Funds with regard to asset management proposals, any issues from these meetings would be reported to the Investment Board.

A meeting of statutory officers (s151 officers/legal officers) and the pooling officer steering group had been arranged for late November to review the overall situation.

Cllr Wraith asked whether office accommodation had been finalised.

S Barrett replied that no firm decision had been taken at the moment. As the internally managed Funds were based in Teesside, the East Riding and South Yorkshire, the preferred location was Leeds.

Cllr Wraith requested that, as pooling would be more expensive for the Authority in the short-term, costs be kept under close scrutiny; this was not a route the Authority would have taken, given the choice.

S Barrett agreed stating that value for money was imperative; there would be an expectation for a high standard of reporting in terms of costs and performance from the new pool.

The Treasurer commented that the need for value for money was clear and the Treasurers of the funds in the pool were aware of the issue which they would be monitoring; investment pooling was not something the Treasurers would have recommended if it was not a government requirement.

RESOLVED – That the update was noted.

14 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

Members considered the Performance Snapshot Report for 2016/17, Quarter 2.

RESOLVED – That the report be noted.

15 REVENUE ESTIMATES 2017/18: ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

A report of the Treasurer was submitted to allow Members to consider the Authority's draft revenue estimates for 2017/18 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

B Clarkson reminded Members that the Pension Fund's administration and investment management costs do not fall directly on Council Tax. Expenses are met out of the Fund, in accordance with the regulations. Administration expenses are recovered by means of a % addition to employers' contribution rates (at the 2016 valuation, this had been estimated at 0.4% of Pensionable Pay).

The Authority strives to operate cost effectively. In-house investment management means that costs in this area are relatively low, and published statistics on administration costs show that the Authority falls below the average for LGPS funds.

Members noted that the total outturn figure included £99,000 in respect of the GMP exercise which was approved at the March meeting of the Authority. There was also an amount of £350,000 in respect of pooling set up costs which was approved at the October meeting of the Authority; this amount split over two years leading to the movement of assets in April 2018.

The budget for 2017/18 was shown at Appendix A at £7,042,600, compared to £6,336,800 for 2016/17. When this was adjusted for the investment costs linked to market value and the agreed estimate for pooling, this represented an increase of just over 8.4%. Appendix C showed the main variations.

RESOLVED:

- (i) The revised estimates for 2016/17 in the sum of £6,633,000 are approved.
- (ii) The levy of £479,000 for 2017/18 in accordance with The Levying Bodies (General) Regulations 1992 are approved.
- (iii) The preliminary forecasts for 2017/18 are noted and the estimates will be referred to the District councils for comment.

16 REVIEW OF PENSIONS ADMINISTRATION

A report of the Head of Pensions Administration was submitted to present a proposal to reorganise the Pensions Administration Unit to facilitate the shift from annual to monthly pension contribution reconciliation along with other improvement measures.

G Chapman informed the Authority that the 'modern' LGPS was created in 1974; since then there had been five major overhauls of the Scheme and numerous policy reviews and miscellaneous amendments. By contrast, the Pensions Administration unit has had relatively few reviews; the last full review taking place in 1997.

Members noted that since the 1995 actuarial valuation the total of Scheme members had increased by over 136%, and the number of employers by 421%, by contrast the number of administration staff had increased by just 7.84%.

The report detailed the problems with annual reconciliation which the shift to monthly reconciliation would solve. The technology to allow this had only recently become available and was already successfully in use via UPM in West Yorkshire.

The proposal was to create a data team which was key to the whole restructure. The team would include four Data Analysts, additional to existing resources; the posts would have a single function and would be a fixed grade.

The report set out the proposed restructure of the current Administration team, including one additional post in the UPM team, a review of UPM team staffing had been recommended by Internal Audit in their UPM post-implementation audit report.

Members noted that staff at the District offices would not be affected in the first instance, but it was intended to amend the job descriptions of the District Managers and their Deputies to include responsibility for all other scheme employers in geographical area in the future (by April 2020). Once fully implemented this would reduce the cost of the service to the district councils as it would be charged proportionately across all employers in each geographical region in South Yorkshire.

Members welcomed this as it was currently considered to be a very valuable service.

Members noted that the estimated cost of the plan was £170,000. The report was predicated on there being no changes to the senior management pay bill. Increased costs related to five additional posts and some other potential internal upgrades. Although the proposals would increase overall administration costs to the fund, some of this would be offset by the elimination of the requirement for overtime in 2017/18, which was currently costing £65,000 per annum.

RESOLVED - That the Authority:

- (i) Agree to increasing the Pensions Administration Unit establishment by the appointment of five additional posts budgeted at £130,000 pa, to include one UPM Manager and four Data Analysts.
- (ii) Approve in principle the restructure of the Pensions Administration Unit and the potential increase in the overall staffing budget estimated at £40,000 pa.

17 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted that provided Members with an update of Freedom of Information requests received.

RESOLVED – That the report be noted.

18 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 item(s) of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

19 RELEASE OF PRESERVED BENEFITS - COMPASSIONATE GROUNDS (JE)

A report was submitted to seek a decision in relation to the release of preserved benefits on compassionate grounds from a former Kier Asset Partnership Services employee.

RESOLVED – That, after reviewing the circumstances surrounding the request, the Authority approve the release of preserved benefits on compassionate grounds.

20 RELEASE OF PRESERVED BENEFITS - COMPASSIONATE GROUNDS (PS)

A report was submitted to seek a decision in relation to the release of preserved benefits on compassionate grounds from a former Wilmott Dixon Holdings Ltd employee.

RESOLVED – That, after reviewing the circumstances surrounding the request, the Authority approve the release of preserved benefits on compassionate grounds.

CHAIR