

SOUTH YORKSHIRE PENSIONS AUTHORITY

1 OCTOBER 2015

PRESENT: Councillor S Ellis (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: E Butler, B Lodge, H Mirfin-Boukouris,
K Rodgers, A Sangar, M Stowe, B Webster, J Wood and
K Wyatt

Trade Unions: G Warwick (GMB) and N Doolan (Unison)

Officers: J Hattersley (Fund Director SYPA), G Chapman
(Head of Pensions Administration SYPA), J Bell (Director of
Human Resources, Performance and Communications,
BMBC), F Foster (Treasurer), M McCarthy (Deputy Clerk) and
M McCoolle (Senior Democratic Services Officer)

Apologies for absence were received from Councillor J Scott,
F Tyas, R Askwith, A Frosdick, B Clarkson and R Bywater

1 **APOLOGIES**

Apologies for absence were noted as above.

2 **ANNOUNCEMENTS**

Councillor Ellis referred to agenda item 30 entitled 'Senior Manager Pay Review'. Members noted that the report had been withdrawn from the agenda as the Section 151 Officer had not had sight of the report; it was envisaged that the report would be presented to the Authority meeting in December.

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 ANNUAL AUTHORITY MEETING HELD ON 11 JUNE 2015**

RESOLVED – That the minutes of the Annual Authority meeting held on 11 June 2015 be signed by the Chair as a correct record.

7 MINUTES OF THE ORDINARY AUTHORITY MEETING HELD ON 11 JUNE 2015

RESOLVED – That the minutes of the Ordinary Authority meeting held on 11 June 2015 be signed by the Chair as a correct record.

8 MINUTES OF THE MEETING OF THE MANAGEMENT COMMITTEE HELD ON 16 APRIL 2015

RESOLVED – That the minutes of the Management Committee held on 16 April 2015 be noted.

9 MINUTES OF THE MEETING OF CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 18 JUNE 2015

M McCarthy commented that the Department for Communities and Local Government (DCLG) had now confirmed the establishment of a Joint Local Pension Board for the two South Yorkshire LGPS administering authorities; the first meeting would be held today.

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 18 June 2015 be noted.

10 MINUTES OF THE MEETING OF THE CORPORATE PLANNING AND GOVERNANCE BOARD HELD ON 23 JULY 2015

Members noted that the Value Added Tax report had been included onto the Work Programme, and this would be presented to the next Board meeting.

RESOLVED – That the minutes of the Corporate Planning and Governance Board held on 23 July 2015 be noted.

11 MINUTES OF THE MEETING OF THE INVESTMENT BOARD HELD ON 25 JUNE 2015

RESOLVED – That the minutes of the Investment Board held on 25 June 2015 be noted.

12 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 14 January 2016.

RESOLVED – That Members noted the contents of the report.

13 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

14 VERBAL UPDATE ON MATTERS ARISING SINCE THE LAST MEETING

None.

15 CONSTITUTION AND TERMS OF REFERENCE OF THE SOUTH YORKSHIRE LOCAL PENSION BOARD

A report of the Deputy Clerk was submitted to consider amendments to the Constitution and Terms of Reference of the South Yorkshire Local Pension Board.

The South Yorkshire Local Pension Board had first met on 23 July 2015, where its Constitution and Terms of Reference had been considered, as approved by the Authority on 19 March 2015. It had been suggested that the Constitution be amended to indicate:-

- i) A Member may serve a maximum of two terms of office.
- ii) The Board shall hold meetings quarterly. Additional meetings may be called at any time by the Chair.

RESOLVED – That Members agreed to the suggested amendments.

16 LOCAL PENSION BOARD BUDGET 2015/16

A report of the Clerk was presented to consider and agree a budget for the recently established Local Pension Board for the period 2015/16.

It was noted that in relation to the establishment of local pension boards, the Guidance had made provision for the boards to have access to a budget for specified purposes, which may include:-

- Seeking professional advice.
- Member training.
- Production of an Annual Report.
- Expenses in relation to travel, accommodation and subsistence in connection with membership.

RESOLVED – That Members:-

- i) Agreed a budget of £15,000 for the period 2015/16.
- ii) Noted that these costs would be met on a pro-rata basis by the South Yorkshire Pension Fund and the South Yorkshire Passenger Transport Pension Fund.
- iii) Noted that the expenditure would be reported as part of the Authority's budget monitoring arrangements.

17 GOVERNMENT CONSULTATION ON LGPS

A report of the Fund Director was submitted to advise Members that the Government intended to consult over the pooling of investments to reduce costs.

Members noted that the report had been presented to the Investment Board meeting in September, where it was understood that there would be major implications for both the Authority and the Fund if the proposals were pursued.

Members were referred to the message from the Department for Communities and Local Government, which stated that 'Hymans established that savings and efficiencies of up to £660m could be achieved by pooling investment into collective investment vehicles to access economies of scale, by making greater use of passive management for listed assets'. The proposal suggested that 5/6 collective investment vehicles be established, which all administering authorities would be required to invest into but they would retain local asset allocation decision making; the internally managed funds would not be large enough to meet the size criteria. A great deal of officer work was underway to work through the CLG proposals so far released but there was a lot of ambiguity and lack of cohesion surrounding them. HM Treasury had realised that there was a timescale, and they were keen to make an announcement at the next budget that cost savings would have been achieved. The Government was focusing on the cost, scale and governance, and it was seeking to improve governance of administrative authorities (seemingly without adversely affecting investment performance).

At the September Investment Board meeting, the State Street presentation had indicated that the Fund had outperformed its benchmark by 0.1% per annum over the last decade whereas the average fund had underperformed by 0.1% and the differential was a further 0.2% net of fees.

G Warwick commented that the Scheme Advisory Board had expressed concern, and he considered that a holding letter to the Government would be invaluable to point out the increase in cost as opposed to savings. It had been agreed at the last Advisory Board meeting, to undertake further work on the criteria assessment.

Members noted that a workshop would be held on 19 November to discuss the issues surrounding what was so far known about the proposals. It was noted that the Investment Board had given approval for the Fund Director to explore the research being undertaken by Hymans Robertson, and had given approval for the Board to enter into this providing the costing was circa £10,000.

RESOLVED – That Members:-

- i) Noted the report and the response so far proposed by the Investment Board.
- ii) Agreed that a holding letter be submitted to the Government to explain the Fund's position and the areas it wanted to explore further.
- iii) Noted that a workshop would be held on 19 November to discuss the response to the LGPS consultation on investment pooling.

18 COMPLIANCE AND ENFORCEMENT BY THE PENSIONS REGULATOR IN THE LGPS

A report of the Clerk was presented to draw to Members' attention the publication by the Pensions Regulator of an enforcement policy document affecting the LGPS.

Members noted that the framework for the governance and administration of public service pension schemes had been introduced in the Public Service Pensions Act 2013. The Pensions Regulator (TPR) was now the LGPS regulatory body.

RESOLVED – That Members noted the report.

19 QUARTER 1 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2015/16 Quarter 1.

Councillor Ellis referred to stock selection that had added value at a time which had been very difficult for the Fund.

RESOLVED – That the contents of the report be noted.

20 ACTUARIAL VALUATION TIMETABLE 2016

A report of the Fund Director was submitted to advise Members about the provisional timetable for considering aspects of the actuarial valuation due at the end of March 2016.

Members noted that traditionally the Authority reserved the actuarial valuation to itself rather than delegating to a Board. The Fund's next triennial actuarial valuation was due as at 31 March 2016. Members noted the provisional timetable which incorporated the work from the employers, the actuary and the Authority. Officers and the actuary were involved in preliminary discussions in relation to the adoption of underlying principles for setting the valuation assumptions/methodology; a meeting would be held in October and the outcome would be discussed with the district councils.

Councillor Ellis queried whether any local authorities had provided outsourcing information, following the Authority's plea made a few months earlier. J Hattersley commented that the matter would be raised at the forthcoming meeting with Treasurers.

Councillor Wraith requested that the Authority be provided with feedback throughout the process.

Councillor Ellis expressed concern with UPM, the new administration system, and whether it was able to give equality and reliability of membership data.

G Chapman commented that from next year, it would be critical for employers to provide data in a timely fashion; the matter would be raised at the Employers Forum in November 2015. It was noted that a new valuation extract program was required to accommodate the changes to the scheme; a specification had been agreed with actuaries, and discussions were underway with the software supplier. The Fund had agreed to be the test site for the new software, which was expected before the end of the year; Members would be kept informed of the test results.

RESOLVED – That Members noted the report.

21 BOARD CHAIRS' REPORTS

Councillor Ellis had met with a number of staff over the last few months, where she had acknowledged that the Authority was aware of the amount of strain the additional

workload had caused staff due to problems with the UPM administration system; she gave thanks to J Hattersley, G Chapman and M McCarthy for the time involved in providing in-depth explanations on matters to her.

Councillor Ellis referred to J Hattersley's intention to retire. J Hattersley was held in the highest regard and he would be difficult to replace; it would be imperative to find a suitable replacement over the coming months. Members noted the forthcoming Annual Fund Meeting which would be robust in relation to responsible investments etc.

Councillor Ellis had met with D Terris, Clerk to the Authority, and J Bell, Director of Human Resources, Performance and Communications (BMBC).

Councillor Wraith gave thanks to the staff and officers for the work undertaken on the UPM administration system.

J Hattersley gave thanks, on behalf of colleagues, to the Chair for all of her support.

22 CORPORATE PLANNING & GOVERNANCE BOARD AUDIT COMMITTEE
FUNCTION ANNUAL REPORT

The Authority was presented with the Corporate Planning and Governance Board Audit Committee Function Annual Report 2014/15, which provided evidence of the arrangements the Authority had in place to monitor, challenge and hold to account those responsible for managing its' governance arrangements and the production and approval of its Annual Governance Statement.

Members noted that the draft Annual Report had been agreed at the Corporate Planning and Governance Board meeting held on 18 June.

RESOLVED – That the Authority approved the Corporate Planning and Governance Board Audit Committee Function Annual Report 2014/15.

23 SOUTH YORKSHIRE PENSION FUND ANNUAL FUND MEETING 2015

A report of the Head of Pensions Administration was submitted to advise Members about the 2015 Annual Fund Meeting, which would be held at Doncaster Racecourse on Thursday 22 October 2015 commencing at 5.30pm.

Members noted that the format and style of the meeting would include presentations from the Fund Director and the Head of Pensions Administration plus pre-notified questions from attendees, as at previous events. Subject to testing the quality of the mobile network at the racecourse, the event would be live streamed, which would be new for this year.

RESOLVED – That Members noted that the 2015 Annual Fund Meeting would be held on Thursday 22 October 2015 at Doncaster Racecourse commencing at 5.30pm.

24 MYNERS' PRINCIPLES: COMPLIANCE STATEMENT

A report of the Clerk was submitted to ask Members to approve an updated version of the Myners' Principles Compliance Statement.

The Statement of Compliance with the Myners' Principles had last been approved by Members in September 2013. An updated document had been prepared which reflected the introduction of a Local Pension Board, in anticipation of the establishment of the new website; no other material changes had been made.

RESOLVED – That Members approved the amended version of the Myners' Principles Compliance Statement.

25 REVIEW OF CORPORATE STRATEGY

A report of the Clerk was presented to seek Members retrospective approval of a decision by the Chair and Vice Chair to approve the publication of a revised Corporate Strategy Statement.

Members noted that given the lack of clarity surrounding the future of the Local Government Pension Scheme, it had been agreed in March not to review the Authority's Corporate Strategy, and that Local Pension Boards were to be introduced from 1 April 2015. The existing document had not been revised to reflect the introduction of the 2014 LGPS or in light of changes resulting from the dissolution of the South Yorkshire Joint Secretariat. An updated document had been prepared in anticipation of the establishment of the new website; no material changes to the Strategy or Objectives had been made.

RESOLVED – That Members approved the decision of the Chair and Vice Chair to agree to the publication of a revised Corporate Strategy Statement.

26 REVIEW OF GOVERNANCE COMPLIANCE STATEMENT

A report of the Clerk was submitted to ask Members to retrospectively approve a revised version of the Fund's Governance Compliance Statement.

The Fund had a statutory requirement to publish a Governance Compliance Statement; the current Statement was dated from June 2013. Regulation 31(3)(c) of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) applied.

Members noted that the existing document had been reviewed due to the changes resulting from the dissolution of the South Yorkshire Joint Secretariat and the introduction of the 2014 LGPS, and it also incorporated references to the introduction of the Local Pension Board; no material changes had otherwise been made.

RESOLVED – That Members approved the revision of the Governance Compliance Statement.

27 REVIEW OF PENSIONS ADMINISTRATION SINCE THE IMPLEMENTATION OF THE UPM SYSTEM

A report of the Head of Pensions Administration was presented to provide Members with a comprehensive review of the experience of the Pensions' Administration Division of the Authority since the implementation of the UPM Pensions Administration System in November 2014.

Members noted that from the 'go live' date to the end of January 2015, there had been a backlog of 11,000 cases, which at its highest had peaked at 13,000 cases. It had been recognised that the backlog could not be reduced without implementing overtime measures which had commenced from January 2015; a total of 10,000 cases had been completed as a result of overtime working. G Chapman commented that overtime working would cease at the end of December 2015. Provided that overtime working continued on the same basis until December 2015, the total estimated cost would be between £45,000 and £50,000. Discussions with other funds had indicated that they had encountered similar backlog problems. G Chapman would provide an update at the December Authority meeting.

Many of the issues that have been encountered have been as a result of doing things for the first time. As we approach nearly one year live we start to repeat things we have experienced before. For instance the pension increase procedure would be able to commence earlier than previously, which will help to avoid the errors that had been incurred last time. It was envisaged that normal business would be resumed at the beginning of 2016.

Members expressed their thanks to the staff for working through such extremely difficult circumstances, together with their dissatisfaction with Civica, the UPM system provider.

Members agreed that a representative from Civica would be invited to a future Authority meeting, to explain their performance and to enable Members to express their dissatisfaction at the service provided.

RESOLVED – That Members:-

- i) Commented specifically on any areas of the report giving rise to major concerns.
- ii) Commented generally on the Authority's position as detailed in the report.
- iv) Agreed that Civica be invited to a future Authority meeting.

28 ANNUAL BENEFIT STATEMENTS

A report of the Head of Pensions Administration was submitted to advise Members about the failure to meet the statutory deadline for the issue of Annual Benefit Statements to active and deferred Members.

Members noted that statements must be issued by 31 August each year; 2015 was an extraordinary year due to it being the first year of CARE and the first time the annual benefit statements had to be produced on UPM, the new administration system. It had been the intention to meet the statutory deadline, with an estimation for completion of 85% of members. It was noted that the selected printing company, who had been requested to print the statements, had indicated that it would be impossible to meet the 31 August 2015 deadline, due to commitments with other LGPS clients who also wished to have their statements issued by 31 August 2015.

The LGA had ran a national survey, due to a number of LGPS pension funds being in a similar position. The results had indicated that most funds were unable to meet the

deadline and the LGA had undertaken to approach the Pensions Regulator on behalf of the LGPS, who had indicated that administering authorities could take into account the reference to teething problems in paragraph 257 of the Code of Practice, in relation to the introduction of the new scheme and the new statutory deadline for issuing statements when assessing the materiality of any breach.

Members noted the new target of 31 December 2015, for all annual benefit statements to be despatched; it had been agreed with the printing company to send sizeable batches once prepared; scheme members had been made aware of the delay on the website.

As a result of time dependent information, in relation to the annual fund meeting in October, which was contained within the autumn newsletter, this had been despatched, and had resulted in a loss of savings made on postage by not having a joint mailing; but the annual benefit to deferred members had been included in the mailing as originally planned.

Members noted the long term aim for employers to provide monthly returns, and for issues to be dealt with as and when they occurred throughout the year; the issue would be raised at the Employers Forum in November.

Members queried the deadline for online submissions of the self-assessment.

RESOLVED – That:-

- i) Members noted the contents of the report.
- ii) The Head of Pensions Administration would inform Members of the deadline for online submissions of the self-assessment.

29 APPOINTMENT OF FUND DIRECTOR

A report of the Deputy Clerk was presented to notify the Authority of the Fund Director's intention to retire with effect from the end of March 2016 and to outline the process for the appointment of a successor.

Members noted the proposal to establish an Appointments Panel to comprise of the Authority's Chair, Vice Chair and Section 41 representatives from Doncaster and Sheffield, together with the Clerk to the Pensions Authority.

Councillor Ellis gave thanks to J Hattersley, who had indicated a degree of flexibility in the commencement of his retirement, to allow the appointment of his replacement.

Councillor Ellis commented that the Appointments Panel would establish the level of HR support required at its' first meeting. An options paper would be produced to highlight the process required to enable the most appropriate assistance to be sought from BMBC or another. It was noted that a special Authority meeting could be held at the conclusion of the process, if required, to provide reassurance to Members.

RESOLVED – That Members:-

Pensions Authority: Thursday 1 October 2015

- i) Agreed to the establishment of an Appointments Panel and its proposed membership.
- ii) Noted the proposed timeframe for appointment.
- iii) Agreed that the Appointments Panel would have delegated authority to make appointment to the position of Fund Director on behalf of the Authority.
- iv) Noted that if required, a special Authority meeting could be held at the conclusion of the process, to provide reassurance to Members.

CHAIR