

SOUTH YORKSHIRE PENSIONS AUTHORITY

17 MARCH 2016

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

Trade Unions: G Warwick (GMB)

Officers: J Hattersley (Fund Director),
G Chapman (Head of Pensions Administration), and
I Baker (Pensions Manager) (SYPA)

M McCarthy (Deputy Clerk), N Copley (Finance Service
Director) and M McCoole (Senior Democratic Services Officer)
(BMBC)

Apologies for absence were received from Councillor E Butler,
Councillor J Scott, Councillor J Wood, F Tyas, R Askwith,
A Frostdick, J Bell, B Clarkson and F Foster

1 APOLOGIES

Apologies for absence were noted as above.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

Councillor Ellis referred to a request from the Investment Board for the Authority to give consideration to an urgent report entitled 'Climate Change Policy Statement 2016'.

RESOLVED – That Members agreed that the urgent report be taken at Item 18a on the agenda.

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

RESOLVED – That agenda Item 19 entitled 'GMP Reconciliation' be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE AUTHORITY MEETING HELD ON 14 JANUARY 2016

RESOLVED – That the minutes of the Authority meeting held on 14 January 2016 be signed by the Chair as a correct record.

7 MINUTES OF THE EXTRAORDINARY MEETING HELD ON 11 FEBRUARY 2016

RESOLVED – That the minutes of the Extraordinary Meeting of the Authority held on 11 February 2016 be signed by the Chair as a correct record.

8 WORK PROGRAMME

Members were presented with a copy of the cycle of future meetings work programme to 9 June 2016. Members noted that upon approval of the rolling schedule of meetings, that the work programme would be updated and populated with items for consideration by the Authority and Boards.

RESOLVED – That Members noted the contents of the report.

9 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Councillor Ellis commented that the district councils had been kept up to date on the pooling arrangements and that there was a general sense of contentment.

10 CIVICA

Members were provided with a plan of Civica's key deliverables to the Authority, by T Fletcher, I Taylor and A Smith; the plan had been agreed and implemented in November 2015. It was noted that deliveries to address each of the requirements had been made, and a number of the pieces of functionality had been signed off and were in use. Valuations and Annual returns were in the final testing phase; Civica was committed to meeting the customer deadlines. Members were informed that significant performance improvements had been made, and that Civica was continuing to work with South Yorkshire to find further performance gains.

T Fletcher referred to the challenging time that had been encountered by the Authority and Civica during the implementation phase of the system. Civica had shown a level of naivety in taking on a number of implementations with contractual constraints from the Authority's existing system supplier which had resulted in the requirement for 8 sites to 'go live' at the same time. She added that Civica had continued to grow and a structure was now in place; Civica had employed an additional 25 members of staff. Civica had engaged with the Local Government community and objectives had been set for the legislative changes; key objectives had been agreed with the User Group, and investment would continue into the product.

Members noted Civica's key deliverables:-

- The annual allowance development had been delivered on time and was currently being tested by all customers.
- There had been a number of changes to the pension increases to accommodate the negative CARE increases for the year. These had now been completed and delivered, and were being implemented and run by a number of sites.

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- The annual returns development had been delivered to a number of test sites, to be delivered to the Authority by the end of March.
- The valuation extract had been completed in a number of phases, to which the Authority had been one of the test sites. This was now in the final test phase before being released.
- The first version of the performance fixes had previously been released and the second version would be released today. Problems had been encountered by the QA Team, which had resulted in the second version being released 3 days later than previously stated.

The Authority noted that work was on track for the transfer of data from the Nottinghamshire Fund, although minor resource problems would be encountered in relation to the Easter holiday period.

Councillor Ellis sought clarification as to whether the annual returns were due for completion for tomorrow.

A Smith commented that the annual returns had been delivered on 9 March, and customer feedback was awaited by 18 March; any arising issues would be resolved in-house, and all sites would 'go live' on 18 March.

Councillor Ellis expressed concern that the Authority had been used as a test site on numerous occasions, that acknowledgement should be made to the Authority's staff for the additional work undertaken, and the learning gained by Civica from the Authority. The Authority wished to continue working with Civica, to limit the damage suffered to date, but Councillor Ellis considered Civica's past learning to have been at the Authority's expense. At the last Authority meeting Civica had been informed on how much the Authority's performance had been affected, together with the reputational damage suffered and the overtime costs incurred in the excess of £50,000, which had not yet concluded.

T Fletcher commented that Civica had supplied pension solutions for 18 years, and that there had been a great deal of growth in the business over the last 2 to 3 years. Civica had become a competitor in the Local Government Pension Scheme market; Civica should have revisited some of the risks and issues for all sites. T Fletcher added that the Authority would continue to see improvements to the system, and that G Chapman and herself would work on efficiencies rather than going down a formal route of compensation costs, to be discussed in further detail.

Councillor Lodge expressed disappointment that the Authority's reputation had been damaged, which would take time to recover, and that staff sickness levels had risen. He added that it was frustrating that one of the release dates within the report had slipped by 3 days.

Councillor Mirfin-Boukouris commented that Civica had not addressed previous concerns. She suggested that Civica provide the Authority with compensation cost proposals to enable a good working relationship moving forwards.

Councillor Sangar commented that the Authority's staff had taken a hit in the level of performance delivered, and that Civica had not provided milestones in terms of performance moving forwards.

T Fletcher referred to Civica's internal team which undertook fortnightly meetings with the 12 Local Government customers, and that weekly updates were despatched on key deliverables; processes were in place to measure Civica's performance; she would ensure that the Authority was included onto the weekly distribution list.

G Chapman commented that the Authority would meet deadlines by the end of the month; the system was now reaching the point where it became under the control of the Authority, and the interaction required with Civica would lessen. The Authority was already in a position to resolve some problems in-house. Once the system was running in the background, the Authority would in a position to develop the system further to meet efficiency requirements. It was vital for the Authority to be able to send out the valuation data in a format that the Actuary could use. It was envisaged that within the next few months, that only work and project issues would be raised at these meetings instead of Civica and UPM issues.

Councillor Rodgers commented that Members, as the board of trustees, had many demands, and that the Local Pension Board would look at this area of performance. Members of the Pension Scheme were interested to know that the scheme was running effectively, and that money was not being spent on staff overtime. There were a total of four main local authorities with over 400 employers including parish councils and schools who expected the Authority to perform well in order to provide the service that they required. Councillor Rodgers expressed concern that issues were still slipping and he considered that Civica should propose a compensation of value, to indicate its commitment to the Authority moving forwards.

T Fletcher commented that discussions would be held in relation to the compensation request, to ensure that the Authority would receive efficiencies; she was confident that an agreement could be reached.

Councillor Ellis commented that the Authority's performance levels were beginning to rise; the Authority had always been a high performing Authority with dedicated staff, and that it was imperative to return to this high level. She added that it was necessary for Civica to provide a good quality product that was delivered on time, with milestones that were delivered on time, and that it was hoped that the improvements made would be built upon. The Authority looked forward to the gesture of goodwill/compensation for Members discussion.

G Chapman commented that he would ensure that Civica came back with a serious compensation proposal to the Authority, to which he would circulate to Members via email for discussion; he would provide Members with an explanation of any technical offering to enable full consideration as to whether the offer was deemed sufficient compensation. He suggested that the Administration Report presented to the Corporate Planning and Governance Board include an explanation on the last quarter in relation to the UPM and Civica relations. It was noted that a member of staff had further developed the system in-house, which had resulted in a cost saving to the Authority; the system was now enabling issues to be completed in time and confidence was starting to grow.

RESOLVED – That the Authority:-

- i) Noted the update.

- ii) Agreed that Civica would provide the Authority with a serious compensation proposal.
- iii) Noted that an explanation on the last quarter, in relation to the UPM and Civica relations, be included within the Administration Report to be presented to the Corporate Planning and Governance Board.
- iv) Would be included onto Civica's distribution list for the weekly updates on key deliverables.

11 MEMBERS' TRAINING AND EDUCATION: EXTERNAL CONFERENCE

A report of the Head of Pensions Administration was submitted to bring to Members' attention the 13th Annual LGPS 'Trustees' Conference which was scheduled to take place on 23 to 24 June 2016 at the Mcdonalds Hotel and Spa in Manchester. The conference was expected to be all-inclusive, as in previous years, at a cost of £500 per delegate.

RESOLVED – That Members agreed that two places be booked onto the conference.

12 PENSIONS ADMINISTRATION STRATEGY

A report of the Head of Pensions Administration was presented to seek Member approval to the attached draft Pensions' Administration Strategy to become the final version for an implementation from 1 April 2016.

Members noted that the first draft of the proposed Administration Strategy had been presented to the Authority meeting on 14 January; the document had since been amended following suggestions and amendments received from Members. Employers had also been presented with the Strategy at the Authority's annual forum in November 2015, and it had been issued for formal consultation to employers on the following day.

G Chapman commented that prior to 1 April, the article would be published on EPIC, the employers system, and there would be a follow up email. This would be sent to over 1,000 users. There would be further discussions with employers.

RESOLVED – That Members:-

- i) Considered and approved the amendments made since the meeting of 14 January 2016.
- ii) Made any final comments or suggestions on the content and format of the Draft.
- iii) Approved the document, subject to any further commentary, as the final and formal Pensions Administration Strategy for the Authority, and that it be introduced with effect from 1 April 2016.

13 GOVERNMENT CONSULTATION ON INVESTMENT POOLING

J Hattersley referred to the recent Investment Board meeting where Members had been provided with a verbal update on investment pooling. There was no further news.

Members noted that the proposal had been submitted at both Authority and Pool level, and that initial comments from the Government had been expected last week. Work was continuing to move development forward although without guidance from Government there was a real risk of unnecessary effort being expended. With this in mind the preferred pool partner had recently sent a letter to Government seeking clarification over how many legal structures were being considered. Preliminary estimates of the costs to establish pools ranged from £2.5m to £3m per pool.

A date had provisionally been agreed for a meeting to discuss governance issues with fund representatives (two from Chairs, Vice Chairs and Section 151 Officers) in mid-April.

RESOLVED – That Members noted the update.

14 QUARTER 3 PERFORMANCE SNAPSHOT REPORT

Members were presented with a copy of the Business Planning and Performance Framework's Snapshot Report for 2015/16 Quarter 3.

G Chapman referred to a total of 19042 cases that had been processed during the quarter, of which 86.10% had been on target. This had equated to a 24.18% improvement in performance on the previous quarter. There were early signs of a reversion to pre-UPM performance levels.

I Baker commented that it was difficult to forecast when performance levels would return to 99%, as the impact on the annual exercise for the year was unknown, and a number of glitches remained in the system.

Councillor Wraith queried how this would impact upon the Accreditation Award.

G Chapman commented that it was hoped that the issues would not have an effect on the Accreditation Award; an annual review would be undertaken in the next few weeks, prior to the full submission next year.

Councillor Ellis requested G Chapman and I Baker to reflect onto staff the huge milestone achieved in removing the backlog against all of the problems and challenges encountered.

RESOLVED – That the contents of the report be noted.

15 BOARD CHAIRS' REPORTS

Councillor Ellis referred to the additional meetings held during the last quarter in relation to the pooled investment arrangements. It was disappointing that funds still awaited guidance from Government but in the meantime Member and officer relationships were being formed at pool level and these confirmed that negotiations were being entered into with the best possible attitude. Once the Government had approved the Authority's and Pool submissions work on further detailed negotiation

would be delegated to the Investment Board with the Authority updated via minutes and special meetings, where appropriate.

Councillor Ellis commented that J Hattersley had been incredibly flexible in relation to his imminent retirement and had agreed to a phased three month extension. Recruitment advice would be sought from BMBC Human Resources in conjunction with the Treasurer.

16 TREASURY MANAGEMENT STRATEGY STATEMENT 2016/2017

A report of the Treasurer was submitted to seek Members approval of the treasury management procedures and strategy to be followed by the Authority during the forthcoming financial year.

The Fund Director referred to the statutory requirements for the Authority to set out a Strategy Statement for the forthcoming financial year. As in previous years it was noted that not all of the legislation which governed councils' treasury functions was applicable to this Authority. However, this year the Authority needed to publish a Minimum Revenue Provision Policy Statement.

Members noted that monies remained outstanding from two UK subsidiaries of Icelandic banks: Heritable and KSF. It was expected that a full recovery would eventually be received from Heritable. The position was less positive in relation to KSF; an additional dividend was due later in March which was expected to bring the recovery up to 83.755p in the pound. Although prospects for recovery stood at approximately 85%, it was going to be some time before the additional monies would be received. The Fund Director was exploring the possibility within the market of selling the claim to that debt.

Councillor Sangar queried the judgement that would be made in selling the debt.

The Fund Director commented that the Heritable debt totalled £38,000 but that the KSF debt was closer to £810,000. There were thought to be 3 brokers interested in buying such claims. The Treasurer had to judge whether or not any received bid offered value given the opportunity costs involved in continuing to hold the claim.

RESOLVED – That the Authority:-

- i) Adopted the Annual Investment Strategy and recommendations set out in Appendix I.
- ii) In accordance with Section 3(1) of the Local Government Act 2003 approved an Affordable Borrowing Limit, on a rolling basis for the forthcoming year and two successive years as outlined in Appendix II, of £250,000 being the maximum amount the Authority could afford to borrow.
- iii) In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 approved the Minimum Revenue Provision Policy Statement (MRP) outlined in Appendix III.
- iv) Agreed to keep the above under review.

17 CONSTITUTION OF THE SOUTH YORKSHIRE JOINT LOCAL PENSION BOARD

A report of the Deputy Clerk was submitted for consideration to the amendments to the Constitution of the South Yorkshire Joint Local Pension Board.

The South Yorkshire Joint Local Pension Board had considered its amended Constitution on 1 October 2015, as approved by the Authority earlier that day. The Chair and Vice-Chair of the Joint Local Pension Board had subsequently met with officers from BMBC's Joint Authorities Governance Unit to discuss the Constitution further.

The Joint Local Pension Board had requested that Sections 4.1.1, 4.1.2 and 4.1.5 be removed from the Constitution, as it was considered that they were not in the spirit of the legislation and could prevent the Joint Local Pension Board fulfilling its role.

Councillor Ellis invited G Boyington, Chair of the Joint Local Pension Board to address the Authority.

G Boyington commented that the Joint Local Pension Board considered it had a harmonious relationship with the Authority. The Board considered that Section 4 of the Constitution was extremely prohibitive, and that the wrong impression could be created by being so restrictive; information should be widely captured, to ensure effective and efficient administration of the scheme.

M McCarthy referred to the early comparative benchmark data that had been released. Other authorities had also chosen to adopt the model framework, and it was anticipated they too would have made slight amendments in one or two areas.

RESOLVED – That Members agreed the suggested amendments as detailed in Section 3.4 of the report.

18 MEETINGS OF THE AUTHORITY AND BOARDS 2016/2017

A report of the Clerk was submitted for Members consideration to the proposed schedule of Authority and Board Meetings during 2016/17.

Members noted that the meetings of the Authority and Boards were currently fixed up to the Annual Meeting on 9 June 2016; additional meetings would be arranged in relation to the pooled investment arrangements.

Councillor Rodgers noted Authority and Investment Board meetings scheduled for 23 June 2016 would clash with the EU Referendum.

M McCarthy commented that Members' availability would be sought to re-arrange the meetings.

RESOLVED – That Members approved the following cycle of meetings for 2016/17, subject to the Pensions Authority and Investment Board meetings scheduled on 23 June 2016 to be re-arranged:-

Pensions Authority	Corporate Planning &	Investment Board	LPB
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	Governance Board		
	2016		
	2 June*		
9 June (Annual)**			
23 June*** To be re-arranged		23 June** To be re-arranged	
	20 July****		20 July
		15 September	
6 October			6 October
	20 October		
24 November			
		8 December	
	2017		
12 January			12 January
	16 February		
		9 March	
16 March			16 March
8 June (Annual)			
	1 June		
		22 June	

* This meeting was originally scheduled for 16 June 2016

** Meeting dates already arranged

*** Additional meeting of the Authority if necessary to discuss LGPS pooling (prior to the Investment Board) as discussed at the meeting on 11 February 2016.

**** This meeting is on a Wednesday. Member availability has been obtained.

18A CLIMATE CHANGE POLICY STATEMENT 2016

A report of the Fund Director was presented to seek Members' approval to publish a Climate Change Policy Statement.

Members noted that a report had been tabled at last week's Investment Board meeting on the outcome of the 2015 United Nations Climate Change Conference, COP21 or CMP 11, held in Paris from 30 November to 12 December 2015. The report had suggested that the Authority might wish to publish a Climate Change Policy Statement and a draft version had been provided for consideration.

Board Members had suggested changes to the draft and a revised version was subsequently circulated to Members and Advisors (1). A further revision was then suggested (2). It was noted that officers had concerns in relation to the practicality of

implementing both versions and their compatibility with the Authority's existing policy of not divesting from positions. Officers suggested a revised version (3).

During an in-depth discussion regarding the three suggested versions Councillor Wyatt referred to a letter received today from the Sheffield Climate Alliance and Councillor Ellis commented that the Advisors had agreed the revised version (3).

Councillor Webster proposed an alternative version of 3, which was seconded by Councillor Sangar. When put to the vote this amendment was not accepted.

Members then approved the adoption of version 3 of the Climate Change Policy Statement.

Councillor Webster requested that the policy be reviewed annually. He also suggested that a copy of the policy should be sent onto the lobbying groups and individuals who had contacted the Authority on the issue. He requested the Board should receive a report on how the policy would be implemented.

RESOLVED – That Members:-

- i) Considered the draft versions of the Climate Change Policy Statement attached to the report.
- ii) Agreed to issue version 3 of the Climate Change Policy Statement.
- iii) Agreed that the Climate Change Policy be reviewed annually.
- iv) Agreed that a copy of the Climate Change Policy be sent onto the lobbying groups and individuals who had contacted the Authority.

19 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

20 GMP RECONCILIATION

A report of the Treasurer was submitted to seek Members approval to appoint ITM Ltd to undertake the stage 2 GMP Reconciliation Service in accordance with Contract Standing Order 3.1(h).

RESOLVED – That Members:-

- i) Considered the contents of the report and approved the award of a contract to ITM Ltd to perform the task of GMP reconciliation in accordance with Contract Standing Order 3.1(h).
- ii) Approved a supplementary estimate in the sum of £99,000 during the 2016/2017 financial year.

CHAIR