

SOUTH YORKSHIRE PENSIONS AUTHORITY

9 JUNE 2022

PRESENT: Councillor J Mounsey (Chair)

Councillors: R Bowser, S Clement-Jones, S Cox, B Curran,
A Dimond, D Fisher, D Nevett, A Sangar, M Stowe and G Weatherall

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

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), J Garrison,
W Goddard (Financial Services Manager), G Graham (Director),
G Richards (Governance Officer), S Smith (Head of Investments
Strategy) and G Taberner (Head of Finance and Corporate Services)

E McCulloch (Border to Coast Pensions Partnership Ltd)

C McFadyen and S Scott (Hymans Robertson)

Apologies for absence were received from D Patterson

1 **APPOINTMENT OF CHAIR FOR THE ENSUING YEAR**

RESOLVED – That Cllr John Mounsey be appointed as Chair of the Authority for the ensuing year.

2 **APPOINTMENT OF VICE-CHAIR FOR THE ENSUING YEAR**

RESOLVED – That Cllr Garry Weatherall be appointed as Vice-Chair of the Authority for the ensuing year.

3 **APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

4 **DECLARATIONS OF INTEREST**

The Director declared an interest in Item 24 – Review of Directors remuneration.

5 **ANNOUNCEMENTS**

The Chair announced that this was the last meeting for Leslie Robb who had been an Independent Advisor to the Authority for the last 10 years. He thanked Leslie for his honesty and openness over the years, commenting that he had been a great asset to the Authority and wished him all the best for the future.

6 URGENT ITEMS

None.

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

RESOLVED – That item 24 – Review of Director Remuneration be considered in the absence of the public and press.

It was noted that all officers, with the exception of the HR Business Partner, would leave the room for this item.

8 MEMBERSHIP, POLITICAL BALANCE AND APPOINTMENTS TO COMMITTEES

A report was considered which sought approval of appointments to the Authority's Committees for the 2022/23 Municipal Year in line with the political balance rules applying to the Authority.

It was noted that the following Councillors had been appointed to the Authority by each of the District Councils for the 2022/23 Municipal Year.

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC	Non-Voting Co-opted Members
R Bowser	S Cox	D Fisher	S Clement-Jones	N Doolan(Unison)
M Stowe	J Mounsey* D Nevett	M Havard	B Curran A Dimond A Sangar G Weatherall	D Patterson(Unite) G Warwick(GMB)

The following members had been designated by the District Councils as the s41 members whose role was to answer questions about the work of the Authority.

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	D Nevett	M Havard	G Weatherall

Audit Committee

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
R Bowser	S Cox D Nevett	M Havard	S Clement-Jones G Weatherall*

Staffing, Appointments & Appeals Committee

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	S Cox	M Havard	A Sangar
	J Mounsey*		G Weatherall

Members were reminded that at its last meeting the Authority endorsed the principle of creating a member working group to support the development of the plan which the Authority would be required to prepare in relation to investment directed to support the “levelling up” agenda. A proposed set of terms of reference was at Appendix A. Suggested membership was as follows:

Impact Investment Working Group

Barnsley MBC	Doncaster MBC	Rotherham MBC	Sheffield CC
M Stowe	D Nevett	D Fisher	A Dimond
			A Sangar
			G Weatherall*

*denotes Chair.

N Doolan-Hamer commented on the lack of female representation on the Authority.

The Director agreed commenting that it was out of his hands but would feedback the comment to the District Councils.

RESOLVED – That members:

- i) Note the members appointed to the Authority by the District Councils.
- ii) Note the members appointed to answer questions in the meetings of the District Councils.
- iii) Approve the nominations to the two Committees as detailed above.
- iv) Approve the terms of reference for the proposed Impact Investment Working Group set out in Appendix A and approve the nominations to the Group as detailed above.

9 Q4 CORPORATE PERFORMANCE REPORT

G Taberner and W Goddard presented the Corporate Performance Report for Quarter 4 2021/22.

Highlights for the Quarter were noted as:

- Majority of corporate objectives had been delivered or remained on target.
- Fund value at year end £10.7 billion, estimated funding level of 109%.
- Improvements in pension administration performance measures.
- A small number of corporate objectives not delivered had be deferred.

- Continued high level of vacancies contributing to a large budget underspend although progress had now been seen since the end of Quarter 4.

Section 3 of the report provided information on the progress being made on delivering the various strategies which formed the corporate planning framework. A table provided updates in respect of developments during the quarter in delivering the programmes of work as well as updates in respect of activity that had taken place to deliver the ICT, HR and Equality strategies.

The key performance indicators for Pensions Administration were presented within the report. It was noted that performance on priority cases continued to improve and was not affected by the creation of the Projects Team; there had been slight reduction in non-priority cases during the quarter. A more detailed report on performance of Pensions Administration was provided for each meeting of the Local Pension Board.

Members noted the quarter 4 financial performance and forecast outturn. The provisional outturn for the year before transfers from reserves as an underspend of £299k.

The majority of the underspend related to employee costs. Details of the variances on the individual service area staffing budgets were included in the analysis within the report.

Members were reminded that the Authority had three earmarked reserves, The Corporate Strategy reserve, the ICT reserve and the Capital Projects reserve.

A table within the report showed details of planned transfers from the reserves in 2021/22 which resulted in a total of £1,405k being transferred for the financial year.

As outlined in the table, there were some specific areas of under-spend – including the capital budget and the areas of additional income for apprenticeships and for ICT that were required to be transferred into reserves for use in the forthcoming year.

Additionally, given that there continued to be a need to ensure the balance of reserves was kept to an adequate level going forward to meet resourcing requirements for specific corporate strategy objectives and for managing risk, it was proposed to transfer the remaining forecast under-spend for 2021/22 into the reserves, in addition to the originally budgeted transfers into reserves. This resulted in a total of £338k being transferred into reserves for the year.

The result of the above was a total net transfer from reserves of £1,067,410

The Corporate Risk Register, was attached at Appendix A. A full review was undertaken in May 2022 and this had resulted in three risk scores being reduced as highlighted on the attached Risk Register which also provided full commentary.

RESOLVED – That members:

- i) Note the report.

- ii) Approve the other transfers to and from earmarked reserves as set out in the table in paragraph 4.64; amounting to a net total transfer from reserves of £1,067,410.

10 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

11 MINUTES OF THE MEETING HELD ON 17 MARCH 2022

RESOLVED – That the minutes of the meeting held on 17th March 2022 be agreed as a true record.

12 ADVISOR'S MARKET COMMENTARY

A Devitt provided a market commentary on recent events.

Highlights since the last quarterly update included:

- Inflation remained the core focus of central banks worldwide.
- Fixed income had one of its worst starts to the year since recordkeeping began, with sharp falls in investment grade and high yield issues.
- Employment numbers remained positive, but GDP numbers were strained due to supply chain problems and a slowdown in exports.
- The case for de-globalisation remained strong with some expecting this to lead to more inflation, more local supply chains and ultimately more protectionism.
- The pressure on energy users remained severe and this had upped pressure to locate alternative sources.
- Markets had experienced severe volatility globally although this had since turned more positive.

Members discussed the effects of inflation and interest rate rises, the effect of the lifting of travel restrictions enforced by Covid and political and currency moves.

The Chair thanked A Devitt for an interesting update.

13 Q4 INVESTMENT PERFORMANCE

S Smith presented the quarterly Investment Report to 31st March 2022.

It was noted that the Fund was valued at £10.65bn at the end of March; the current value was £10.4bn.

With regard to asset allocation, it was noted that the largest transaction during the quarter was the transition of £140m of listed alternative holdings to the new Border to Coast Listed Alternatives fund.

Ahead of this transition listed equity holdings were reduced by £70m - £50m of this was invested into the listed alternatives fund. At the same time there were further drawdowns of £10m across the infrastructure and private debt funds.

Within property three sales transactions were completed during the quarter, these were all transactions that were reported in the 2021 Strategic Plan.

It was noted that there was now only one category that was outside its tactical range and that was private equity.

The changes in net investment for the categories over the last year were shown within the report as was the Fund allocation which was shown against the strategic target.

With regard to performance, for the quarter to the end of March, the Fund returned -1.0% against the expected benchmark return of -1.6% - this was all due to stock selection.

For the financial year the return of the Fund at 9.6% was above the expected benchmark of 7.7%.

Asset allocation during the year contributed 0.1% with the remainder being due to stock selection.

The report also contained details of the performance of Border to Coast Funds showing the quarterly returns and also the longer-term position,

Members noted that the funding level as at 31st March 2022 was estimated to be 109%, the breakdown was:

- Fund's Assets at 31st March £10,586
- Fund's estimated liabilities at 31st March £ 9,673

It was noted that the estimate was calculated on a roll forward basis which meant that there was no allowance made for any actual member experience since the last formal valuation on 31st March 2019.

RESOLVED – That the report be noted.

14 Q4 RESPONSIBLE INVESTMENT UPDATE

Members considered the Quarter 4 Responsible Investment update.

Highlights included:

- An increase of 1/3rd in the number of votes cast as the peak voting season started.
- An increase in votes against management reflecting the tightening of the voting guidelines in a number of areas including board diversity and having credible plans to achieve Net Zero.
- A reduction in engagement activity following the peak around CoP26 in the last quarter.
- A move back to a position where over 50% of engagement activity involved direct interaction with the relevant company.
- The closure of an engagement around single use plastics which had achieved some positive movement.
- Maintenance of strong ESG ratings for the three equity portfolios and the publication of the first assessment of ESG performance of the Investment Grade Credit portfolio.

- The availability for the first time of clear metrics for the Commercial Property portfolio indicating a reduction in GHG emissions and reduced energy consumption.
- A mixed picture for the end of year carbon emissions data, although in the context of a broadly improving position. A high risk remained that when looked at for these portfolios in isolation the 2030 Net Zero goal would not be achieved.
- Continued collaborative activity, particularly around nature-based disclosures.

RESOLVED – That the report be noted.

15 REGULATORY UPDATE - ADMINISTRATION SERVICE

Members considered a report which provided an update on recent legislative developments that would impact on the administration service over the year ahead and summarised the mitigations that were in place to manage the associated risks of service impact.

The report gave details of:

- The Pensions Dashboards Programme.
- The McCloud Judgement.
- Stronger Nudge Requirements.
- Special Severance Payments.

RESOLVED – That members note the ongoing projects linked to legislative changes and the steps being taken within the administration service to manage the risks of wider service impacts.

16 CONSULTATION ON FUNDING STRATEGY STATEMENT

A report was submitted which sought to gain approval to consult informally with employers in the fund on the proposed changes to the Funding Strategy Statement (FSS).

Members were reminded that the FSS was a statutory requirement under the LGPS regulations and must be kept under review and subject to consultation where changes were being made.

Officers, in consultation with the actuary, had been reviewing the FSS and the actuary had produced a summary of the key principles contained within the FSS and the current expectation of how this may change as part of the review, subject to consultation. The summary document was attached at Appendix A.

It was noted that there were no fundamental changes planned to the FSS but there were a number of developments in line with the evolution of the funding strategy which it was intended to discuss with the employers as part of the consultation. These were detailed within the report.

The summary document also drew attention to two new elements that were intended to be reflected in the updated FASS. The first was reflecting wider developments in the approach to climate change risk and the second was the proposed introduction of “pass

through” arrangements for new employer admissions created from outsourcing. J Bailey explained the concept of “pass throughs” to members together with the potential advantages and drawbacks.

RESOLVED – That members approve the early consultation with employers on key changes proposed to the principles and policies contained within the Funding Strategy Statement.

17 ANNUAL REPORT OF THE AUDIT COMMITTEE

Members considered the annual report of the Audit Committee.

The report was produced in order to provide stakeholders with information on the work of the Committee during 2021/22 to support the process of gathering assurance for the production of the Annual Governance Statement.

The report outlined the Committee’s:

- Role and responsibilities.
- Membership and attendance.
- Work Programme.

RESOLVED – That the report be noted.

18 ANNUAL REPORT OF THE LOCAL PENSION BOARD

The Authority considered the Annual Report of the Local Pension Board in line with LGPS Governance Regulations and as part of the process of gathering assurance for the Annual Governance Statement.

The report gave details of:

- The role and membership of the Local Pension Board
- Meeting attendance
- Work of the Board during 2021/22
- Governance
- Learning & Development
- Review of the Board’s effectiveness
- The Board’s budget.

RESOLVED – That the report be noted.

19 LOCAL PENSION BOARD MEMBERSHIP

A report was considered which sought to secure a decision with regard to filling of vacancies on the Local Pension Board and approval of the amendments to the Board’s Constitution.

Members were informed that at its last meeting in April the Local Pension Board had considered its annual effectiveness review which had raised some specific issues around membership which fell to the Authority to determine.

The Board determined two key principles in relation to its membership which underpinned the thinking for its requests to the Authority:

- a) That the Constitution should be written flexibly enough in relation to membership that it did not require frequent changes.
- b) That the terms of office of all members should not be less than three years to allow members to develop the knowledge and skills necessary to fulfil the relevant regulatory requirements.

Full details of the suggested amendments were contained within the report.

RESOLVED – That members:

- i) Endorse the views of the Local Pension Board in relation to the need to achieve greater consistency of member.
- ii) Direct the Authority's Director to request that the District Councils make their appointments to the Board for a period of three years.
- iii) Approve the consequent changes to the Board's Constitution.

20 ANNUAL GOVERNANCE STATEMENT

A report was submitted which sought to secure approval of the Authority's Annual Governance Statement (AGS).

Members were reminded that the AGS assessed compliance with and performance against the standards set out in the Authority's Local Code of Corporate Governance. The AGS was attached at Appendix A for approval.

The AGS also included a summary of the assessment of the control environment from the Internal Audit Annual Report. Currently this was a provisional assessment pending the completion of the full Internal Audit Annual Report and if any amendments were required they would be made prior to publication as part of the accounts.

The AGS also contained an Action Plan for completion in 2022/23. The Action Plan reflected the development of a number of themes from previous years with some additional issues which reflected the learning from changes that had to be made due to the pandemic.

RESOLVED – That members:

- i) Approve the Annual Governance Statement for 2021/22 and authorise its signature by the Chair and the Director.
- ii) Note the provisional conclusion of the Head of Internal Audit which would be revised, if required, by the content of the Internal Audit Annual Report.

21 AMENDMENT TO THE AUTHORITY'S CONSTITUTION

A report was submitted which sought to update the provisions of the Authority's Constitution regarding the sealing of documents,

Members were informed that since the departure of the Deputy Clerk, the number of officers available to execute documents requiring the Authority's seal to be attached had been reduced. As these documents often needed to be turned round quickly it was important to have sufficient officers available to execute such documents.

It was noted that it was intended to commission a comprehensive review of the Constitution in the run up to the formal changes to the statutory officer roles in April 2023, but in the interim it was suggested that the Corporate Manager – Governance be added to the list of officers authorised to execute such documents.

RESOLVED – That members approve the changes to the list of officers authorised to execute sealed documents on the Authority's behalf as set out in the report.

22 DECISIONS TAKEN BETWEEN MEETINGS

Members considered a paper which reported on decisions taken as a matter of urgency between meetings of the Authority.

It was noted that there had been one such decision since the last meeting which related to the Authority's shareholder vote on resolutions concerned with the remuneration of Executive Directors of Border to Coast.

RESOLVED – That members note the decision taken between Authority meetings using the appropriate urgent procedures.

23 MEMBER LEARNING AND DEVELOPMENT - PROGRAMME AND NEEDS ASSESSMENT

A report was submitted which provided an update on the assessment of learning and development needs and the plan to address the identified needs.

Members of the Authority and Local Pension Board had completed an online knowledge/needs assessment provided by Hymans Robertson earlier in the year, whilst new members and others who had been unable to complete the assessment at the time had completed the assessment prior to the meeting.

The assessment results indicated common needs across both the Authority and Board, these were detailed within the report. In addition to this, there was also a need to keep members up to date on specific issues which would affect the Authority in the coming months,

Set out at Appendix A was the proposed Learning and Development Plan for the year which had been constructed reflecting the results of the assessment and the specific issues which would come forward during the next few months.

RESOLVED – That Members:

- i) Note the results of the Learning Needs Assessment process.

- ii) Approve the proposed Learning and Development Plan set out in Appendix A.

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 items 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.

24 REVIEW OF DIRECTOR REMUNERATION

A report was submitted which presented the results of a review of the current salary for the Director and provided a recommendation from this for Authority approval.

RESOLVED – That members approve an increase in salary for the Director as outlined in paragraph 5.7, option B as detailed in the report resulting in a single point salary of £125,000.

CHAIR