

SOUTH YORKSHIRE PENSIONS AUTHORITY
AUTHORITY MEETING
07 DECEMBER 2023

PRESENT:

Councillor J Dunn (Chair)

Councillors: R Bowser (Barnsley), S Clement-Jones (Sheffield), A Dimond (Sheffield), D Fisher (Rotherham), J Mounsey (Doncaster) D Nevitt (Doncaster) A Sangar (Sheffield), M Stowe (Barnsley),

Non-voting Coopetes: N Doolan-Hamer (Unison) and G Warwick (GMB)

Investment Advisors: T. Castledine and A. Devitt

Officers: G Graham (Director), J Stone (Head of Governance & Monitoring Officer), S Smith (Assistant Director - Investments Strategy), G Taberner (Assistant Director - Resources & Chief Finance Officer), W Goddard (Head of Finance), D Sharp (Assistant Director – Pensions)

Apologies for absence were received from
Cllr Gamble Pugh, Cllr Steve Cox, Cllr Marnie Havard

1) WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting.

2) APOLOGIES

Apologies were noted as above.

3) URGENT ITEMS

None.

4) ANNOUNCEMENTS

The Director welcomed Debbie Sharp the new Assistant Director – Pensions to her first Authority meeting.

The Director also wanted to celebrate some of the Authority's successes winning an award for Place Based Impact Investing at the Pensions for Purpose Awards Ceremony earlier in the month.

The Communications team were also highly commended at the Comms2Point0 Honour Unawards 2023. Being a small team of two they have generated an increase in the volume and quality of our social media outputs and the Director wanted to congratulate the team on their success.

5) ITEMS TO BE CONSIDERED IN THE ABSENSE OF PUBLIC AND PRESS

None.

6) DECLARATIONS OF INTEREST

None.

7) SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

8) MINUTES OF THE MEETING HELD ON 07/09/2023.

RESOLVED: That the minutes of the meeting held on 7 September 2023 can be agreed as a true record.

9) QUESTIONS FROM THE PUBLIC

Questions were received from Mr Ashton and Ms Stott.

The Director responded on behalf of the Authority.

Electronic versions of the questions and responses will be emailed to the relevant members of the public. The written replies are attached as appendices to the minutes.

10) QUARTER 2 CORPORATE PERFORMANCE REPORT 2023/24

The Assistant Director – Resources and Head of Finance presented the Q2 Corporate Performance Report for members to consider and approve.

Key areas for consideration were highlighted to members who raised a number of questions.

Members queried the performance in Pensions Administration processing and why this remains well below target and what can be done to improve this.

The Assistant Director – Pensions responded that the capacity in the team has not been sufficient to cope with the amount of work coming in. This has now been addressed through a budget increase in this department which will allow the Authority to recruit a new team in the new year including 6 processing staff and a team leader. Additionally, staff have been undertaking overtime to help make inroads into the backlogs which has shown improvement, and this will be budgeted for in the next financial year so backlogs can continue to be cleared.

Members further questioned how the Authority envisions the back logs will look in a year's time and how we can get employer data on time, especially as we continue to onboard more employers.

The Head of Finance responded that the timeliness and quality of employer data have improved, however further work is required to improve the timetable for receiving the data as this is currently longer than it need be. Making changes to the Pensions Administration Strategy will give the Authority the opportunity to improve in this area.

The Assistant Director – Pensions further expanded on this point that it requires the Authority to further engage with our employers to ensure they are educated and to continually work on improving our relationship with them.

Finally, Members queried how the Authority's relationships with software providers are going to enable the delivery of the McCloud Remedy and other day to day projects such as Cyber Security.

The Assistant Director – Resources assured members that the Head of ICT and Service Manager – Systems are working together to create a robust Project Plan to ensure improvements are made with software providers. Previous issues have come as a result of changes in Account Manager's with the provider and not having the correct relationships in place to hold them to account. Now the new Assistant Director – Pensions is in post she will work to further improve the relationship the Authority hold with them. Further to this software upgrades have been undertaken since the report was published and is in the testing phase soon to go live, once completed a project group has been set up to take the McCloud work forward.

The Assistant Director – Pensions elaborated on this point assuring members that she will continue to work on improving the relationship's held with software providers and has a meeting scheduled in the new year to kick things off with CIVICA. Further to this, an audit will take place on the system to identify what is currently being utilised from their systems and what elements could be improved upon.

RESOLVED: Members approved a supplementary estimate of £197,500 as set out in paragraphs 4.27 to 4.33 of the report.

11) APPROVAL OF THE LEVY 2024/25

The Head of finance presented the Levy for 2024/25 under the Levying Bodies (General) Regulations 1992. The Levy was set up when the Authority was created in 1988 to cover the early retirement compensation payments.

RESOLVED: Members approved a total levy of £286,792 for 2024/25 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved council tax base shares.

12) STAFF SURVEY 2023

The Assistant Director – Resources presented the results of the 2023 Staff Survey which was last run in 2020.

Members probed the Authority on Equality and Diversity and why this hasn't made much progress, and why the Authority seems to be behind on this area in comparison to district councils.

The Director assured members that the Authority have been able to increase the diversity across the workforce despite still having a lot of work to do in this area.

The Assistant Director – Resources further expanded that the Authority will be running an Equality, Diversity, and Inclusion questionnaire in the new year to help update records and target further support as a result of this. Further to this, staffing capacity has impacted upon Equality and Diversity work however with now having filled this gap, it will be a priority for the Authority again in the new year. Work will also be done on reviewing training and recruitment policies to ensure more diversity in the workplace and the Authority will reach out to councils HR teams to pick up on best practice.

Further discussion was held around the overall Equality in the workplace and the uneven balance in gender across the management. The Director informed members that the RISE programme, which will commence in the new year is specifically

targeted at women and encouraging them into management roles following the Authority recognising this was an area where additional support was required.

The Chair further queried the Authority's policy on Menopause and what efforts the Authority are going to for women who are going through this in the workplace.

The Assistant Director – Resources explained that the Authority have already provided training for Women around the Menopause and a Mandatory Menopause course for managers to equip them to support their staff in this area. The next stages will be to implement menopause into the Health and Wellbeing Strategy or as its own stand-alone policy.

Members further probed on the working environment and the Authority's future plans for hybrid working.

The Assistant Director – Resources responded that a working group is currently being set up to look at the Hybrid Working Policy to ensure it works effectively for everybody including the Authority.

Members further questioned the Authority on if they have any policies in place to encourage sustainable transport.

The Assistant Director – Resources confirmed that as part of the Pay and Benefits review the Authority are looking to implement a salary sacrifice scheme for cycle to work and for electric or low emission vehicles. Additionally, one of the Authority's corporate objectives is the net zero target for operations so work will be done to explore how this can be moved forwards.

The Director followed up that considerations were taken when choosing the office space, ensuring its good proximity to public transport links and facilities provided for staff including showers for those who choose to cycle or jog to work. Further discussion was held on equality and diversity on the Authority Board and how it could continue to be diversified in the future.

RESOLVED: Members noted and commented on the results of the staff survey and the actions outlined in relation to the areas for further improvement.

13) ADVISOR MARKET COMMENTARY

The Independent Advisers presented the Market Commentary Report for members to consider and note.

Members sought the views of the advisors around what the market would look like following a UK election taking place next year, which would bring further uncertainty into the markets.

The Advisors responded that although it is impossible to know exactly what will happen, they predict that the UK has already dealt with a lot of uncertainty and a lot of technical damage has already happened. Consensus around policy provides somewhat more certainty and with Australian Sovereign Wealth funds looking to invest in the UK economy and the sterling picking up, could it be any worse than it has already been.

Members also sought the Advisors views on corporate profiteering and price gouging being a cause of sticky investment.

The Advisors responded that consumer loyalty to these brands has allowed prices to remain high, although deflation is happening in other areas which is combating this, so they don't expect we are looking at higher inflation for longer.

Further discussion took place around the Artificial Intelligence 'bubble' which reflected on the importance of diverse portfolios.

Finally, members sought the views of the advisors on the pressure the Government are putting on LGPS funds to invest in specific ways.

The Advisors commented that Authority are investing in different areas whilst always considering South Yorkshire, to ensure there is balance in diversifying the portfolio.

RESOLVED: Members thanked the advisors and noted the report.

14) QUARTER 2 INVESTMENT PERFORMANCE REPORT 2023/24 (INC ADVISORS REPORT)

The Assistant Director – Investments delivered the Q2 Investment Performance Report highlighting key areas of performance over the last quarter.

RESOLVED: Members noted and accepted the report.

15) QUARTER 2 RESPONSIBLE INVESTMENT UPDATE 2023/24

The Director presented the regular quarterly report on Responsible Investment Activity for Members to note and comment upon.

The Chair noted that members have attended workshops and the Border to Coast Conference which focused on Responsible Investment where they have been very much involved and have engaged in thorough questioning.

Members queried the Authority's intentions in the investment in ESG and whether this was for ethical reasons or financial gain so the message could be relayed to Stakeholders.

The Director responded that the Authority is not an ethical investor but instead a responsible investor, who seek to invest in things where risks are effectively managed. Reflecting on ESG issues in investment decision making is an approach aimed at protecting the value of the Authority's investments and the value of scheme members pensions savings.

RESOLVED: Members noted and accepted the report.

16) ANNUAL REVIEW OF BORDER TO COAST RESPONSIBLE INVESTMENT POLICIES

The Director presented the Annual Review of the Border to Coast Responsible Investment Policies. This is brought to the Authority annually for endorsement.

Members raised questions around climate change and if this will be a topic of conversation at the next Border to Coast annual review, following us missing out on further negotiations on it this year.

The Director responded that it would have been difficult for us to make further progress this year given the consensus being against us on this topic. The mismatch between our 2030 target and B2C 2050 target is a challenge, and this has been reflected in a number of discussions held. The Director further made a point that Border to Coast will pose some challenges with their current products if they want to meet their 2050 target and that questions will need to be asked in the coming years around some of their portfolios of which it will likely benefit our goals. The Authority will hold its next strategy review through 2025 which will require members to reflect further on investment beliefs. A further restraint comes from the Authority being required to pool all listed assets, which is not something the Authority can move away from. Therefore, influencing the pool to deliver solutions will be required to help the Authority to reach the 2030 target.

Members encouraged the Authority to enhance diplomacy and influence our colleagues at Border to Coast to allow us to make progress.

Members also discussed issues concerned with the behaviours of BP in relation to continued fossil fuel exploration and the implications of the BDS bill currently before parliament.

RESOLVED: Members endorsed the various Border to Coast policies as Appendices A to C.

Councillor Dimond asked that his dissent be noted.

17) PLACE BASED IMPACT INVESTING – MEMORANDUM OF UNDERSTANDING WITH SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

The Director presented the Place Based Impact Investing Memorandum of Understanding with South Yorkshire Mayoral Combined Authority.

Following agreement from the Authority this will be considered by the Combined Authority Board in January, and signed by the Director and a member of the Combined Authority when it will then come into force.

Members were concerned that the development of a relationship with the Combined Authority did not compromise the Authority's independence and objectivity in relation to decision making.

The Director responded that the intention behind the Memorandum is to provide the Authority with protection against the risks identified and that it has been made clear to the Combined Authorities Officers that we are an institutional investor, and we will ask fund managers to consider investments on their merits and whether they meet the test of institutional quality. The use of external managers in this process avoids potential conflicts and maintains objectivity in the process. Further to this, investments will only be considered if they meet the various return and risk requirements of specific mandates.

RESOLVED: Members authorised the Director to sign the Memorandum of Understanding at Appendix 1 on behalf of the Authority.

18) INVESTMENT CONSULTATION

The Director presented an update on the recent Investment Consultation.

The Director confirmed that the Government have now issued a response consultation on the proposals for improving the process of pooling to ensure that LGPS funds are supporting growth in the UK. Further regulations and guidance are expected during the first part of 2024 although the timetable is not entirely clear. The Director asked members to refer to the immediate implications of this which were outlined in the report.

Work is to be carried out on levelling up documents to bring them in line with the requirements identified and it is unlikely that the level of private equity investment will be agreed due to increase exposure in this area not being in line with the risk appetite. A Transition Plan is being worked on and will be presented to the Authority at the March meeting.

RESOLVED: Members noted the contents of the report.

19) DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance presented the report to inform members of decisions taken between meetings of the Authority.

RESOLVED: Members noted the decisions made between meetings.

20) 2024/25 GOVERNANCE MEETING & TRAINING CALENDAR

The Head of Governance presented the Governance Meetings and Training Calendar for approval of the Authority.

RESOLVED: Members approved the 2024/25 Governance Meeting and Training Calendar.

21) BORDER TO COAST UK PROPERTY PROPOSITION (EXEMPTION PARAGRAPH 3)

The Director updated members on the progress with the delivery of the Border to Coast UK Real Estate proposition and the implications for the Authority which is targeting launch in September 2024.

RESOLVED: Members noted the progress made by Border to Coast in delivering a UK Real Estate proposition and the implications for the Authority of the transition of assets in the new proposition.