

SOUTH YORKSHIRE PENSIONS AUTHORITY

30 SEPTEMBER 2020

PRESENT: Councillor M Stowe (Chair)
Councillor J Mounsey (Vice-Chair)
Councillors: A Atkin, S Cox, J Gilliver, A Law, A Murphy, C Rosling-Josephs, A Sangar, A Teal, N Wright and T Yasseen

Trade Unions: D Patterson (UNITE) and G Warwick (GMB)

Investment Advisors: A Devitt and L Robb

Officers: J Bailey (Head of Pensions Administration), N Copley (Treasurer), G Graham (Director), G Kirk (Monitoring Officer), G Richards (Senior Democratic Services Officer) and S Smith (Head of Investments)

J Firth and J Roberts (Border to Coast Pensions Partnership Ltd)

M Chaplin and C Scott (LPB observers)

Apologies for absence were received from N Doolan-Hamer and M McCarthy

1 APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair announced that Cllr Paul Wray had resigned from the Authority as he had been appointed Civic Mayor of Doncaster MBC. He congratulated Cllr Wray on this appointment and welcomed his successor Cllr John Gilliver to his first Authority meeting.

The Chair also congratulated Will Goddard, a member of the Finance Team, who had won his second CIPFA prize for his performance in the Financial Management paper.

South Yorkshire Fossil Free had been due to give a five minute presentation to the Authority at the beginning of the meeting. Unfortunately, due to technical difficulties, this had not been possible. They would be invited to address members at the next Authority meeting.

3 URGENT ITEMS

None.

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

RESOLVED – That Item 13 ‘Review of Services Contract’ be considered in the absence of the public and press.

5 DECLARATIONS OF INTEREST

None.

6 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

None.

7 MINUTES OF THE AUTHORITY MEETING HELD ON 10 SEPTEMBER 2020

It was noted that there was a gap in the minutes at Item 13. Members agreed wording for this omission which was shown on screen.

With regard to item 12, the Future of the Agricultural Portfolio, Cllr Sangar requested that the update report should be submitted to the Authority in 12 months’ time and that the investigation into the possibility of developing affordable rural housing be included in the minutes.

RESOLVED – That, subject to the alterations detailed above, that the minutes of the meeting held on 10th September 2020 be agreed as a true record.

8 QUARTER 1 2020/21 CORPORATE PERFORMANCE REPORT

Members considered the Quarter 1 Corporate Performance report.

G Graham informed Members that following further government advice all staff were now back working remotely.

It was noted that a significant underspend against the budget was being forecast because the planned recruitment hadn’t been undertaken as quickly as had been expected.

There had been a clear impact on Pensions Administration productivity as a result of working remotely which had been difficult to address under present circumstances.

Members were reminded that it had been reported previously in a Member briefing that the treasury management limits had been breached, this was formally reported in the Corporate Performance report in line with the Treasury Management Strategy.

It was also noted that there had been changes to the Risk Register. The specific Risk Register around Covid-19 had been absorbed into the main Risk Register in recognition of the fact that there was now a ‘new normal’.

With regard to Pensions Administration performance, it was noted that staff found communications more difficult when working remotely, particularly when dealing with complex cases. Different ways of working with the technology were being developed which would help with the process.

Another issue which was affecting performance was the training arrangements for new staff, and how quickly they could be brought up to speed. At the beginning of the pandemic this issue had not been tackled head on as there had been other priorities but during the last few weeks a dedicated online training programme was being developed for all new staff; an improvement in performance was expected over the next two quarters.

RESOLVED – That the report be noted.

9A RESPONSIBLE INVESTMENT - QUARTER 1 UPDATE

A report was submitted which provided an update on responsible investment activity carried out during the April-June quarter.

Members were informed that the first quarter of the financial year generally represented “peak voting season” so, despite the impact of Covid-19 on the ability to hold meetings in person, the quarter had seen an increase in both the number of meetings and the number of votes, particularly in the developed markets fund.

Charts and graphs within the report indicated the degree to which votes were cast for and against management and detailed notable areas where votes were cast against management. The report also detailed engagement activity undertaken during the period.

Members were informed that, following consultation with the Chair, the Authority had signed up to support the Make My Money Matter campaign.

The campaign had a focus on educating Scheme members about how their pensions fund worked and what it was invested in. Financial education was an area which the Authority had a responsibility to support and engage with Scheme members.

Another element of the campaign was trying to align SYPA's values with its investments. More work on reporting was needed on how all SYPA's investments impacted on the world in environmental, social and other ways.

It was proposed that, over time, a stronger reporting framework would be developed, external help would be required in this area; procurement for this would be undertaken during the current financial year if Members supported this.

RESOLVED – That Members:

- i) Note the voting and engagement activity carried out on behalf of the Authority during the first quarter of the financial year.
- ii) Note the Authority's commitment to Make My Money Matter.
- iii) Endorse the development of more effective reporting of the impact of the Authority's investments as set out in paragraph 5.15 of the report.

9B SYPA RESPONSIBLE INVESTMENT POLICIES - ANNUAL REVIEW

A report was submitted that presented the annual review of the Authority's own policies in relation to Responsible Investment for approval.

The main discussion focused on Appendix B and the proposed new goal that the Authority's investment portfolio should be 'net zero' in terms of carbon emissions by 2050.

However, it was acknowledged that it was important for Members to focus on the documents as a suite of policies and not concentrate on just one issue.

The Responsible Investment Policy at Appendix A increased focus on engagement with Scheme members and reporting and highlighted an increased focus on the 'S' in ESG which was even more important in current circumstances.

Appendix C concerned how SYPA would apply Responsible Investment principles to its commercial property portfolio. The rewrite of the policy focused on setting standards for the type of buildings SYPA would buy and the standards it would apply when involved in development projects.

There was a discussion around engagement versus divestment. It was generally agreed that both had their place at the right time but there needed to be a clearer process to determine when engagement had run its course.

There was a lengthy debate with regard to the Climate Change Policy with Members unanimously agreeing that SYPA's Goal should be that its investment portfolios should be "net zero" in terms of carbon emissions by 2030 rather than 2050 as stated in the draft policy.

It was felt that Partner Funds at Border to Coast would have similar views and that Members and officers should press senior officers at Border to Coast to refine their investment processes to ensure only suitable investments were made and to speed up the process of transition.

The Director explained that the November Member Seminar would be a workshop designed to give greater clarity to priorities across the Responsible Investment agenda.

The Director agreed to a request to develop a route map on how it was intended to reach the 2030 goal and present it to an Authority meeting in six months' time. Members requested that the Director arrange a press release in relation to the decisions made on these policies and circulate a draft prior to release.

RESOLVED – That Members approve the following updated policy documents subject to the goal that its investment portfolios should be amended to "net zero" in terms of carbon emissions by 2030:

- i) The Authority's Responsible Investment Policy.
- ii) The Authority's Climate Change Policy.
- iii) The Authority's Policy on Responsible Investment for Commercial Property.

10 IMPLEMENTATION PLANNING (MCCLOUD)

A report was submitted which sought approval for additional resource to ensure 'Business as Usual' activity was not adversely impacted by the administrative implications of recent court cases and legislative changes.

Members were reminded that the most significant new administrative challenge faced by LGPS funds was the forthcoming impact of the McCloud judgement.

SYPA had established a working group to plan for the anticipated workload that would impact when the remedy was finally agreed, expected to be later this year. The working group had estimated that over 40,000 records would have to be reviewed.

There was also other discrimination cases ongoing and in July 2020 the Treasury confirmed that the remedy required as a result of a Teachers Pension Scheme case would need to be applied to all public sector schemes.

With regard to GMP reconciliation, this was finally reaching Stage 3 (rectification) where the impacts would be felt directly by pensioners and beneficiaries and where the administration team would need to be involved in the recalculation of pensions.

To deal with this it was proposed to recruit up to three entry or junior level Pensions Officer posts. The additional costs would be up to £75,000 per year and, for the current financial year these costs could be met from forecast savings in the staffing budget from part-year vacancies.

RESOLVED – That Members:

- i) Note the forthcoming administrative impacts that LGPS funds are facing.
- ii) Approve the allocation of additional funding for a maximum of three new Pensions Officer posts as part of corporate planning.

11A TPR CODE OF PRACTICE 14

Members considered a report which gave an update on current levels of compliance with TPR Code of Practice 14 and the intended next steps.

Members were reminded that although codes of practice were not statement of law they were intended to provide practical guidance in relation to the governance and administration of the Scheme. Code of Practice 14 was directed particularly at scheme managers and members of pension boards. The document covered four main areas:

- Governing the Scheme
- Managing Risks
- Administration
- Resolving Issues

Appendix A had been constructed by extracting the individual subject areas covered by the code of practice and providing commentary on existing SYPA levels of compliance.

The Appendix also included a proposed set of actions that may be required to either ensure compliance or to further develop improved governance and administration. It was proposed to create a more detailed Action Plan (with status updates and timescales for resolution) which then could be monitored routinely by the Local Pension Board. This should provide assurance that the main areas of best practice detailed in the Code were being complied with.

RESOLVED – That Members:

- i) Note the existing compliance levels.
- ii) Approve the proposal to create an Action Plan for future monitoring by the Local Pension Board.

11B GOVERNANCE REVIEW

A report was submitted which presented the results of the Governance Review conducted by Hymans Robertson.

Members were informed that in general Hymans findings were positive and indicated that the Authority had effective arrangements and processes in place.

There were a number of areas where Hymans highlighted particular good practice, for instance in relation to the corporate planning process; there were no areas of significant weakness. There were however a number of recommendations which the Authority needed to address. In general the recommendations could be dealt with in the ordinary course of business, but there were two areas which were more difficult or which required a specific piece of work. These were:

- The issue of overlapping membership of the Authority and Local Pension Board in the case of two Trade Union Representatives. Further details of this was contained within the report.
- The recommendation that a review of the detailed requirements for the provision of statutory officers be undertaken. This would be a specific piece of work which would need to involve a range of stakeholder and political inputs.

With regard to overlapping membership and following discussions Members decided to continue with the current arrangements whilst recognising that there could be a perceived conflict of interest and requested that officers identify appropriate arrangements to manage any potential conflicts.

RESOLVED – That Members:

- i) Note the contents of the Governance Review at Appendix A to the report.
- ii) Approve the Action Plan at Appendix B to the report.
- iii) Agree to continue with the current arrangements with regard to Trade Union representation on the Authority and Local Pension Board and request that

officers identify appropriate arrangements to manage any potential conflicts of interest.

11C AMENDMENTS TO THE CONSTITUTION - TRADES UNION OBSERVERS

Members considered a report that addressed a gap identified in the Authority's Constitution.

A review of the Authority's updated Constitution and previous versions of the document, in light of the recommendations made by Hymans Robertson in relation to the Trade Union observers and overlapping membership with the Local Pension Board, had identified that the Constitution contained no mention of the role of the Trade Union observers.

To rectify this the Constitution required changes in a number of places as set out in Appendix A to the report. The proposed amendments reflect the current arrangements which have no term limits and with full access to participate in all aspects of meetings of the Authority and the Audit Committee but not in the Staffing, Appointments and Appeals Committee.

RESOLVED – That Members approve the amendments to the Constitution as set out in Appendix A to the report.

11D FREEDOM OF INFORMATION ACT PUBLICATION SCHEME UPDATE

A report was submitted to secure approval of an update to the Authority's Freedom of Information Act Publication Scheme.

Members were informed that over the last two years additional information had been published on the website and the structure of the website had been altered in order to make information more accessible. This was an ongoing process and further work was planned to improve the design and layout of the site. The provision of additional information in an easily accessible form meant that the current Publication Scheme had become outdated. An updated Scheme reflecting the current position was presented for approval at Appendix A to the report.

RESOLVED – That Members approve the updated Freedom of Information Act Publication Scheme set out at Appendix A to the report.

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.

12 REVIEW OF SERVICES CONTRACT

A report was submitted to enable a review of a services contract.

RESOLVED – That Members agree to recommendations a) and b) as set out within the report.

CHAIR