

SOUTH YORKSHIRE PENSIONS AUTHORITY

30 NOVEMBER 2017

PRESENT: Councillor S Ellis (Chair)
Councillor R Wraith (Vice-Chair)
Councillors: S Cox, K Harpham, T Hussain, J Mounsey,
K Richardson, A Sangar, I Saunders, Z Sykes and K Wyatt

Trade Unions: N Doolan-Hamer (Unison), D Patterson
(UNITE) and G Warwick (GMB)

Officers: S Barrett (Interim Fund Director), A Frosdick
(Monitoring Officer), G Chapman (Head of Pensions
Administration), B Clarkson (Head of Finance), N Copley
(Treasurer) and G Richards (Democratic Services Officer)

Observers: G Boyington

Apologies for absence were received from Councillor S Durant
and M McCarthy

1 APOLOGIES

Apologies were noted as above.

2 ANNOUNCEMENTS

The Chair informed Members that Doncaster MBC had appointed Cllr John Mounsey as their Section 41 representative and Cllr Susan Durant as substitute.

Whilst recognising that it was not a matter for the Authority and endorsing the appointment of Cllr Mounsey, Cllr Cox remarked that he was disappointed that he had not been made aware of the process to select the Section 41 representative at Doncaster MBC..

RESOLVED – That the Authority approve the appointments of Cllr John Mounsey as Section 41 representative for Doncaster MBC and Cllr Susan Durant as substitute.

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 AUTHORITY MEETING HELD ON 5 OCTOBER 2017

RESOLVED – That the minutes of the Authority meeting held on 5 October 2017 be agreed and signed by the Chair as a true record.

7 MINUTES OF THE INVESTMENT BOARD HELD ON 14 SEPTEMBER 2017

Members from all Districts reported queries from constituents on the Authority's climate change policy.

S Barrett replied that the Authority's policy was very clear, the belief was in engagement rather than divestment; he would provide Members with a position statement to answer any queries.

RESOLVED – That the minutes of the meeting of the Investment Board held on 14 September 2017 be noted.

8 MINUTES OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 19 OCTOBER 2017

RESOLVED – That the minutes of the meeting of the Corporate Planning and Governance Board held on 19 October 2017 be noted.

9 MINUTES OF THE JOINT LOCAL PENSION BOARD HELD ON THE 5 OCTOBER 2017

RESOLVED – That the minutes of the meeting of the Joint Local Pension Board held on 5 October 2017 be noted.

10 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED – That the Work Programme be noted.

11 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

Cllr Mounsey reported that he had answered questions regarding the financial position of the Fund with regard to DMBC's budget setting process.

Cllr Saunders had answered questions from Green Party members regarding the Authority's climate change policy.

There were no issues to report from Barnsley or Rotherham MBC.

12 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Q2 Performance Snapshot report which was a summary of various information and statistics previously considered by the Authority's Boards.

RESOLVED – That the report be noted.

13 ANNUAL REVIEW OF RISK MANAGEMENT POLICY

A report was submitted to allow the Authority to review the Authority's Risk Management Policy and Corporate Risk Register.

Members were reminded that the Risk Management Policy had been fully updated 12 months ago; currently there was no need to amend the policy further.

The Authority considered the Risk Register which was presented at each meeting of the Corporate Planning and Governance Board. Members were informed that a new risk had been added since the last meeting of the Board on 19 October 2017. This risk concerned protecting the fully funded position of the Fund as reported to the Investment Board in September. An equity protection strategy was being prepared which would be considered by the Investment Board at its December meeting.

S Barrett gave an update of the more recent risks:

General Data Protection Regulation – this was a big issue at the moment and would be considered later on the agenda.

MiFID II (Markets in Financial Instruments Directive) – the Investment Board had been advised that the 'opt-up' process was underway at its September meeting. A further report would be considered at its December meeting.

Transfer of SY Passenger Transport Pension Fund to Greater Manchester Pension Fund – data had already been transferred with the transfer of assets to be completed in the next few weeks.

It was noted that the probability and impact rating had not been included for the more recent risks. This was an oversight which would be remedied.

RESOLVED - That the Authority:

- a) Note the Risk Management Policy.
- b) Note the Corporate Risk Register.

14 REVENUE ESTIMATES 2018/19 - ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

A report was submitted to consider the Authority's draft revenue estimates for 2018/19 in respect of administration and investment management expenses, in the context of the continuing financial constraints facing public services, and to approve the levy under the Levying Bodies (General) Regulations 1992.

The report was presented against a background of the requirement from Government for LGPS funds to pool their investment assets. The process of asset transfer to BCPP would start in June 2018. Members had recognised that the process was not one that would reduce costs for the fund as so much of the fund was internally managed.

The budget presented at this stage included further provision for the Authority's share of set up costs of BCPP and also (in 2018/19) provision for the transition of some

assets to BCPP, costs associated with the transition and ongoing management costs relating to those assets. The rest of the assets would transfer over a further period of approximately 18 months.

B Clarkson reminded Members that the Authority had always strived to manage the Fund within the budgetary constraints imposed and, as a table within the report showed, had consistently achieved underspends over the last few years.

For 2017/18 an increase in base budget was approved, this increase was made up almost entirely of the provision for set up costs of BCPP and the Administration division restructure.

The revised figures for 2017/18 increased that further by £44,000, the detail behind that was shown at Appendix B. The largest variation was the cost of advice and actuarial work for the proposed equity protection programme.

Members were reminded that a report on staffing structure post-pooling had been considered by the Authority in October and it had also been agreed that the time was right to recruit a permanent Fund Director and to plan to replace the retiring Head of Pensions Administration. The advert for the Fund Director had now closed and an appointment anticipated early in the New Year; the advert for the Head of Pensions Administration would close early in the New Year.

The budget for 2018/19 to maintain the current level of service was shown in Appendix A at £8,935,100 against the base 2017/18 budget of £7,173,100, this was an increase of £1,762,000. As expected the budget was changed significantly due to pooling with major changes in the investment division staffing and a new post-pooling structure giving reductions of around £400,000, however, external costs in respect of BCPP increase by over £2 million. Other, less significant changes were detailed at Appendix C.

RESOLVED – That the Authority:

- a) Approve the revised estimates for 2017/18 in the sum of £7,217,100.
- b) Approve a levy of £464,000 for 2018/19 on accordance with the Levying Bodies (General) Regulations 1992.
- c) Note the preliminary forecasts for 2018/19, and refer the estimates to the District Councils for comment.

15 POOLING UPDATE

S Barrett presented a report to update Members on the progress of pooling in the Border to Coast Pension Partnership Ltd (BCPP).

Members noted the following:

- The Joint Committee (JC) had approved the submission of the application to the FCA.
- The JC had approved the range of investment funds that BCPP would offer.

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- Appointments had been made for the Chair, CEO and Chief Operating Officer along with two Non-Executive Directors. Interviews were planned for the two remaining senior roles of Chief Investment Officer and Chief Risk Officer.
- A draft staffing structure was noted by the JC at its meeting on 20 October.
- The JC agreed a Responsible Investment/ESG policy consistent with that of SYPA.
- The JC had agreed in principle to appointing two shareholder directors; officers were working with the Governance Sub-Group and would report back on the method of selection and associated issues (such as conflicts of interest) after taking advice from monitoring officers.

Members were informed that the next Joint Committee meeting was on 16 January 2018 prior to which the Chair would meet with the Trades Union representatives and the Chair of the Local Pension Board to go through the agenda.

G Warwick expressed frustration with the lack of progress on getting non-voting Trades Union representatives on the Board.

The Chair informed Members that she had raised the issue at the meeting of the Joint Committee who had decided to review the matter at a later non-specified date. She assured Members that she would continue to press for Trades Union representation on the Board.

RESOLVED – That the report be noted.

16 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted to provide Members with an update on Freedom of Information requests.

It was noted there had been 22 requests between November 2016 and October 2017, the majority relating to information on investment holdings. The Authority had responded to all requests within the 20-day limit required by the Act.

RESOLVED - That the report be noted.

17 THE GENERAL DATA PROTECTION REGULATION

G Chapman presented a report to inform Members of the background and general principles of the General Data Protection Regulation (GDPR) and to update on preparation for its implementation on 25 May 2018.

As a pension scheme administrator, SYPA are responsible for maintaining and processing huge amounts of personal data and whilst the Authority had an excellent record of managing data under the provision of the Data Protection Act, all aspects of data management must be reviewed in line with the GDPR.

Members were informed that the cornerstone of the GDPR was Privacy by Design which ensured that those responsible for managing and processing personal data must adhere to five principles which were listed in the report.

The report also listed the significant areas that were currently under review including a review of privacy notices and scheme member communication of the GDPR.

G Chapman informed Members that, although it was still the early stages of a major project, progress had been made in a number of areas especially in relation to awareness and training.

A table within the report detailed progress made so far, including the purchase of the Egress email management system to enhance the security of the data received and shared.

RESOLVED – That the report be noted.

18 THE LIVING WAGE

A report was submitted to seek approval to incorporate the Living Wage supplement into the agreed pay structure with effect from 1st October 2017.

Members were informed that that the Living Wage was an informal benchmark and was not legally enforceable. It was promoted by the Living Wage Foundation and was based on the amount it had been calculated that an individual needs to earn to cover the basic costs of living.

There were over 3500 employers who have signed up to pay the Living Wage including the four South Yorkshire district councils.

The current rest of the UK rate was £8.75 per hour; the cost of implementation from 1st October 2017 was £3,300 for 17/18 and £7,400 for 18/19.

RESOLVED – That the Authority approve the implementation of the Living Wage supplement with effect from 1st October 2017.

CHAIR