

SOUTH YORKSHIRE PENSIONS AUTHORITY

22 NOVEMBER 2018

PRESENT: Councillor S Ellis (Chair)
Councillor M Stowe (Vice-Chair)
Councillors: A Bainbridge, S Cox, A Hurst, A Sangar,
I Saunders, A Teal, R Wraith and K Wyatt

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

Officers: J Bailey (Head of Pensions Administration),
B Clarkson (Head of Finance), G Graham (Fund Director),
M McCarthy (Deputy Clerk), G Richards (Senior Democratic
Services Officer) and I Rooth (Head of Financial Services,
BMBC)

Apologies for absence were received from Councillor S Durant,
Councillor J Mounsey and N Copley

1 **APOLOGIES**

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 **ANNOUNCEMENTS**

None.

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 4 OCTOBER 2018**

RESOLVED: That the minutes of the Authority meeting held on 4 October 2018 be agreed and signed by the Chair as a correct record.

7 **MINUTES OF THE INVESTMENT BOARD HELD ON 13 SEPTEMBER 2018**

The Fund Director gave the Authority an update on the BCPP Joint Committee meeting which had been held the previous day including the approval of the Responsible Investment Policy and Voting Guidelines and the agreement to allow just one Scheme

Pensions Authority: Thursday 22 November 2018

member to sit on the Committee as a participating observer. A briefing note would be sent to Members that afternoon.

RESOLVED: That the minutes of the meeting of the Investment Board held on 13 September 2018 be noted.

8 MINUTES OF THE MEETING OF THE CORPORATE PLANNING & GOVERNANCE BOARD HELD ON 18 OCTOBER 2018

RESOLVED: That the minutes of the meeting of the Corporate Planning and Governance Board held on 18 October 2018 be noted.

9 MINUTES OF THE LOCAL PENSION BOARD HELD ON 4 OCTOBER 2018

With regard to the Annual Fund meeting, Councillor Wraith expressed disappointment that transport for members had not been provided as it had in past years.

J Bailey commented that the focus had been on attracting more active and deferred members. A more easily accessible venue would be chosen for 2020 and the issue of providing transport would be re-visited.

RESOLVED: That the minutes of the meeting of the Local Pension Board held on 4 October 2018.

10 WORK PROGRAMME

The Authority considered its Work Programme.

RESOLVED: That the Work Programme be noted.

11 SECTION 41 FEEDBACK FROM DISTRICT COUNCILS

In the absence of the s41 representative or his deputy, Cllr Cox commented that there was nothing to report from Doncaster MBC. Similarly, there were no issues from Barnsley MBC, Rotherham MBC or Sheffield CC.

12 QUARTER 2 PERFORMANCE SNAPSHOT REPORT

The Authority considered the Performance Snapshot report for 2018/19 Quarter 2.

Members noted the following:

- Reduction in performance in relation to transactions with members was due to resources deployed to complete Year End work (for the final time).
- Fund value was up – the equity protection was doing its job.
- There had been two staff leave during the period.
- Sickness was slightly down compared to the previous quarter.
- Five complaints had been received during the quarter.
- Four new employers had joined the Scheme.

With regard to member training, the Fund Director asked members for feedback on all training to ensure the events were relevant and value for money.

Members commented that the recent BCPP 2-day Annual Conference had been geared more to professionals and was also not interactive enough.

The Fund Director commented that under the new governance arrangements there would be free time in the calendar to arrange internally run training sessions which, by their nature, were more interactive.

RESOLVED – That the report be noted.

13 FREEDOM OF INFORMATION ACT 2000: ANNUAL REPORT

A report was submitted that provided Members with an update of Freedom of Information requests.

Members noted that 23 requests had been received during 2017/18 one more than the previous year; most related to information on investment holdings, mainly in respect of private equity holdings or to issues surrounding them.

Members were informed that the Authority had responded to all requests within the 20-day time limit required by the Act; at least 50 hours of officer time had been spent completing the requests.

To reduce the requirements for requests to be made, the Authority had begun to schedule the production of some information which was regularly requested as part of its normal reporting processes and publish the information on the website so it was readily available.

In answer to a question from a Member, G Graham commented that over time as investments gradually move to BCPP Ltd, requests should decrease.

RESOLVED: That the report be noted.

14 REVENUE BUDGET FOR 2019/20 AND REVISED BUDGET FOR 2018/19

A report was submitted to secure approval of the Authority's draft revenue budget for 2019/20 and to approve the levy under the Levying Bodies (General) Regulations 1992.

Members were reminded that one of the Authority's key strategic objectives was to operate cost effectively. Published data, which was summarised in a graph within the report, showed that the South Yorkshire Fund's total costs (including full investment costs) fall below the average.

The Head of Finance reminded Members that the report was presented against a background of the transfer of more than 50% of the Fund's assets into the Border to Coast Pensions Partnership. The remaining assets to transfer would do so over the period to 2020.

The 2018/19 budget had been set based on a number of assumptions about the costs that would be transferred to Border to Coast and the charges received from them. The costs resulting from the transfer of assets are now clearer and would become clearer as Border to Coast finalised their budget. However, while the transfer of the Investment

Pensions Authority: Thursday 22 November 2018

Team and associated changes resulted in reduced costs, the fees which came back to SYPA are a direct charge to the Pension Fund thus there appears to be a significant reduction in the Authority's budget.

Members were informed that the Authority had consistently achieved underspends over the last few years. The underspends had, where possible, been added to reserves in order to provide resources for investment and to meet one-off costs such as the changes to accommodation in the current year.

In answer to a question from a Member, J Bailey confirmed that the cost of the office move was not expected to exceed the previously agreed £75,000.

The report set out the revenue estimates on a 'continuation of service' basis for 2019/20 together with a revised estimate for 2018/19. A forecast for the Fund Account for 2018/19 and 2019/20 was also provided which showed how the Authority's costs together with those charged directly to the Fund were forecasted to change over the period.

The budget was presented in a new cost centre format which more clearly aligned budgets with individual managerial responsibilities.

RESOLVED: That the Authority:

- i) Approve the revised budget for 2018/19 in the sum of £5,336,300.
- ii) Approve a total levy of £436,000 for 2019/20 in accordance with The Levying Bodies (General) Regulations 1992, allocated to the District Councils as set out in paragraph 5.1 of the report.
- iii) Note the draft budget for 2019/20, and refer it to the District Councils for comment.

15 FRAMEWORK FOR THE 2019 ACTUARIAL VALUATION

A report was submitted to initiate a process of consultation on the framework within which the 2019 valuation would be carried out.

Members were reminded that the triennial valuation of the Fund would take place based on the position at 31 March 2019.

The Fund Director informed members that the Fund embarked on the 2019 valuation in a significantly different position to previous valuations with very significant progress having been made toward eliminating the deficit. It was therefore important that this progress was not put at risk through over-optimistic assumptions, whilst also recognising the financial pressures under which the employers were operating.

The broad methodology which Mercer, the Fund's actuary, would use to carry out the valuation was the same as in 2016 with the key assumption around the discount rate being based on an estimate of CPI inflation plus a percentage (previously an average CPI +2.2%).

Pensions Authority: Thursday 22 November 2018

Other key assumptions and issues to consider were:

- Pay awards – assumptions are remade around the level of pay awards.
- Demographics – assumptions about how long people will live.
- Commutation – this is around the degree to which members choose to convert pension to lump sum.
- Ill health arrangements – assumptions around ill health retirement.
- Academies – it may be appropriate for the Authority to consult on changes around the treatment of Academies.
- Deficit recovery.
- Exit credits.
- Employer and covenant related issues.

Members noted the next steps in the process which were:

- Secure feedback from employers on the broad framework of assumptions and other changes set out in the report (to end January 2019).
- Consider and discuss feedback with the Actuary (ongoing).
- Present the final framework for approval by the Authority (March 2019).
- Reflect assumptions etc. in the Funding Strategy Statement which would be formally consulted on in the September to January period 2019 with the final version approved before the end of March 2020 when the new contribution rates come into effect.

RESOLVED: That the Authority approve consultation with employers within the Fund and the Local Pension Board on the various issues for the 2019 Valuation identified in the report.

CHAIR