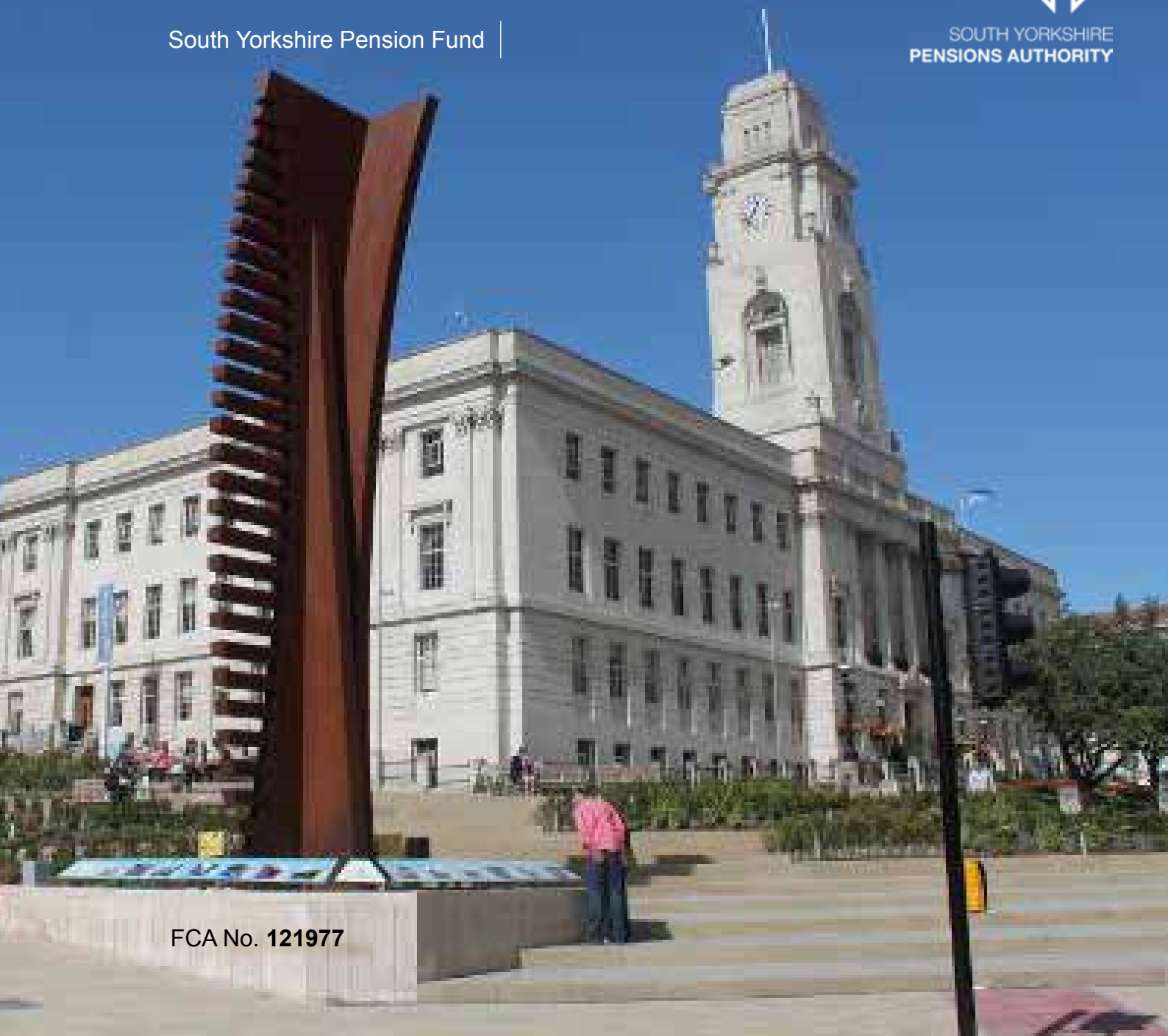


**Annual Report & Accounts**  
2014/2015

South Yorkshire Pension Fund



SOUTH YORKSHIRE  
PENSIONS AUTHORITY

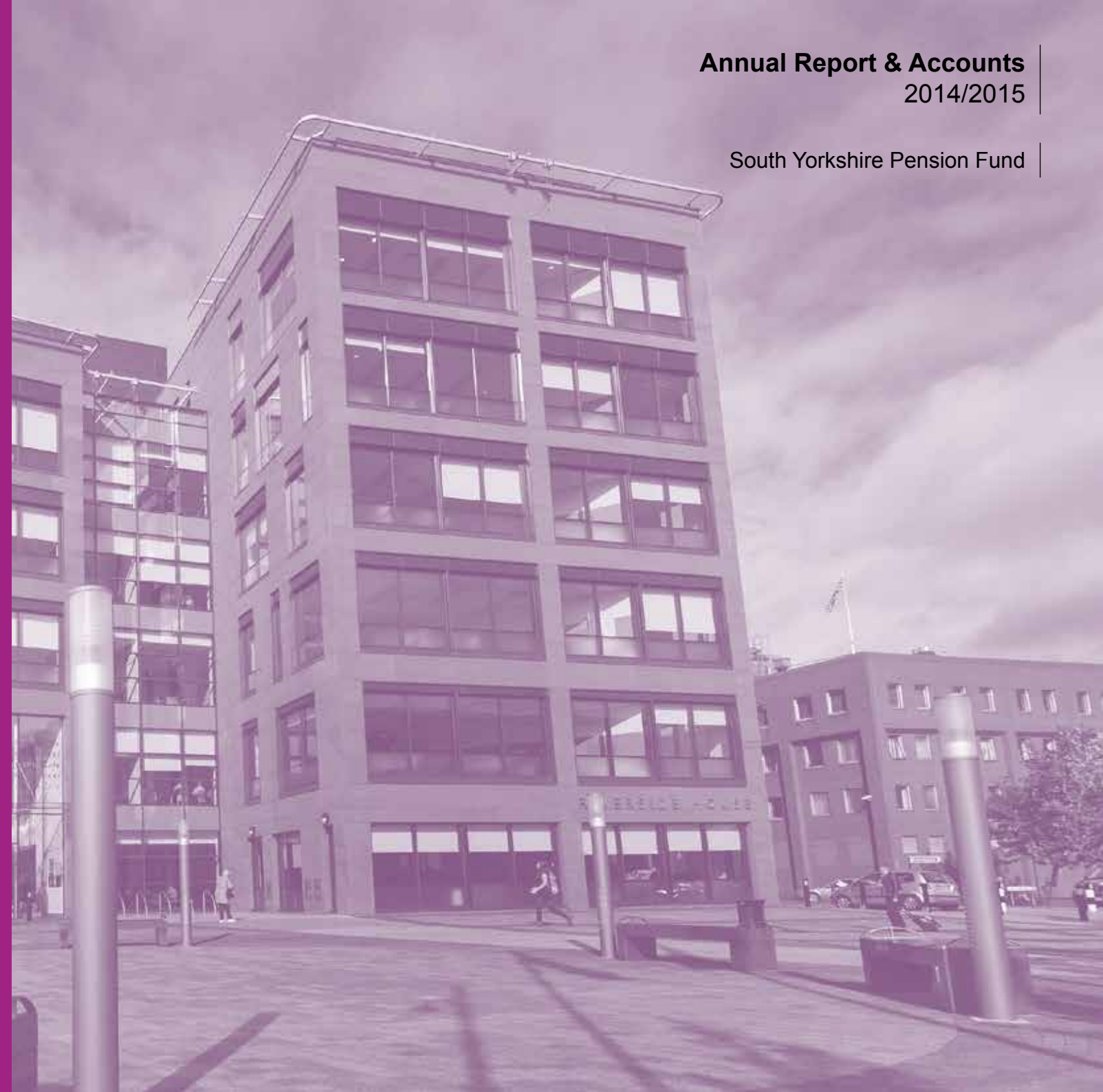


FCA No. 121977

“

It seems to be an ongoing  
truth that every year brings  
with it changes . . . . .

”



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# 1 the South Yorkshire Pension Fund



# mission STATEMENT

*“To provide the best possible and most cost-effective pensions service to all of the employing bodies, pensioners, contributors and dependants, incorporating best practice in corporate governance at all times”*

## Our Strategic Objectives are:

### 1 THE BEST

To be the pensions administrator and investment manager of choice, providing a high quality cost effective and efficient service to all our customers.

### 2 INVESTMENT RETURNS

To maintain an investment strategy that obtains the best financial return, commensurate with appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities.

### 3 RESPONSIBLE INVESTMENT

To develop our investment policies within the framework of a responsible and sustainable investment strategy.

### 4 VALUING OUR EMPLOYEES

To develop the capacity and capability of our staff, both personally and professionally, by ensuring opportunity for all within a culture of transparency and fairness.

### 5 PENSIONS PLANNING

To encourage and support well informed pensions and investment planning amongst our member organisations and their employees.

### 6 EFFECTIVE AND TRANSPARENT CORPORATE GOVERNANCE

To uphold and exemplify effective governance whilst demonstrating prudence and propriety at all times.

# Introduction

## Councillor Peter Wootton Chair of the Authority

*It seems to be an ongoing truth that every year brings with it changes or consultations about potential changes where the Local Government Pension Scheme is concerned. Admittedly, the sums involved are huge. The number of people involved, the value of the assets being managed and the costs of managing those assets are all worthy of attention: the LGPS is the world's 5th largest pension scheme with assets worth £192bn at March 2014. Whilst it is always right to review existing arrangements*

*to ensure that best practice is followed everybody should remember that pension provision is not just a matter of cost: sound administration and good and responsive customer service is just as important to ordinary members. Government exhortations are beginning to feel more like an unrelenting attack than a considered reform programme.*

Incorporating some of the suggestions arising from the Public Services Pensions Act 2013 has begun and the Authority has started to prepare for the inauguration of Local Pension Boards. Unfortunately, the time lapse between consultation and implementation has been too short and central government guidance too thin. The proposals are in-hand but not yet complete.

There continued to be significant fall-out from the so-called "consultation" on the future administrative structure of the Scheme with Ministers publicly suggesting that if the number of administering authorities and funds were reduced significant cost savings could be made. It is a pity that this review, originally targeted at more careful management of

fund deficits, got hijacked into concentrating upon making relatively easy cost efficiencies. There does need to be a sense of perspective. The costs of running the LGPS nationally are huge (£644m per annum: £504m investment fees and £140m administration fees) but in the context of assets managed and the total deficit (estimated to be £47bn) they are relatively insignificant. The suggestion that funds should be amalgamated, that active investment management be abandoned and switched into passive management and that a limited number of huge collective investment vehicles be imposed upon administering authorities was, quite rightly, badly received by most practitioners. Whilst it is laudable to try and improve the

performance of the worst performing funds it shouldn't be done at the expense of the better ones. If these reforms were endorsed it would certainly be to the detriment of this Fund. Incidentally, Ministers have been quiet about discussing reform of the unfunded public sector schemes. The estimated liability of these funds is £1.2 trillion. If the LGPS liability was calculated using the same formula the Government uses for those funds the number falls by almost half to just £24bn.

The results of the statutory actuarial valuation of the Fund at end March 2013 did not surprise. It was known that the policy of keeping UK interest rates low and buying in government debt had resulted in historically low bond

yields and would likely increase the liability shortfall at a time when local government budgets are under severe pressure. Regular discussions take place with the Fund's leading employers about the funding level and its implications. The Fund's investment strategy has been reviewed in light of the valuation and some relatively minor changes have been made as a consequence. These largely affect the bond and alternative funds allocations.

The implementation of the 2014 Scheme was always going to be demanding in terms of adapting systems and amending administrative procedures but has been made worse by the need to switch the Authority's main software provider. Although

# Introduction continued

the Authority participated in a framework agreement involving a number of administering authorities the outcome has not been satisfactory and service levels unfortunately fell well short of our traditionally high standards. Whilst apologising for this lapse I'm pleased to report that some limited progress has been made and inconvenience for Fund members has been kept to the minimum. Hopefully normal service will be resumed quickly during the forthcoming year.

It has been another tough year for the administering authority, as it attempts to balance the need for affordability and stability of cost with prudence and sound governance and, at the same time, meet the various challenges

that government and present day finances thrust upon it. The support I have received from my fellow councillors has been gratefully received: their hard work is much appreciated by me.

It continues to be appropriate for the Fund to take the long term view when it is faced by so many unknowns even when they appear to be never-ending and so daunting. The runes are such that there is likely to be no let-up during the next few months. It is comforting to know that both my fellow councillors and the Authority's officers are ready to meet the challenge.

**Councillor Peter Wootton**  
Chair of the Authority







# 2

the  
PEOPLE



# Report of the Clerk

## Introduction

The Fund conducted its statutory actuarial valuation as at the close of March 2013 against a background of deteriorating underlying financial conditions and discussions regarding structural changes to the Local Government Pension Scheme. Although investment performance was positive and employer contributions lower than expected and pay increases for active members assisted the Fund during the inter-valuation period they were not sufficient to offset the considerable reduction in real gilt yields used to value the Fund's liabilities. As a consequence, the shortfall increased and the funding position deteriorated from 79% in March 2010 to 76% at the end of March 2013.

When determining the employers' contribution rates the Actuary

was mindful of the circumstances surrounding the changed background and the severe financial constraints facing the public sector. Although he had to alter his long-term assumptions given the fall in bond yields, he also took into account the upcoming changes to the LGPS, which produce a reduction in employer costs at the Whole Fund level, and the improvement in financial conditions that have occurred since the March date.

His approach was in accordance with the rationale for establishing and maintaining local government pension funds: that is to ensure that, over the long term, they will have sufficient assets to meet all of the pension expectations of their contributors as they fall due but to do so in such a way that contribution rates can be kept as

low as possible, as stable as possible and as affordable as possible. At an employer level the impact varies dependent on the profile of the individual entity but overall the Fund managed to agree a recovery plan to pay off the shortfall over a twenty two year period. If the assumptions made and the contributions agreed are realised the expected funding level at the next actuarial valuation in 2016 should be 83%. However, it is important to remember that the funding of defined benefits is, by its nature, uncertain and the historically low level of interest rates and bond yields add to the uncertainty. During the year three of the four district councils decided to pre-pay their deficit contributions: the total received by the Fund was just over £100m.

The announced changes to the LGPS, moving away from a final salary to career average basis, resulted in a lot of work needing to be carried out to the Fund's administration systems and to those of the employers. This administrative burden was aggravated by the need to switch to a new systems provider at the end of 2014. It was also a feature of the year that Government wanted to explore introducing further change upon the LGPS and there were consultations on new governance arrangements at individual fund level and improving investment returns, cutting costs and also visiting, albeit briefly, the issue of managing deficits as well. Whilst the outcome of the latter consultation is still awaited Local Pension Boards will be legally

established with effect from 1 April 2015 although it will take longer for them to become operational.

One of the outcomes of the Public Service Pensions Act 2013 was the establishment of a Scheme Advisory Board for the LGPS in England and Wales. Ahead of the SAB becoming active in 2015/16 a "Shadow" Board has been running and during the year it published the first ever annual report for the whole LGPS and commissioned a legal opinion on the concept of fiduciary duty. Information on its activities can be found on [www.lgpsboard.org](http://www.lgpsboard.org).

The investment environment continued to be challenging as the authorities and central banks continued to distort the markets

by intervention and providing liquidity. Global economic recovery disappointed on the whole, causing interest rates to be kept lower for longer than many predicted. The Fund's investment strategy was reviewed in that context following the actuarial valuation and minor changes to the benchmark were instigated over the period. Some of these had not been completed by year end and will rollover into the new financial year.

Following the retirement of the Clerk and Treasurer in 2013/14 this was the first year that senior officers of Barnsley Council took on his responsibilities. The Authority's Clerk (myself), Solicitor and Monitoring Officer (Andrew Frosdick) and Treasurer (Frances Foster) all occupied office this year.

# Report of the Clerk

## Management of the Fund

South Yorkshire Pensions Authority is the administering authority for the South Yorkshire Pension Fund under the auspices of the Local Government Pension Scheme (LGPS) Regulations 2013. Most local authority employees and pensioners (other than teachers and uniformed personnel) employed by the district councils of Barnsley, Doncaster, Rotherham and Sheffield are members of the Fund. In addition, a number of other bodies (notably schools and academies) are also participating employers. This report has been produced in accordance with the Regulations and covers the activities of the Fund during the financial year ended 31 March 2015. The governance of LGPS funds is encased in statute and the Regulations are regularly updated.

The Authority itself was established by Statutory Instrument in 1987. The twelve councillors who sit on the Authority are co-opted on to it from the four district councils. The Authority meets approximately every quarter and concentrates upon strategy and scrutiny matters. It ensures that the administration of the Fund accords with the statutory framework the LGPS operates under. Members have a fiduciary duty to the contributors and beneficiaries of the Fund to ensure contributions are collected, that benefits are calculated properly and paid promptly and that any surplus monies are properly and prudently invested. Members also have a fiduciary duty to the council tax payers of South Yorkshire in so far as any net

expenditure of the Authority in any year which cannot be charged to the Fund is liable to be apportioned between the district councils via a levy. In addition, net expenditure on residual employer liabilities which cannot be charged to the Fund is recoverable.

The Authority's meetings are open to the public and are webcast. It has established two Boards to manage the everyday aspects of its duties and responsibilities as an administering authority: the Boards also operate to a roughly quarterly cycle. One board focuses upon administration and audit matters whilst the other supervises investment issues. The terms of reference of the Boards and other information regarding the Authority's

structure, including details of the delegation arrangements to officers, can be found in the Governance Compliance Statement. The Authority traditionally organised a consultancy Panel where representatives of the Fund's membership, including but not restricted to trades union representatives, met with the Chair and Vice Chair to discuss all matters affecting the Fund and LGPS. However, with the introduction of Local Pension Boards the Panel will wind down. Regular meetings are held with the Fund's contributing employers and there was an annual meeting for Fund members.

One of the key objectives of the Authority is to ensure effective stewardship of the Fund's affairs. In seeking to achieve this officers

and members are aware that the landscape and regulatory framework governing the LGPS continues to change and grow in complexity and that the pace of change has noticeably quickened over the last few years. In recognition of these pressures the governance structure of the Fund is regularly reviewed.

All aspects of pensions administration, including calculating and paying benefits, are conducted in house. The Fund also operates advisory offices in the districts. All of the Fund's investments are managed internally, albeit with the assistance of advisors on real estate matters. Further details of the Fund's investment operations are set out in the Statement of Investment Principles. The Authority has a retained

actuary, Mercer Limited, and has appointed an independent investment advisory panel to assist it in achieving its aims.

General legal advice is obtained from BMBC/SYJS. More specialist property work is garnered from a pool of lawyers which includes Addleshaw Goddard; Burges Salmon; Cameron McKenna; Mills & Reeve and Pinsent Masons. Private equity work is primarily conducted by Maclay Spens. Other lawyers are used dependent upon the nature of the service required.



# Members as at 31<sup>st</sup> March 2015

**BARNSELEY**



LABOUR  
**Councillor K Richardson**  
(up to 18.6.14)

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LABOUR  
**Councillor M Stowe**  
(from 19.6.14)

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LABOUR  
**Councillor R Wraith\***  
(Vice Chair)

---

**DONCASTER**



LABOUR  
**Councillor E Butler**

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CONSERVATIVE  
**Councillor B Ford**  
(up to 15.7.14)

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CONSERVATIVE  
**Councillor J Wood**  
(from 16.7.14)

---

LABOUR  
**Councillor K Rodgers\***

---

**ROTHERHAM**



LABOUR  
**Councillor K Goulty**  
(up to 22.5.14)

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LABOUR  
**Councillor S Ellis**  
(from 9.6.14)

---

LABOUR  
**Councillor P Wootton\***  
(Chair)

---

**SHEFFIELD**



LIBERAL DEMOCRAT  
**Councillor D Baker**  
(up to 5.6.14)

---

GREEN  
**Councillor B Webster**  
(from 6.6.14)

---

LABOUR  
**Councillor L Rooney**

---

LABOUR  
**Councillor J Campbell**

---

LABOUR  
**Councillor M Lawton**  
(up to 22.5.14)

---

LABOUR  
**Councillor B Lodge\***  
(from 5.6.14)

---

LIBERAL DEMOCRAT  
**Councillor A Sangar**

---

*\*Indicates Section 41 Members*

# Members’ Attendance and Training Records

One of the responsibilities of an administering authority is to ensure that all staff and Members charged with the financial management and decision making affecting its pension fund are fully equipped with the knowledge and skills to enable them to discharge their duties and responsibilities.

The Authority regards Member training as a key priority and the approach adopted is a prudent and vigilant one. All newly appointed Members receive induction training and all Members are required to attend the Pensions Fundamentals training programme provided by the Local Government Employers organisation. Both the Authority as a whole and individual

Members are invited to discuss their training needs during the preparation of a training plan which itself reflects the recommended knowledge and skill requirements set out in the CIPFA Pensions Finance Knowledge and Skill Framework. A formal training report is considered and approved by Members each year.

The ordinary meetings of the Authority and its Boards embrace a wide range of topical issues, such as legislation changes, corporate governance matters, the assessment of liabilities, the economy etc and may incorporate presentations from independent advisors, such as the actuary, and consultants. A programme of in-house training

is also delivered by officers and external consultants. Additional training events, such as conferences and seminars, are also attended. In accordance with the requirement of Principle 4 of the Myners’ Principles on best practice Members participate in an annual self-assessment review. A Member is nominated by his peers to lead on all issues pertinent to Members’ training needs but it is the Treasurer who is responsible for ensuring that policies and strategies are implemented.

## Members’ Attendance at Authority Meetings 2014/15

	19 June	8 July	24 July	2 Oct	13 Nov	27 Nov	15 Jan	19 Mar
E Butler	✓	✓	✓	✓	✓	x	✓	✓
J Campbell	x	✓	x	✓	x	✓	✓	x
S Ellis	x	✓	✓	✓	✓	✓	✓	✓
B Lodge	✓	✓	x	✓	✓	x	✓	✓
K Rodgers	✓	✓	✓	✓	x	✓	✓	✓
L Rooney	x	✓	✓	✓	✓	x	✓	✓
A Sangar	✓	✓	✓	✓	✓	✓	✓	✓
M Stowe	✓	✓	✓	✓	✓	x	✓	✓
B Webster	✓	✓	✓	✓	x	✓	✓	✓
J Wood	✓	x	✓	✓	x	x	✓	x
P Wootton	✓	✓	✓	✓	✓	✓	✓	✓
R Wraith	✓	✓	✓	✓	✓	x	✓	✓



# Members’ Attendance and Training Records

## Board Meetings 2014/15

### SYPA Members Attendance at Corporate Planning and Governance Board

	19 June	24 July	13 Nov	19 Mar
E Butler	✓	✓	✓	✓
S Ellis	x	✓	✓	✓
B Lodge	✓	x	✓	✓
L Rooney	x	✓	✓	✓
J Wood	x	✓	x	✓
P Wootton	✓	✓	✓	✓
R Wraith	✓	✓	✓	✓

### SYPA Members Attendance at Investment Board Meetings

	26 June	18 Sept	11 Dec	12 Mar
J Campbell	✓	✓	✓	x
K Rodgers	x	x	✓	✓
A Sangar	✓	✓	✓	✓
M Stowe	✓	✓	✓	✓
B Webster	✓	✓	✓	✓
P Wootton	✓	✓	✓	✓
R Wraith	✓	✓	✓	✓

# Members' Attendance and Training Records

## Member Training Events 2014/2015

Training Session	Date	E Butler	J Campbell	S Ellis	B Lodge	K Rodgers	L Rooney	A Sangar	M Stowe	B Webster	J Wood	P Wootton	R Wraith
Buy/Hold Strategy	26.06.14	x	✓	x	✓	x	x	✓	✓	✓	x	✓	✓
Schroders Trustee Training	19.09.14	✓	x	x	x	x	x	x	✓	✓	x	✓	✓
LGPS New Scheme	02.10.14	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fundamentals Day 1	14.10.14		✓	✓					✓	✓	✓		
Fundamentals Day 2	11.11.14		✓	✓					✓	✓	x		
Better Governance & Improved Accountability in the LGPS	13.11.14	✓	x	✓	✓	x	✓	✓	✓	x	x	✓	✓
Risk Management Awareness	27.11.14	x	x	✓	x	x	x	✓	✓	✓	x	✓	✓
Fundamentals Day 3	02.12.14		✓	✓		✓			✓	✓	x		
Treasury Management Awareness	05.12.14	x	x	x	x	x	x	✓	x	x	x	✓	✓
Responsible Investing	15.01.15	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓
Fundamentals Refresher Training	24.02.15	x	x	✓	x	x	✓	✓	✓	✓	x	✓	✓



# Advisors and Officers

ACTUARY	Mercer Limited	
AUDITOR	KPMG LLP Public Sector Audit	
BANKERS	Co-operative Bank Lloyds Bank	
CUSTODIAN	HSBC Securities Services	
EXTERNAL ADVISORS	Bidwells	Agricultural Property
	Pensions and Investment Research Consultants Limited	Corporate Governance/ Voting Execution
	Standard Life Pension Funds Limited	Commercial Property
ADVISORS TO THE AUTHORITY	T J A Gardener	
	N MacKinnon	
	W L Robb	
OFFICERS	D Terris	Clerk
	F Foster	Treasurer
	A Frosdick	Solicitor and Monitoring Officer
	J N Hattersley	Fund Director
	G Chapman	Head of Pensions Administration





# 3 the AUTHORITY



# Report of the Clerk

## Pensions Administration

This has been an incredibly tough year for Pensions Administration. LGPS 2014 was introduced on 1<sup>st</sup> April and brought with it a whole new benefit structure for all members together with complex rules covering the transition from the old scheme to the new for existing members. Although we had been given ample time to prepare for the new scheme the final regulations weren't issued until the eleventh hour leading to a great deal of activity during the first quarter as we got to grips with the new calculations and processes and some cases had to be stockpiled until we received the appropriate guidance. During the same period we also commenced the preparation for the implementation of our new Pensions Administration system which was eventually launched during the latter part of November. In truth we weren't ready to go live

but we had no choice due to the actions of our previous supplier who had demanded that we ceased using our old system on 31<sup>st</sup> December 2014.

The implementation of our new system hasn't gone smoothly and has resulted in a loss of performance and backlogs of work which up to now has been unheard of for us. On the positive side we have continued to pay pensions accurately and on time and although we have received significantly more calls from members enquiring about the progress of their case we haven't seen a significant rise in the number of formal complaints.

During February we had our annual Customer Service Excellence review and despite the fact that we had to explain our operational difficulties the assessor concluded that we still met the criteria to retain the

award and in fact complimented us on our efforts to resolve the difficult position we were in.

Towards the end of the financial year we had started to see some improvement and although there is still some way to go we are optimistic that the remaining issues and backlog of casework will be cleared by the end of the year.

Despite all our issues we continue to deliver a personal service to our members and have conducted 2058 one to one advisory meetings. This is in addition to the thousands of letters, e-mails and phone calls we have received and responded to.

The Authority continues to operate a formal dispute resolution procedure in compliance with the scheme regulations as well as a local customer service complaints procedure. During the year we had two formal disputes both of



which were dismissed and went through both stages of the dispute procedure. One of the disputes was reviewed by the Pensions Ombudsman who also dismissed the appeal. We had thirteen formal customer service complaints during the year which were responded to by our complaints manager.

The employers of the Fund are required to collect contributions from active scheme members. All contributions must be paid no later than the 19<sup>th</sup> of the following month to which the contributions relate. During 2014/15, there were no arrears of contributions and no penalties for late payment.

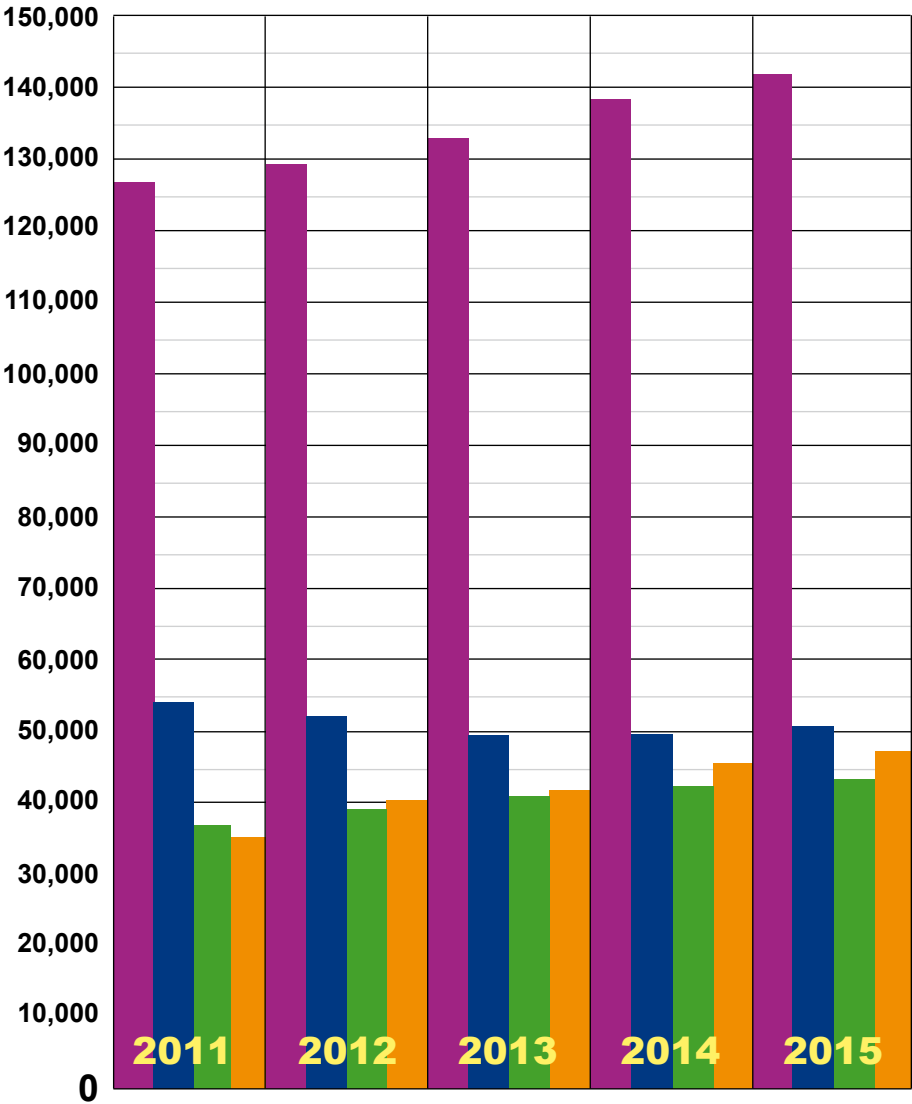
**Gary Chapman,**  
Head of Pensions Administration

# Report of the Clerk

## Membership

Overall, Fund membership continues to grow. The Fund has **141,719** members compared with **138,441** at March 2014. There are three main categories of membership, **50,300** active contributing members, **43,854** members and dependants in receipt of a pension and **47,565** deferred members (members who have left employment and deferred their benefits until normal retirement age). Following a steady decline in active membership in recent years, this is the second year that the Fund has seen a slight increase in active contributing members most likely due to the implementation of auto-enrolment legislation.







- Total membership
- Active Members
- Pensioners (including dependants)
- Deferred Members



# Report of the Clerk

## Your Fund Statistics






### ACTIVE MEMBERS

	2014	2015
<b>Gender</b>  	Female ..... 73%.....	74%
	Male ..... 27%.....	26%
<b>Annual Salary</b> 	Up to £15,000..... 34%.....	34%
	£15,001 - £30,000 ..... 53%.....	53%
	£30,001 - £45,000 ..... 11%.....	11%
	£45,001 - £65,000 ..... 2%.....	2%
	Over £65,000 ..... Less than 1%.....	Less than 1%
<b>Averages</b>  	Current Age ..... 44 .....	45
	Age Joined Fund ..... 34 .....	34
	Salary ..... £20,232.01 .....	£20,274.22
<b>Age Profile</b> 	16 - 20 ..... 1% .....	1%
	21 - 25 ..... 5% .....	5%
	26 - 30 ..... 7% .....	7%
	31 - 35 ..... 9% .....	9%
	36 - 40 ..... 10% .....	10%
	41 - 45 ..... 15% .....	15%
	46 - 50 ..... 18% .....	18%
	51 - 55 ..... 17% .....	17%
	56 - 60 ..... 12% .....	12%
	61 - 65 ..... 5% .....	5%
	66 - 70 ..... Less than 1% .....	Less than 1%
	71 - 75 ..... Less than 1% .....	Less than 1%

# Report of the Clerk

## Your Fund Statistics

### DEFERRED MEMBERS






	2014	2015
<b>Gender</b>		
 		
Female .....	71%	71%
Male .....	29%	29%
<b>Averages</b>		
 		
Current Age .....	44	45
Annual Pension .....	£1,465.41	£1,507.94
<b>Age Profile</b>		
 21		
16 - 20 .....	Less than 1%	Less than 1%
21 - 25 .....	3%	3%
26 - 30 .....	9%	8%
31 - 35 .....	11%	11%
36 - 40 .....	10%	10%
41 - 45 .....	17%	16%
46 - 50 .....	19%	19%
51 - 55 .....	18%	19%
56 - 60 .....	12%	12%
61 - 65 .....	1%	1%
66 - 70 .....	Less than 1%	Less than 1%
71 - 75 .....	Less than 1%	Less than 1%

# Report of the Clerk

## Your Fund Statistics

### PENSIONERS

(including dependants)

	2014	2015
<b>Gender</b>		
 		
Female .....	61%	61%
Male .....	39%	39%
<b>Averages</b>		
 		
Current Age .....	69	70
Age Pension Commenced .....	58	58
Current Annual Pension .....	£4,457.20	£4,456.89
Time in Receipt of Pension ...	11 years	11 years
<b>Age Profile</b>		
 65		
0 - 50 .....	2%	2%
51 - 55 .....	2%	2%
56 - 60 .....	9%	9%
61 - 65 .....	22%	21%
66 - 70 .....	24%	25%
71 - 75 .....	15%	16%
76 - 80 .....	12%	12%
81 - 85 .....	8%	8%
86 - 90 .....	4%	4%
91 - 95 .....	1%	1%
96 - 100 .....	Less than 1%	Less than 1%
101 - 105 .....	Less than 1%	Less than 1%
106 - 110 .....	Less than 1%	Less than 1%
Oldest pensioner .....	108	109



# Report of the Clerk

## Retirement Analysis

During 2014/15 we processed and paid 2647 retirements. This was up 9.8% on the previous year and just over 18% on the year before that. A breakdown showing the types of retirements processed are listed opposite.

Of the 67 ill health retirements processed, 44 were awarded enhanced membership under the ill health provisions of the scheme. No pension or membership enhancements were granted by the employer for any of the redundancy/efficiency retirement case.

Type of Retirement	2013/14	2014/15
Early	1,409	1,436
Flexible	96	78
Ill Health	66	67
Redundancy/Efficiency	604	549
Normal	91	325
Late	214	192

# Report of the Clerk

## Pensions Increase

Cost of living increases from Pension Increase Orders, applied to pension benefits (deferred and in payment) from the first Monday following 5 April.

April 2015	1.2%
April 2014	2.7%
April 2013	2.2%
April 2012	5.2%
April 2011	3.1%
April 2010	0%
April 2009	5.0%

# Report of the Clerk

## Employer Admissions During the period 1 April 2014 to 31 March 2015

Date Admitted	Employer	Employer Type*
01/04/2014	Rawmarsh Ashwood Primary School	Scheduled Body
01/04/2014	Trustclean - Mexborough Highwoods	Contractor (TAB)
01/04/2014	Kier Services Ltd -SCC – ASHS Contract	Contractor (TAB)
01/04/2014	Kier Services Ltd - SCC - CSSR Contract	Contractor (TAB)
01/04/2014	Kier Services Ltd - SCC - SHRM Contract	Contractor (TAB)
01/04/2014	Ecclesfield School	Scheduled Body
01/05/2014	McAuley Catholic High School	Scheduled Body
01/05/2014	Montagu Primary Academy - Mexborough	Scheduled Body
01/05/2014	Newfield Secondary School	Scheduled Body
01/06/2014	Caterlink - Sheffield Springs Academy	Contractor (TAB)
01/06/2014	Caterlink - Sheffield Park Academy	Contractor (TAB)
01/06/2014	Caterlink - Barnsley Academy	Contractor (TAB)
01/07/2014	Compass - Pheasant Bank (SPT)	Contractor (TAB)
01/07/2014	Compass - Hatfield Woodhouse (SPT)	Contractor (TAB)
01/07/2014	Compass - Hatfield Crookesbroom (SPT)	Contractor (TAB)
01/07/2014	Compass - Grange Lane Infants (SPT)	Contractor (TAB)
01/07/2014	Compass - Rowena (SPT)	Contractor (TAB)

Date Admitted	Employer	Employer Type*
01/07/2014	Kier Services Lt - SCC - Heating	Contractor (TAB)
01/07/2014	Sitwell Junior School	Scheduled Body
01/07/2014	Thrybergh Primary School	Scheduled Body
01/07/2014	Holy Family Catholic Primary	Scheduled Body
21/07/2014	Trustclean - Bramley Grange Primary	Contractor (TAB)
01/08/2014	Emmaus Catholic & CoE Voluntary Academy	Scheduled Body
01/08/2014	Rawmarsh Community School	Scheduled Body
18/08/2014	Chapelton Academy	Scheduled Body
01/09/2014	Oasis Academy Watermead	Scheduled Body
01/09/2014	Oasis Academy Firvale	Scheduled Body
01/09/2014	The Mill Academy	Scheduled Body
01/09/2014	Lowedges Junior Academy	Scheduled Body
01/09/2014	St Wilfrid's Academy	Scheduled Body
01/09/2014	St Mary's C of E Academy (Walkley)	Scheduled Body
01/09/2014	Forge Valley School	Scheduled Body
30/09/2014	Doncaster Childrens Services Trust Ltd	Community Admission Body
01/10/2014	Monkwood Primary Academy	Scheduled Body

# Report of the Clerk

## Employer Admissions During the period 1 April 2014 to 31 March 2015

Date Admitted	Employer	Employer Type*
01/10/2014	Bramley Grange Primary	Scheduled Body
01/10/2014	Wickersley St Albans C of E Primary School	Scheduled Body
01/11/2014	Wickersley Northfield Primary	Scheduled Body
01/11/2014	Anston Greenlands Primary School	Scheduled Body
01/11/2014	Listerdale Primary School	Scheduled Body
01/12/2014	Aston All Saints CoE School	Scheduled Body
01/12/2014	Springwell Alternative Academy	Scheduled Body
01/12/2014	Maltby Manor Academy	Scheduled Body
01/12/2014	Springwell Special Academy	Scheduled Body
01/01/2015	Mexborough School Specialist Science College	Scheduled Body
01/01/2015	High Hazels Academy	Scheduled Body
01/02/2015	Trinity Croft C of E Primary Academy	Scheduled Body
01/02/2015	Thrybergh Fullerton Primary	Scheduled Body
01/02/2015	Flanderwell Primary School	Scheduled Body
01/02/2015	Dinnington High School	Scheduled Body
01/02/2015	Emmanuel Junior School	Scheduled Body
01/03/2015	Outwood Academy Shafton	Scheduled Body

Date Admitted	Employer	Employer Type*
01/03/2015	Kirk Balk Community College	Scheduled Body
01/03/2015	Maltby Lilly Hall Academy	Scheduled Body
01/03/2015	Ravenfield Primary School	Scheduled Body
01/03/2015	Compass - Armthorpe Academy	Contractor (TAB)
01/03/2015	Kirk Sandall Junior School	Scheduled Body

**\*Key:**

**Scheduled Body:** A body listed in Schedule 2 of the Regulations e.g. a Local Authority. All scheduled body employers are automatically admitted to the Fund and eligible employees entered in the Scheme.

**Community Admission Body:** A body admitted under an Admission Agreement which is a not-for-profit organisation and shares a community interest with

a scheme employer. Requires an Admission Agreement between SYPA and the admission body plus a financial guarantor. Employees are nominated by the admission body for membership.

**Contractor (TAB):** A body admitted under an Admission Agreement which employs staff transferred from a scheme employer, undertaking an

outsourcing service or asset of that scheme employer. Requires an Admission Agreement between SYPA, the Contractor and the Outsourcing Authority. The Contractor may be required to provide a bond to guarantee liabilities. Named employees are transferred from the outsourcing employer and retain their membership of the Scheme.



# Report of the Clerk

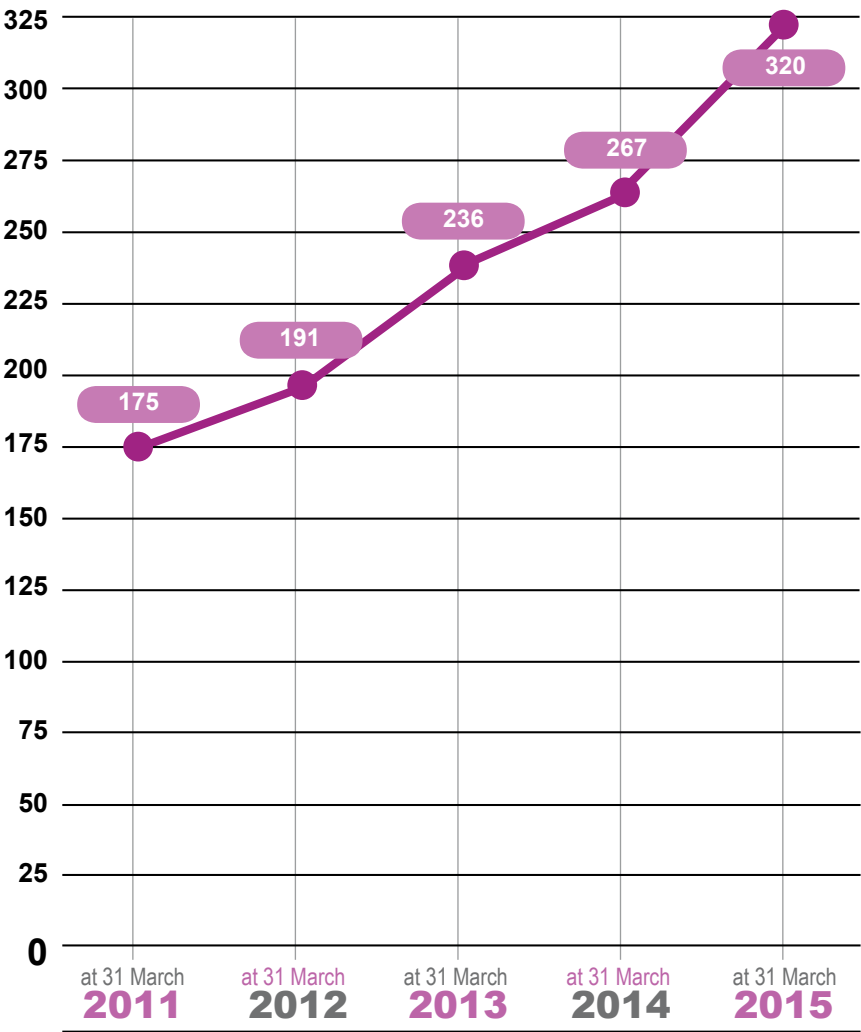
## Employer Terminations During the period 1 April 2014 to 31 March 2015

Date Terminated	Employer	Reason for Termination
31/05/2014	South Yorkshire Probation Trust	Transfer to Greater Manchester Pension Fund
31/07/2014	Kier Group PLC	Contract Expired

# Report of the Clerk

## Scheme Employers

SYPA is responsible for administering the Local Government Pension Scheme for local authorities and other eligible employers, such as colleges and not-for-profit organisations, mainly located in South Yorkshire. Predominant amongst the contributing employers are the Metropolitan District Councils of Barnsley, Doncaster, Rotherham and Sheffield plus the civilian arm of the police and The Police & Crime Commissioner. The chart opposite shows the number of employers we administer the Scheme for. In recent years, we have seen an increase in the number of contributing employers which is largely due to schools of Local Education Authorities converting to academy status and becoming an independent body.



# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
7HLT	69,149.92	127,593.12	-18,000.00
ABM Catering - Wales High School catering contract	3,085.21	10,770.10	0.00
Action Housing & Support Ltd	78,415.22	142,883.90	71,000.00
Age Concern Doncaster	2,435.88	8,776.32	0.00
All Saints Catholic High School	49,030.37	106,483.36	30,000.00
Amey LG Limited - Sheffield Highways	786,102.54	2,185,044.34	-502,083.33
Anston Greenlands Primary School	4,756.06	13,057.75	7,160.00
Anston Parish Council	4,929.84	15,189.62	1,200.00
Armthorpe Academy	38,793.99	94,933.59	46,900.00
Armthorpe Parish Council	4,040.80	7,824.11	1,000.00
Armthorpe Shaw Wood Academy	32,026.27	68,220.39	26,000.04
Ash Hill Academy	51,733.14	116,009.07	73,400.04
Askern Town Council	1,873.58	8,282.05	400.00
Aston Academy	78,611.39	162,057.03	78,104.00
Aston All Saints CoE School	3,363.45	9,636.86	5,100.00
Aston-cum-Aughton Parish Council	1,195.51	3,936.95	0.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Auckley J&I Academy	12,621.07	33,842.67	7,300.00
Balby Carr Academy	89,710.12	205,905.21	122,900.00
Balfour Beatty Workplace	9,222.65	31,373.11	8,000.03
Barnburgh & Harlington Parish Council	448.22	2,241.16	0.00
Barnby Dun Primary Academy	17,764.00	43,748.53	20,100.00
Barnby Dun with Kirk Sandall Parish Council	1,125.34	2,783.46	0.00
Barnsley Academy	35,973.66	77,455.05	18,000.00
Barnsley BIC Ltd	4,560.78	12,171.29	10,999.95
Barnsley College	481,322.05	838,983.69	213,900.00
Barnsley MBC	6,321,628.29	12,240,256.78	10,322,134.00
Barnsley Norse Ltd	62,424.40	206,095.97	0.00
Barnsley Premier Leisure	135,750.08	234,660.73	75,399.96
Berneslai Homes	779,433.10	1,439,348.15	119,130.24
Bradfield Parish Council	5,369.38	17,890.73	-5,000.00
Bradfield School	24,952.45	60,825.02	33,600.00
Bramley Grange Primary	6,595.60	14,423.63	9,460.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Brierley Town Council	1,188.87	2,545.96	6,000.00
Brinsworth Academy	74,276.24	143,723.63	5,000.04
Brookfield Primary Academy	12,193.10	28,243.69	18,700.00
Broomhill Infant School	10,183.31	25,078.44	2,000.00
Bulloughs Cleaning Services Ltd	295.24	950.13	0.00
Campsmount Academy	53,811.97	134,227.93	57,000.00
Canklow Woods Primary Academy	22,879.06	53,440.76	26,800.00
Capita - Outstanding Sheffield Programme	66,752.19	173,613.34	-49,000.08
Carillion Government Services	10,726.33	34,107.33	5,799.99
Carlton Primary	12,216.42	28,749.17	15,400.08
Carrfield Academy	13,615.03	38,336.03	15,600.00
Castle Academy	9,309.18	28,895.50	11,000.04
Caterlink - Barnsley Academy	2,186.72	6,804.37	0.00
Caterlink - Sheffield Park Academy	3,129.07	10,577.83	0.00
Chapelton Academy	2,143.25	4,741.96	0.00
Chartwells - De Warenne Academy Catering Contract	5,456.14	17,936.00	0.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Chaucer School	64,695.63	153,005.22	90,200.00
Churchill Contract Services	1,992.88	6,703.28	0.00
Civica - Barnsley BSF	12,213.85	30,950.80	0.00
Civica - Sheffield BSF PFI 4	10,516.23	26,377.56	-4,999.92
Civica Phase 2 ICT Function - SHEFFIELD BSF	20,708.22	51,907.73	0.00
Clifford C of E School	7,650.36	14,113.14	3,000.00
Coleridge Primary School	15,516.50	29,745.10	27,100.00
Community Action Halfway Home	10,032.47	25,859.40	11,000.04
Compass - Armthorpe Academy	444.36	1,151.93	0.00
Compass - Grange Lane Infants (SPT)	482.02	1,428.67	0.00
Compass - Hatfield Crookesbroom (SPT)	582.78	1,941.52	0.00
Compass - Hatfield Woodhouse (SPT)	789.81	2,915.24	0.00
Compass - Pheasant Bank (SPT)	810.36	2,895.15	0.00
Compass - Rowena (SPT)	277.86	1,177.28	0.00
Concord Junior School	11,791.99	23,069.04	20,000.00
Conisbrough Ivanhoe Primary Academy	12,932.77	26,815.88	29,500.00



# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Creative Support Ltd	5,116.97	17,554.30	0.00
Crispin & Borst - DMBC PFI	4,925.96	14,933.89	-3,000.00
Crookesbroom Primary Academy	9,694.24	23,076.99	14,499.96
Danum Academy	107,172.41	272,360.99	130,200.00
Danvm Drainage Commissioners	1,491.23	4,427.87	3,000.00
Darfield All Saints Primary School	12,989.04	26,781.22	16,500.00
Darfield Valley School	11,591.44	25,171.65	14,800.00
Darton Primary School	13,641.14	36,143.77	22,950.00
De Warenne Academy	63,323.10	139,281.25	-5,000.04
Dearne Valley College	177,204.97	328,251.62	37,900.00
Dial a Ride	970.23	3,839.31	19,999.99
Dinnington High School	11,642.56	28,997.02	15,700.00
Dodworth St John the Baptist CE Primary Academy	11,513.74	25,968.18	21,500.04
Don Valley Academy & Performing Arts College	64,390.77	137,798.63	92,900.04
Doncaster Childrens Services Trust Ltd	384,265.54	743,479.23	0.00
Doncaster College	327,330.61	670,332.79	278,900.14

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Doncaster Community Transport	3,953.17	13,749.69	-999.96
Doncaster Culture & Leisure Trust	53,272.54	125,886.97	146,086.85
Doncaster Deaf Trust	101,181.04	202,627.54	112,100.04
Doncaster MBC	6,967,865.45	14,315,670.41	33,791,000.00
Dublcheck - Roughwood School	177.99	634.27	0.00
Dunsville Primary School	18,114.76	36,800.50	24,641.71
E-ACT Pathways Academy	30,963.38	63,482.51	23,300.00
East Dene Primary	18,717.85	36,504.18	26,300.00
Ecclesfield Parish Council	1,389.69	5,199.41	0.00
Ecclesfield School	64,274.99	153,335.10	110,499.96
Edlington Town Council	4,884.79	14,173.15	3,999.96
Emmanuel Junior School	1,464.67	3,814.19	3,810.00
Emmaus Catholic & CoE Voluntary Academy	9,877.91	22,256.51	19,970.00
Fir Vale School Academy Trust	49,663.08	97,418.96	73,400.00
Firth Park Academy	65,118.46	135,340.53	127,800.00
Flanderwell Primary School	2,514.80	5,123.91	4,950.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Forge Community Partnership	11,345.57	18,435.16	18,200.00
Forge Valley School	36,178.54	87,527.47	99,885.03
Fox Hill Primary School	24,748.70	51,595.69	35,500.00
Gooseacre Academy	20,287.35	48,428.47	21,000.00
Grange Lane Infant Academy	9,155.08	25,852.88	14,000.04
Great Places Housing Association	19,803.77	35,101.76	14,000.00
Greengate Lane Academy	7,572.02	16,954.89	12,000.00
Groundwork Dearne Valley	2,528.91	6,485.22	75,400.00
Hall Cross Academy Trust	119,051.83	258,741.81	114,000.00
Handsworth Grange Academy	26,288.40	62,712.85	50,776.10
Hartley Brook Academy	45,349.33	86,728.86	52,000.00
Hatfield Academy	20,933.53	40,754.83	22,200.00
Hatfield Town Council	3,838.85	12,168.94	2,600.04
Hatfield Woodhouse Primary	10,946.01	29,120.34	13,400.04
Heather Garth Primary School	19,377.56	43,530.09	30,700.00
High Hazels Academy	9,068.21	19,322.16	21,720.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Highfields Primary Academy	7,978.47	16,047.47	9,300.00
Highgate Academy	16,095.11	37,524.62	24,900.00
Hillsborough Primary School	20,156.30	46,632.66	39,600.00
Hinde House 3-16 School	58,210.21	120,577.39	94,399.92
Holy Family Catholic Primary	7,583.90	16,716.03	13,732.46
Hoyland Common Primary School	33,487.89	65,468.27	52,500.80
Hungerhill Academy Trust	59,146.42	141,155.13	79,500.00
Independent Training Services Ltd	9,130.61	20,442.53	5,499.96
Interserve FM Ltd	2,654.14	7,272.15	27,000.00
JLIS - PFI FM sub-contract (Barnsley BSF)	36,846.17	126,749.52	4,000.00
JLIS Non-PFI Barnsley BSF	8,710.00	29,896.02	4,000.00
Kier Asset Partnership Services Ltd	144,526.60	411,422.93	-212,000.04
Kier Group PLC	15,899.77	36,571.04	0.00
Kier Managed Services	12,074.75	41,472.13	-5,000.04
Kier Services Lt - SCC - Heating	35,327.59	70,815.05	0.00
Kier Services Ltd - SCC - CSSR Contract	56,214.79	135,053.45	0.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Kier Services Ltd - SCC - SHRM Contract	640,496.85	1,659,978.64	0.00
Kier Services Ltd -SCC – ASHS Contract	36,183.62	101,724.51	0.00
Kier Support Services - Barnsley Housing Stock Maintenance	91,030.44	279,626.62	-35,000.04
King Ecgbert School	53,886.21	118,411.04	68,000.00
Kirk Balk Community College	4,213.19	16,152.75	0.00
Kirk Sandall Infant School	16,245.76	33,891.95	21,924.96
Kirk Sandall Junior School	1,012.28	2,615.57	1,720.00
Leonard Cheshire Disability	3,119.75	10,465.45	7,000.00
Listerdale Primary School	7,619.21	19,076.45	10,870.00
Littleworth Academy	23,562.41	59,850.55	36,500.00
Longley Park Sixth Form College	72,437.16	122,982.67	43,233.36
Lound Infant School	9,605.50	25,049.98	19,400.00
Lound Junior School	13,799.03	36,772.30	19,104.00
Lowedges Junior Academy	8,350.57	16,391.91	10,950.03
Maltby Academy	84,402.83	161,808.34	0.00
Maltby Lilly Hall Academy	1,773.34	4,544.89	2,450.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Maltby Manor Academy	7,035.87	16,630.64	9,880.00
Maltby Redwood Primary Academy	12,843.16	26,049.68	14,000.02
Mansel Primary School	20,813.99	42,660.67	34,300.00
May Gurney Fleet and Passenger Services Ltd	5,841.02	16,264.84	16,999.92
McAuley Catholic High School	62,211.93	144,665.27	92,279.99
Meadowhead School Academy Trust	62,266.87	127,361.48	90,000.00
Meadstead Primary Academy	27,271.83	68,623.66	26,750.00
Mellors - Hinde House/King Ecgbert School Catering Contract	3,092.41	11,525.84	0.00
Mellors (Sheff schools 2011)	655.80	3,195.59	0.00
Mellors Catering Services - Longley Primary	538.54	1,850.66	0.00
Mellors Catering Services - Rawmarsh Comprehensive School	878.73	3,099.55	0.00
Mellors Catering Services Ltd	3,868.06	13,151.34	0.00
Mexborough School Specialist Science College	13,775.86	29,718.34	0.00
Meynell Primary School	29,054.64	76,403.84	40,599.96
Midshire Catering Ltd	537.07	1,718.61	0.00
Mitie PFI Ltd	1,038.76	2,220.77	700.00



# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Monkwood Primary Academy	12,121.41	27,473.15	16,520.00
Montagu Primary Academy - Mexborough	21,673.75	57,097.98	32,650.00
Monteney Primary School	40,296.39	75,001.54	51,700.00
Morrison Facilities Service Ltd	217,855.82	524,602.54	220,300.00
National Childrens Bureau	149,579.59	234,364.86	160,000.00
Newfield Secondary School	37,474.99	84,098.91	72,040.00
Northern College	67,914.46	142,621.95	101,000.00
Northern Racing College	23,531.31	38,426.64	33,800.04
Notre Dame High School	66,229.59	137,538.46	25,000.00
NPS Barnsley Ltd	158,827.44	348,021.17	42,000.00
Oakhill Primary Academy	18,421.60	46,896.23	26,800.00
Oakwood High School	59,461.22	142,036.75	78,500.00
Oasis Academy Firvale	10,894.98	14,532.10	0.00
Oasis Academy Watermead	3,525.15	7,871.69	0.00
Outwood Academy Adwick	62,607.11	171,015.24	-9,999.96
Outwood Academy City	48,863.38	107,855.53	85,699.95

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Outwood Academy Shafton	4,133.11	15,931.97	0.00
Parkwood Academy	62,508.01	119,918.91	-9,999.96
Penistone Town Council	3,429.86	8,623.14	4,000.00
Peter Duffy Ltd - BMBC Drainage Contract	1,924.58	6,040.09	0.00
Pheasant Bank Academy	12,534.49	32,015.29	16,599.96
Places for People Leisure Limited	66,273.61	172,091.41	0.00
Porter Croft C of E Primary Academy	13,644.36	27,838.80	23,000.00
Priory Campus Ltd	2,244.00	8,337.12	10,900.08
Queens Road Academy	12,320.97	26,644.25	17,499.96
Ravenfield Primary School	789.34	2,310.91	1,400.00
Rawmarsh Ashwood Primary School	14,194.51	36,509.03	23,200.00
Rawmarsh Community School	45,073.66	84,948.48	65,760.00
Richmond Hill Primary Academy	18,993.38	44,879.98	27,699.96
Rossington All Saints Academy	77,258.46	145,487.85	85,500.00
Rossington Parish Council	2,806.49	11,667.30	2,100.02
Roth Don and South Humber Mental Health NHS Foundation Trust	30,833.87	76,979.98	8,900.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Rotherham College of Arts & Technology	242,393.58	476,919.65	105,699.96
Rotherham MBC	7,581,907.23	14,991,378.92	8,999,643.35
Rowena Academy	13,793.22	34,425.05	19,200.00
Royston & Carlton Community Partnership	928.92	2,215.10	4,999.95
Royston Parkside Academy	15,978.98	36,282.80	21,100.08
Royston Summer Fields Primary	11,328.63	23,476.99	16,600.08
Sacred Heart School, A Voluntary Academy	9,420.17	26,052.98	19,800.00
Sandhill Primary Academy	10,500.63	21,281.25	10,800.00
Shafton Primary Academy	13,211.61	30,593.86	18,403.00
Shaw Trust	3,833.68	14,564.87	2,799.96
Sheffcare Ltd	27,853.61	63,463.01	200,600.00
Sheffield City Council	11,898,003.86	22,997,108.18	70,863,625.00
Sheffield City Region LEP	3,939.72	1,590.48	0.00
Sheffield City Trust	129,083.65	251,190.39	-30,000.00
Sheffield Community Transport	23,796.48	76,385.76	14,400.00
Sheffield Futures	154,903.94	320,438.53	159,480.07

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Sheffield Galleries & Museums	7,609.08	16,424.28	26,900.00
Sheffield Hallam University	3,336,058.67	5,494,319.13	3,377,920.61
Sheffield Health & Social Care NHS Foundation Trust	108,843.20	272,831.95	169,000.00
Sheffield Industrial Museums Trust Ltd	16,724.93	33,637.67	5,100.00
Sheffield International Venues Ltd	115,312.62	217,774.93	154,100.04
Sheffield Mind Ltd	0.00	0.00	16,599.96
Sheffield Park Academy	51,549.65	103,283.81	24,000.00
Sheffield Springs Academy	57,974.64	114,119.65	18,000.00
Sheffield Students Union	5,126.52	15,560.46	8,700.00
Sheffield Unison	5,036.27	7,322.79	6,000.00
Silkstone Parish Council	890.52	1,489.26	199.92
Silverdale School	52,505.11	117,401.64	67,800.00
Sir Thomas Wharton Community College	56,537.25	129,941.81	74,683.31
Sitwell Junior School	11,150.74	21,997.50	16,910.00
South Yorkshire Fire Authority	351,101.36	683,334.54	537,000.00
South Yorkshire Housing Association	9,564.45	21,652.90	30,000.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
South Yorkshire Passenger Transport Executive	398,051.26	702,501.40	3,667,124.18
South Yorkshire Pensions Authority	167,490.30	321,290.98	184,000.00
South Yorkshire Probation Trust	151,390.74	298,110.50	123,916.66
Southey Green Primary School & Nurseries	42,247.91	95,124.56	50,500.00
Springwell Alternative Academy	13,144.80	48,660.39	0.00
Springwell Special Academy	9,449.90	37,076.23	0.00
Sprotbrough & Cusworth Parish Council	2,787.71	10,773.68	1,300.00
St Anns RC Primary School	4,077.85	11,321.74	2,500.00
St Bedes Catholic Primary School	18,355.63	41,186.88	25,899.96
St Bernards Catholic High School	39,906.43	68,660.49	60,300.00
St Catherines Catholic Primary School	31,517.44	68,349.31	39,340.00
St Gerards Catholic Primary - Thrybergh	8,668.49	22,563.17	13,100.00
St Helens Primary Academy	18,468.19	37,770.39	24,052.44
St John Fisher Primary Academy Trust	12,144.66	33,273.09	2,200.00
St Josephs Catholic Primary (Dinnington)	10,503.83	22,590.38	15,600.00
St Joseph's Catholic School (Rossington)	10,080.92	35,164.25	17,100.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
St Josephs Primary School	11,729.28	34,099.48	1,500.00
St Leger Homes of Doncaster	1,051,605.62	1,981,495.09	234,000.00
St Maries School, A Catholic Voluntary Academy	15,702.61	30,360.25	21,500.00
St Marys Academy Trust	16,592.23	36,664.19	13,099.97
St Marys C of E Academy (Walkley)	6,630.03	14,544.14	14,949.97
St Mary's Catholic Primary (Maltby)	11,087.19	28,667.97	14,100.00
St Mary's Catholic Primary School (Herringthorpe)	12,923.66	35,799.05	15,900.00
St Marys Primary School (High Green)	10,289.00	28,191.07	16,599.96
St Oswalds CoE Academy	9,482.96	27,800.48	10,100.00
St Patrick's Catholic Academy Trust	16,151.46	45,877.85	12,000.00
St Theresas RC School	10,676.57	32,100.68	5,300.00
St Thomas of Canterbury Trust	12,590.01	31,835.12	19,400.00
St Wilfrids Academy	16,559.54	21,151.92	0.00
St Wilfrid's Catholic Primary School	16,596.80	37,965.04	20,199.31
Stainforth Town Council	1,240.85	3,371.03	9,000.00
Stocksbridge Town Council	1,393.98	3,236.18	900.00



# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
SYITA (Properties) Ltd	1,986.09	5,927.84	0.00
Tapton School	65,578.26	135,632.60	93,000.00
Taylor Shaw - Parkwood Academy Catering Contract	1,460.97	6,613.49	-999.96
Taylor Shaw (Bradfield School)	1,039.31	5,045.35	0.00
Taylor Shaw (catering Sheff BSF PFI4)	1,368.12	6,217.12	-3,000.00
Taylor Shaw Ltd (Sheff School Meals Central Contract)	48,109.90	179,835.70	0.00
Taylor Woodrow Construction (Cleaning - Sheff BSF PFI4)	1,331.05	5,155.50	-2,000.04
Taylor Woodrow Construction (Sheff BSF PFI4)	3,730.97	12,108.35	-1,999.92
The Academy at Ridgewood Trust	65,831.34	152,334.68	78,000.00
The Centre for Full Employment	10,266.12	22,663.20	18,000.00
The Forest Academy	23,842.66	33,230.50	14,700.00
The Hayfield School	52,590.51	154,666.38	21,000.00
The Hill Academy	19,220.42	39,133.69	30,300.00
The Mill Academy	8,159.25	32,781.97	0.00
The Police and Crime Commissioner for South Yorkshire	3,362,040.80	5,635,020.06	2,200,000.00
The Roundhouse Community Partnership	188.31	660.54	0.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
The Sheffield College	641,847.46	1,477,368.40	341,900.00
Thomas Rotherham College	56,717.65	128,058.36	26,834.01
Thorne Moored Town Council	5,973.50	18,523.14	13,000.00
Thrybergh Academy & Sports College	59,093.68	119,572.01	83,100.00
Thrybergh Fullerton Primary	1,134.74	2,638.70	2,000.00
Thrybergh Parish Council	1,779.13	5,984.83	100.00
Thrybergh Primary School	8,851.11	21,451.94	13,870.00
Thurcroft Junior Academy	10,681.38	23,897.56	14,200.00
Totley All Saints C of E School	8,976.43	28,227.99	5,000.00
Totley Primary School	11,439.68	29,566.00	19,500.00
Trinity Academy	70,229.66	153,134.76	11,400.00
Trinity Croft C of E Primary Academy	943.38	3,129.70	1,430.00
Trustclean - Bramley Grange Primary	198.48	987.58	0.00
Trustclean - Mexborough Highwoods	769.09	2,767.30	0.00
Trustclean - Mexborough St Johns Primary	2.52	7.43	0.00
Trustclean - Wath CE School	389.11	1,648.11	0.00

# Report of the Clerk

## Employers' Contribution Returns for 2014 - 2015

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Trustclean Ltd (Athersley North)	677.36	2,314.99	0.00
Tuscan Connects Ltd	110,233.11	211,975.16	26,378.99
University Technology College (Sheffield)	17,901.76	29,245.22	0.00
Upperwood Academy	15,847.46	42,001.94	18,500.00
Valuation Tribunal	3,209.98	8,098.28	25,500.00
Veolia Environmental Services PLC	171,407.89	549,416.90	56,199.96
Vinci Construction UK Ltd (Bradfield Schl PFI - FM Contract)	2,068.51	7,484.41	0.00
Voluntary Action Barnsley	4,109.55	10,104.30	9,999.96
Voluntary Action Rotherham	1,653.49	5,143.99	0.00
Wales High School (Academy Trust)	88,126.55	203,998.07	5,000.00
Wentworth Castle & Stainborough Park Heritage Trust	10,128.90	22,455.52	25,055.30
West Meadows Primary School	12,962.61	34,568.47	20,599.97
Whiston Junior & Infant School	11,019.01	25,413.93	12,200.00
Whiston Worrygoose J&I School	15,613.52	40,214.49	19,300.00
Wickersley Northfield Primary	10,436.06	27,235.85	15,370.00
Wickersley Parish Council	1,974.62	3,432.86	3,000.00

Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment* (£)
Wickersley School and Sports College	163,100.45	341,771.39	188,899.92
Wickersley St Albans C of E Primary School	7,053.97	18,617.68	9,090.00
Willmott Dixon Partnership Ltd	199,515.75	497,488.40	33,999.98
Willow Primary	12,057.81	30,447.61	15,000.00
Wincobank Nursery & Infant School	10,893.16	23,148.31	20,110.00
Wingfield Academy	49,898.79	108,131.15	57,400.00
Yewlands Academy	54,416.64	112,549.78	93,900.00

All figures shown are basic contribution payments and do not include any arrears or cash injections that may have been paid by the employer.

**\*Key**  
A **minus** figure indicates that the funding requirement is in surplus.  
A **nil** figure indicates that no extra funding is required.

# Report of the Clerk

## Service Delivery

Our performance in the key service standard areas has been disrupted by the transition to our new pensions administration system. To illustrate the extent of the disruption the performance results for 2014/15 have been split between the period before and after the implementation of our new system together with the overall performance result. By the end of the reporting period we still had a backlog of casework

which will detrimentally affect the performance results during the early part of 2015/16 but we are confident that we will revert to our usual standards by the end of December 2015.

Away from the performance standards we continue to provide regular newsletters to our members as well as information booklets and other web based content. Regrettably we had to suspend member online access

due to the implementation of our new system and this is not expected to return until quarter 3 of 2015/16. Annual forecasts were issued to active and deferred members during September 2014 and we held our Annual Fund Meeting in October which was well supported and appreciated by those who attended.

Key Service Standard	Target Days	Number Processed	In Time	Performance 2014 - 2015	Previous Year 2013 - 2014
<b>Setting Up a Record (TOTAL)</b>	<b>5</b>	<b>6198</b>	<b>2670</b>	<b>43%</b>	<b>99.8%</b>
Pre New System		4520	2472	55%	
Post New System		1678	198	12%	
<b>Transfers In (TOTAL)</b>	<b>7</b>	<b>265</b>	<b>215</b>	<b>81%</b>	<b>99.6%</b>
Pre New System		224	205	92%	
UPM		41	10	24%	
<b>General Enquiries (TOTAL)</b>	<b>5</b>	<b>2284</b>	<b>2007</b>	<b>88%</b>	<b>99.9%</b>
Pre New System		1546	1471	95%	
Post New System		738	536	73%	
<b>Additional Benefits (TOTAL)</b>	<b>12</b>	<b>1015</b>	<b>867</b>	<b>85%</b>	<b>100%</b>
Pre New System		823	785	95%	
Post New System		192	82	43%	
<b>Pension Rights on Divorce (TOTAL)</b>	<b>5</b>	<b>480</b>	<b>400</b>	<b>83%</b>	<b>99.1%</b>
Pre New System		351	348	99%	
Post New System		129	52	40%	
<b>Retirement Estimates (TOTAL)</b>	<b>5</b>	<b>4643</b>	<b>4186</b>	<b>90%</b>	<b>99.6%</b>
Pre New System		3713	3658	99%	
Post New System		930	528	57%	
<b>Refund of Contributions (TOTAL)</b>	<b>9</b>	<b>406</b>	<b>279</b>	<b>69%</b>	<b>98.7%</b>
Pre New System		168	139	83%	
Post New System		238	140	59%	
<b>Preserved Benefits (TOTAL)</b>	<b>20</b>	<b>3864</b>	<b>2902</b>	<b>75%</b>	<b>99.5%</b>
Pre New System		2881	2083	72%	
Post New System		983	819	83%	
<b>Transfers Out (TOTAL)</b>	<b>5</b>	<b>689</b>	<b>614</b>	<b>89%</b>	<b>99.4%</b>
Pre New System		545	522	96%	
Post New System		167	69	41%	
<b>Retirement Benefits (TOTAL)</b>	<b>5</b>	<b>2369</b>	<b>2139</b>	<b>90%</b>	<b>99.7%</b>
Pre New System		1642	1610	98%	
Post New System		727	529	73%	
<b>Death Benefits (TOTAL)</b>	<b>4</b>	<b>1195</b>	<b>875</b>	<b>73%</b>	<b>99.3%</b>
Pre New System		669	659	99%	
Post New System		526	216	41%	



# Report of the Clerk

## Service Delivery continued

Our performance rating against satisfaction levels given by employers and members for 2013 - 2014 & 2014 - 2015.

	VERY SATISFIED		SATISFIED	
EMPLOYERS	43.9%	0%	56.1%	0%
MEMBERS	72.0%	66.2%	23.5%	32.4%
	2013 -2014	2014 -2015	2013 -2014	2014 -2015
	DISSATISFIED		VERY DISSATISFIED	
EMPLOYERS	0%	0%	0%	0%
MEMBERS	3.6%	0%	0.9%	1.4%
	2013 -2014	2014 -2015	2013 -2014	2014 -2015

The ratings shown are derived from responses to our many consultation questionnaires. Each questionnaire ends with a specific question about overall satisfaction with SYPA. Whilst satisfaction levels are currently high we are constantly striving to innovate and improve our overall service delivery. During the period 2014-2015 no questionnaires were issued to employers.

# Report of the Clerk

## National Fraud Initiative 2014

The National Fraud Initiative exercise, in which we participate, identifies cases where either pensioner members or deferred members have died and as yet we have not been informed.

It is vital to note that the matches we receive are not necessarily fraudulent but that they are worthy of further investigation.

The 2014 results have been received and are currently being worked upon. The results of the exercise will therefore be published in next year’s annual report.

# Report of the Clerk

## National Benchmarking

Each year we participate in a national pension administration benchmarking survey which measures our performance along with our cost effectiveness against other Local Government Pension Funds (in 2014 there were 49 participants). The results enable us to make relevant comparisons in order to monitor how effectively we administer the pension scheme.

Opposite is a summary of the latest results from the benchmarking report issued on 29 August 2014. Due to the timing of the report this will always be one year out of step with the period covered by the annual report.

The benchmarking results once again show our costs to be below average. This is something we

29 <sup>th</sup> August 2014	
Cost per member <i>(Benchmarking average</i>	<b>£19.62</b> <i>£20.75)</i>
Number of scheme members per staff member <i>(Benchmarking average</i>	<b>4,230</b> <i>4,160)</i>
Number of employers <i>(Benchmarking average</i>	<b>337</b> <i>180)</i>
SYPA retirees opting for maximum cash lump sum <i>(Benchmarking average</i>	<b>81%</b> <i>56%)</i>
Staff with more than 15 years experience <i>(Benchmarking average</i>	<b>48%</b> <i>33%)</i>

have consistently maintained over the last eleven years and the 2014 result is the lowest since 2004. Whilst the results do not give an indication of the quality of service the member can expect to receive from us we know from our external verification (Customer Service Excellence) and our consultation surveys that this is highly rated too.

From the bare facts we can derive that, in terms of cost, our overall unit costs are below average as are our combined staff and payroll costs. Only our overheads are shown to be above average. The overall cost per member has reduced for the fourth consecutive year despite the fact that the amount of workload continues to increase.

### Performance Comparison

Service	Benchmarking Target	SYPA	Average Fund
Letter giving transfer in quote	10 days	100%	89.5%
Letter giving transfer out quote	10 days	100%	92.1%
Process refund and arrange payment	5 days	98.0%	87.1%
Letter giving estimated retirement benefits	10 days	100%	90.8%
Letter giving actual retirement benefits	5 days	98.9%	92.5%
Process and pay lump sum retirement grant	5 days	98.9%	92.7%
Letter acknowledging death of member	5 days	100%	90.9%
Letter giving amount of dependants' benefits	5 days	100%	91.3%
Calculate and notify deferred benefits	10 days	97.3%	76.4%

In terms of performance, ours continues to be constantly higher than the average in each of the key service standards. It is also noteworthy that, unlike a significant number of funds, we are able to provide performance data across the whole range of services.

# Report of the Clerk

## Investment Management

In last year's report it was noted that the world's financial markets continued to be propped up by the policies of the central banks and that in that environment it was likely that investors would remain bullish so long as markets rose. So it proved despite the dynamics of the markets remaining challenging.

It is true that the last three years have witnessed one of the most stable and persistent stock market advances since 1900. With interest rates commonly below zero, stock markets have become an instrument of choice for central banks to manipulate in order to transmit their monetary policies. In aggregate the central banks have been attempting to stimulate the global economy since 2008, without much success, and so the trend of rising share prices has become an end in itself rather than a means to an end.

The anticipated direction of the market has become a one-way and crowded bet but caution suggests that certainty rarely comes cheap. Historically, significant policy meddling of this nature has not ended well. This didn't really matter when shares offered value but as prices have increased they now trade on higher valuations and, as a result, investors have become increasingly nervous.

This concern grew through 2014 as the uneven nature of global economic health became more apparent. Monetary policy diverged across the various parts of the world with strong US growth contrasting with disappointing European and emerging market performance. This led to understandable questions being asked about whether the equity cycle was coming to an end or merely

entering a new phase. Just to underline how difficult it is to predict short term market moves the first quarter of 2015 saw some of the divergences begin to reverse as US growth began to falter and European economies started to show signs of improvement. The announcement by the European Central Bank that it was beginning a Quantitative Easing programme also shifted sentiment and equity markets continued to strengthen. In no short measure this was supported by expectations that the Western economies would benefit from the positive wealth effects of significantly lower oil, commodity and food prices.

Another key factor - maybe the key factor - was the persistently low level of interest rates and low yields within the government bond sector. As the year progressed negative nominal



John Hattersley, Fund Director

yields became more pervasive. In other words, investors began to pay governments for the privilege of lending them money! This seemingly irrational practice reflected investors' concerns about the downside risks and the need to secure both safety and some yield. Rather than looking for upside potential they sought the sanctuary of a quantifiable small loss as opposed to the potential for larger losses.

A world of negative yields creates a highly unusual environment where you get money for nothing but risk for free. In these circumstances investors prefer to ensure the return of capital rather than return on capital. They are faced with fewer choices to achieve risk-free returns and more alternatives to deliberate return-free risk. If the central banks do succeed with their strategies and the global

## Report of the Clerk

### Investment Management continued

economy does return to normal, losses on government bonds could be significant. Mindful of the detrimental effects lower yields were having on the Fund's deficit, but also well aware of the potential capital loss of an increase in yields to overall Fund return, the Fund pursued a strategy of being short of duration in bonds during the year. This adversely affected Fund performance over the year.

However, given the interplay between central bank policies equities continued to be favoured ahead of UK shares with a bias towards American markets despite the strength of the dollar. The Fund's commercial real estate portfolio performed well, although the overall property return suffered because of a disappointing agricultural valuation and the adverse currency effect on the European

fund holdings. The Fund received the Local Government Chronicle Investment Award for property at a ceremony in November 2014.

Private equity continued to perform well. The Fund was one of a group of six LGPS funds which collaborated over a commitment to invest over £150m in a series of UK based impact investments. Known as Investing 4 Growth, this joint approach towards identifying further impact investments is continuing and the experience and work is being shared with other like-minded funds.

After consultation with the Fund's independent investment advisors Members agreed to restructure the Fund's customised benchmark in the light of the asset and liability review. Changes to the UK equity portfolio - introducing a lower

volatility element - were implemented in January. The decision to reduce the allocation to absolute return funds and introduce more specialist and income orientated vehicles will be introduced on a phased basis over the forthcoming months. It was also decided to withdraw from conventional corporate bonds and replace the mandate with a more bespoke buy and maintain strategy. This will be instigated during the next twelve months. These changes were made to ensure that the Fund's investment strategy is compatible with the assumptions that the actuary used in determining his certificate and reflect the historically low yield environment that has already been referred to. It is ever more challenging to identify asset classes and investment strategies that offer decent risk adjusted returns.

The Authority is a member of the Institutional Investors Group on Climate Change which is a forum for collaboration on climate change for over 90 European investors representing roughly E9 trillion of assets. The Group's objective is to catalyse greater investment in a low-carbon economy by bringing investors together to use their collective influence with companies, policymakers and investors. In line with this commitment the Fund was a co-filer of resolutions put to the Annual General Meetings of Royal Dutch Shell and BP regarding the need for disclosures on the companies' carbon management policies. The resolutions requested the companies to commit to ongoing disclosures on a number of operational emissions management issues and also encouraged low-carbon energy

research and development strategies. The Boards of both companies agreed to recommend that shareholders supported the resolutions and they were adopted. The Fund is pleased to record these examples of long term asset owners having a positive impact on business decisions.

Looking forward the outlook for the global financial markets remains uncertain. In the UK, irrespective of the outcome of the May 2015 General Election, the Bank of England's ongoing QE programme and low interest policy (since 1694 rates have never been so low with the previous bottom being 2% in 1862 and a peak of 17% in 1979) have effectively pushed up the price of bonds resulting in a substantial increase in the valuation of the Fund's actuarial liabilities. The effect has been

particularly dramatic over the last twelve months. This is, of course, not limited to just this Fund but affects the calculations used by actuaries of all funds, both in the LGPS and the private sector. The need to capture secure and hopefully increasing income returns has dominated investors' thinking over the past few years and this looks set to be the case. Unfortunately, although the UK's economy appears to have improved with lower unemployment, lower inflation and higher growth than many had forecast, there remains a sense of fragility. This is against a backdrop where equity valuations are already largely up with events. In such an environment the volatility of a number of asset classes remains a concern so caution remains the watchword.





4

**investment  
FIGURES &  
REPORTS**

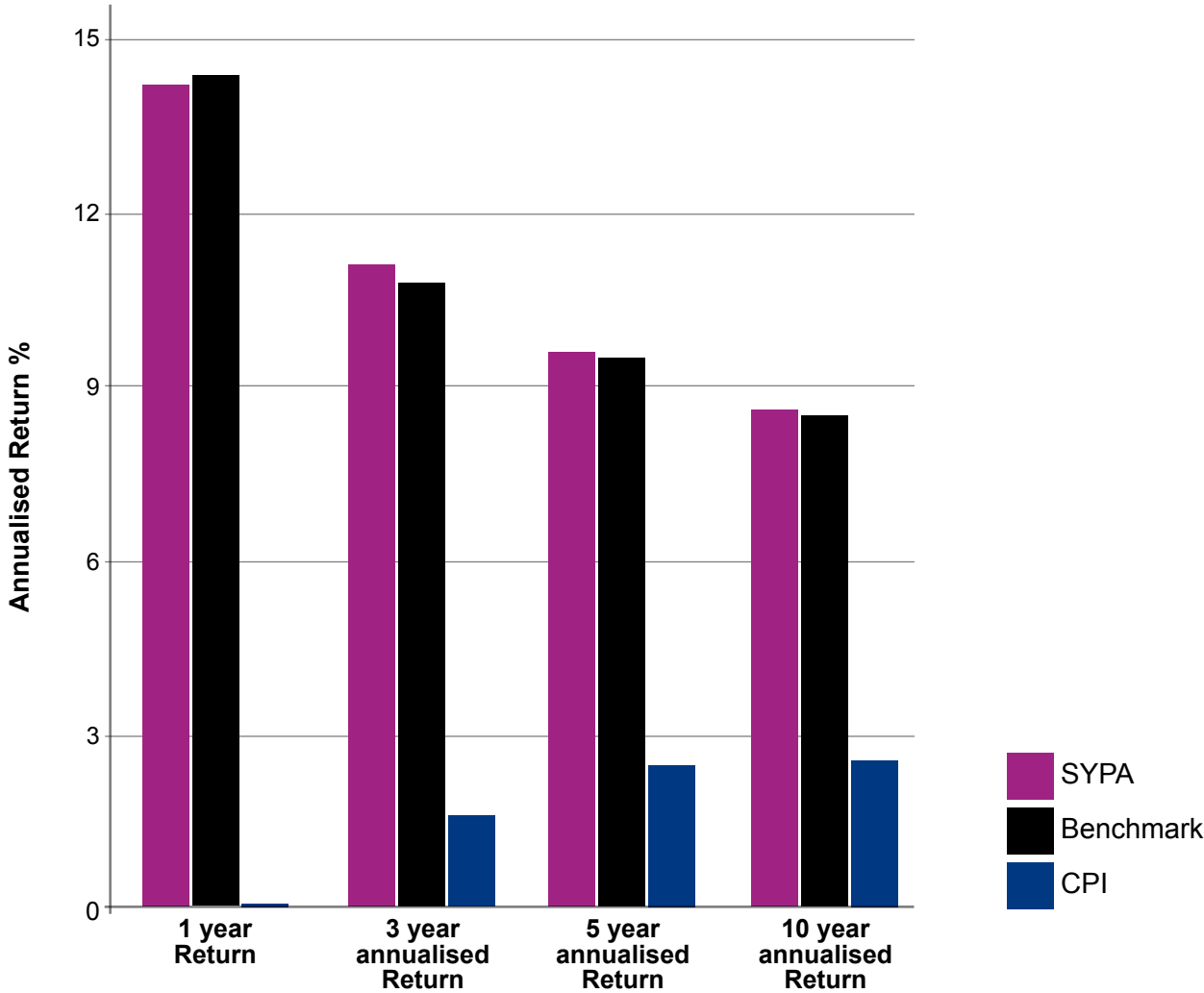
# Report of the Clerk

## 10 Year Annualised Figures - Comparison with Benchmark

CATEGORY	1 Yr Return		3 Yr Annualised Return		10 Yr Annualised Return	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK EQUITIES	7.1	6.7	11	10.7	8.1	7.8
OVERSEAS EQUITIES						
Europe	8	7.5	14.7	14.1	9.2	8.6
US	25.3	26.5	18.2	18.9	10.8	10.6
Japan	24.9	27.1	14.1	12.7	6.6	6.1
Pacific-x-Japan	19.9	20	9.7	9.4	12.6	12
Other Intl	4.3	2.7	1	-0.5	9	10.3
TOTAL OVERSEAS	16.5	16.5	12.6	12	10.2	9.7
TOTAL FIXED INTEREST	18.5	19.9	9.5	10	7.7	8.2
PROPERTY	13.1	16.9	11.7	10.8	8.2	5.9
PRIVATE EQUITY	19.3	2.4	12.2	9.2	n/a	
ABSOLUTE RETURN FUNDS	8.8	3.8	5.4	4.2	n/a	
CASH	0.6		0.5		2.4	
TOTAL RETURN	14.2	14.4	11.1	10.8	8.6	8.5

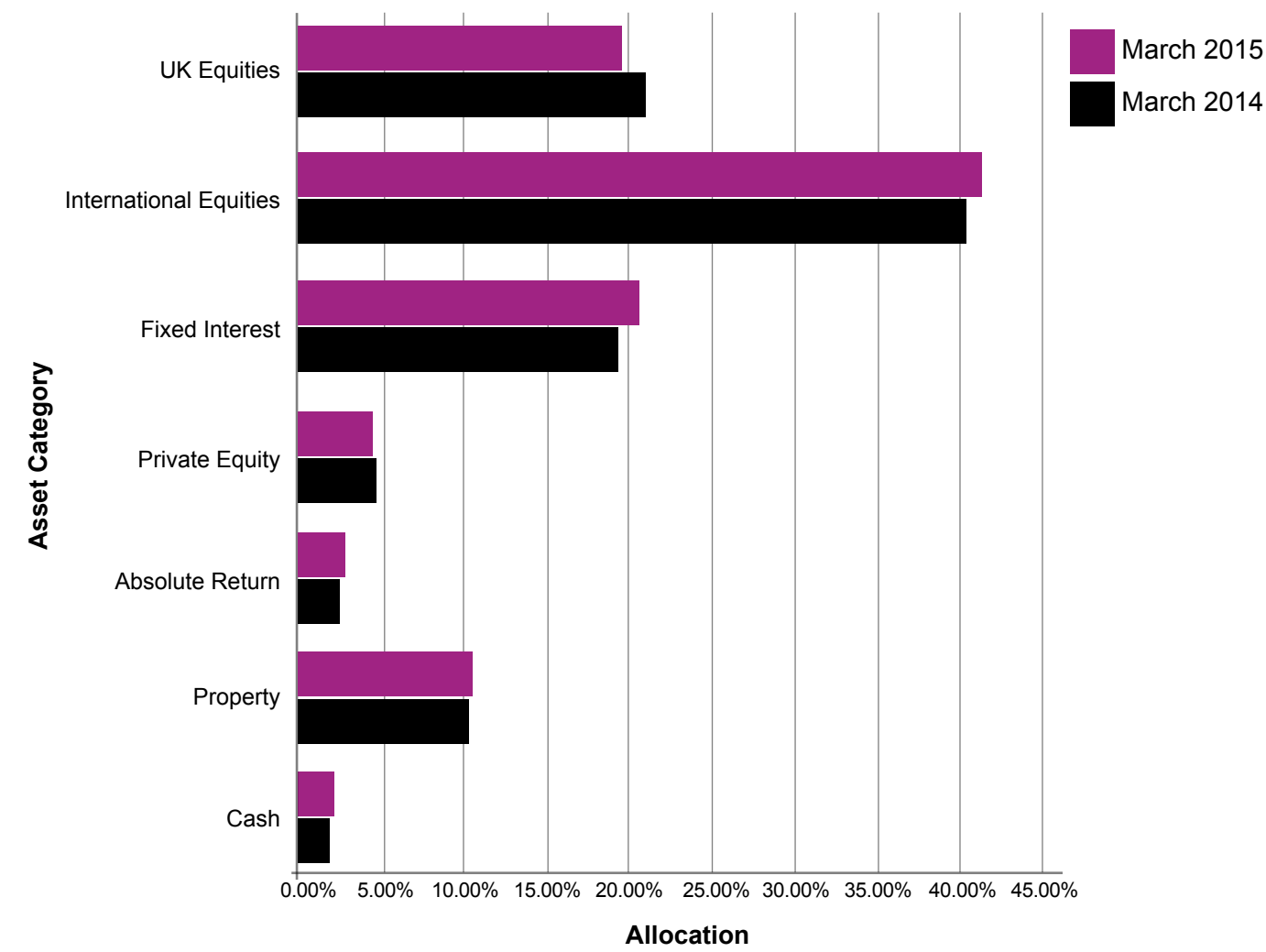
# Report of the Clerk

## Fund Performance



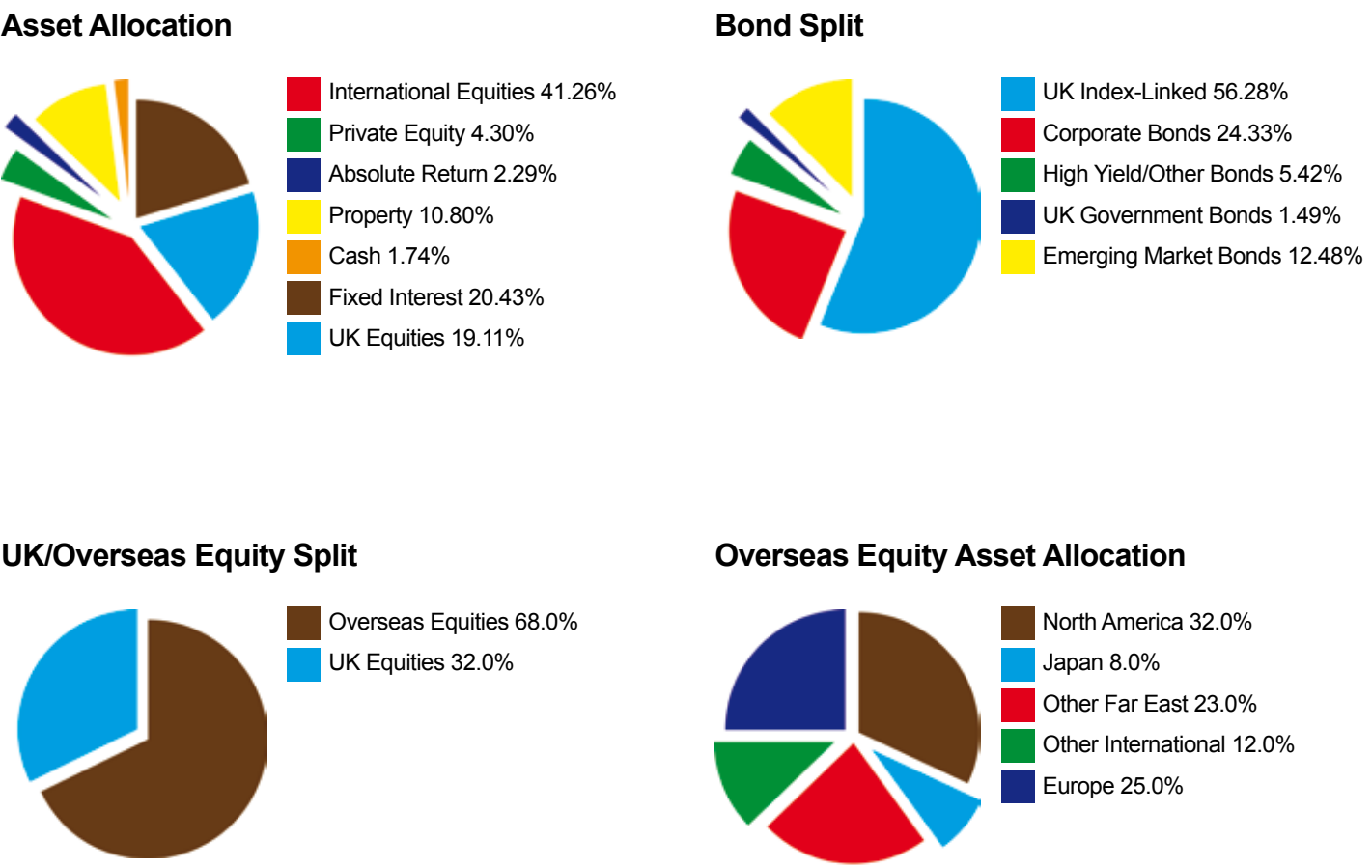
# Report of the Clerk

## Portfolio Structure



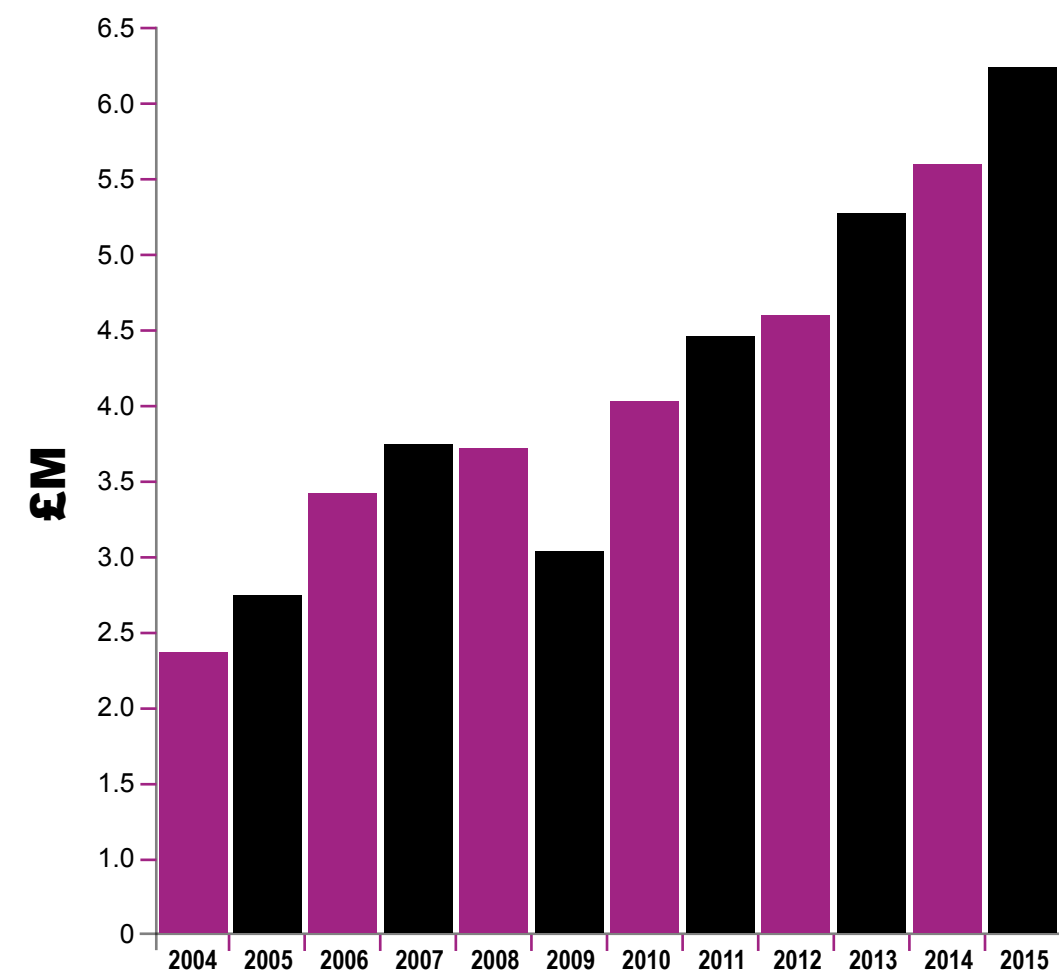
# Report of the Clerk

## Benchmark Asset Allocation



# Report of the Clerk

## SYPF Market Values at end March



# Report of the Clerk

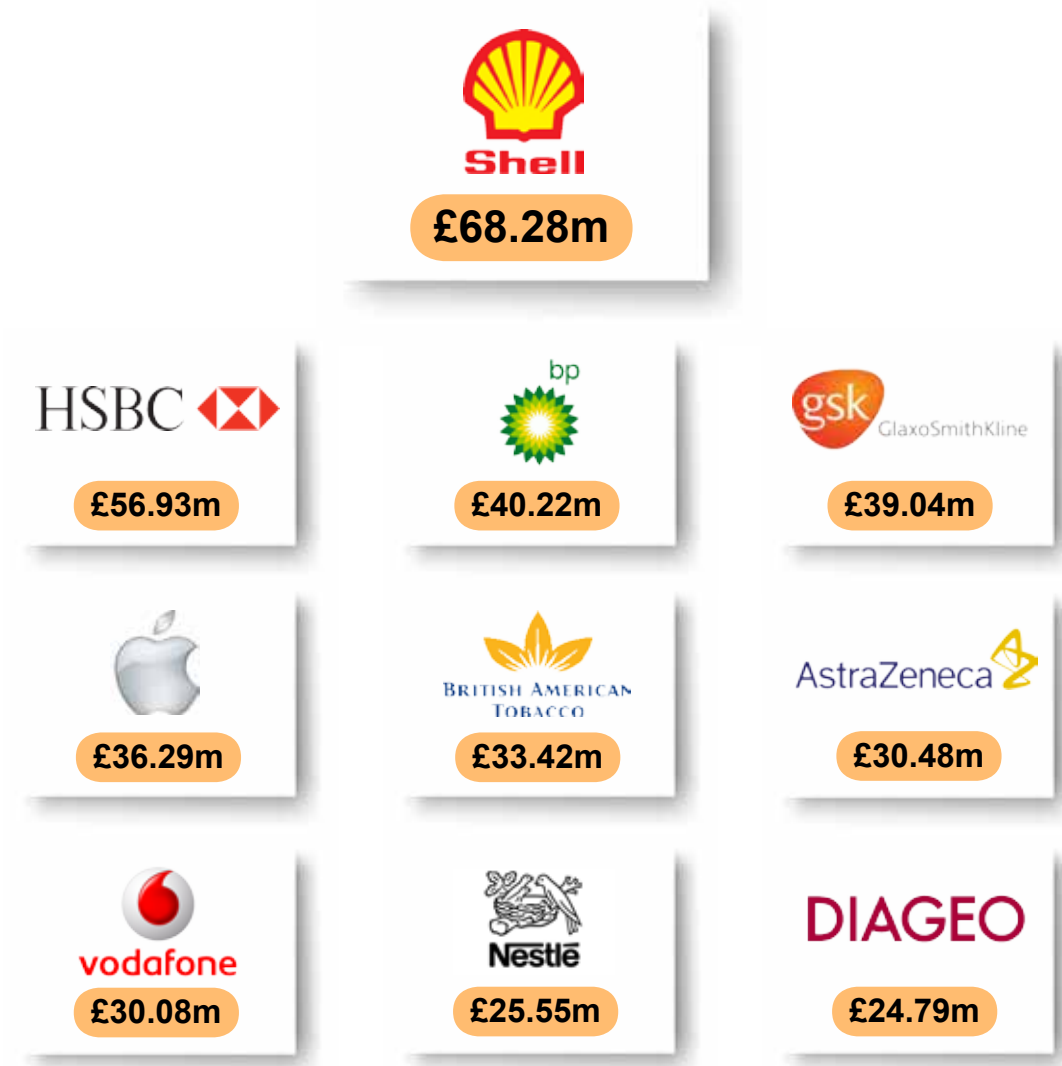
## Ten largest directly held publicly quoted bond holdings by market value:-

31 March 2015	£m
UK Index Linked 0.75% 2047	88.46
UK Index Linked 2.00% 2035	64.68
UK Index Linked 1.25% 2055	63.79
UK Index Linked 0.50% 2050	57.73
Network Rail 1.375% 2037	55.52
UK Index Linked 0.75% 2034	50.53
UK Index Linked 0.625% 2042	42.80
UK Index Linked 1.375% 2037	39.21
UK Index Linked 0.125% 2068	35.39
UK Index Linked 0.25% 2052	32.61



# Report of the Clerk

Ten largest directly held publicly quoted equity holdings by market value - at March 2015



# Report of the Clerk

Five largest holdings in externally managed investment funds by market value

	£m
Henderson All Stocks Credit Fund	310.50
Marathon Japan Equity Fund	135.15
Aberdeen Latin America Equity Fund	69.78
Coronation Global Opportunities Fund - All Africa	51.09
Traditional Funds plc - Eastern Europe	33.01

# Report of the Clerk

## Statistics

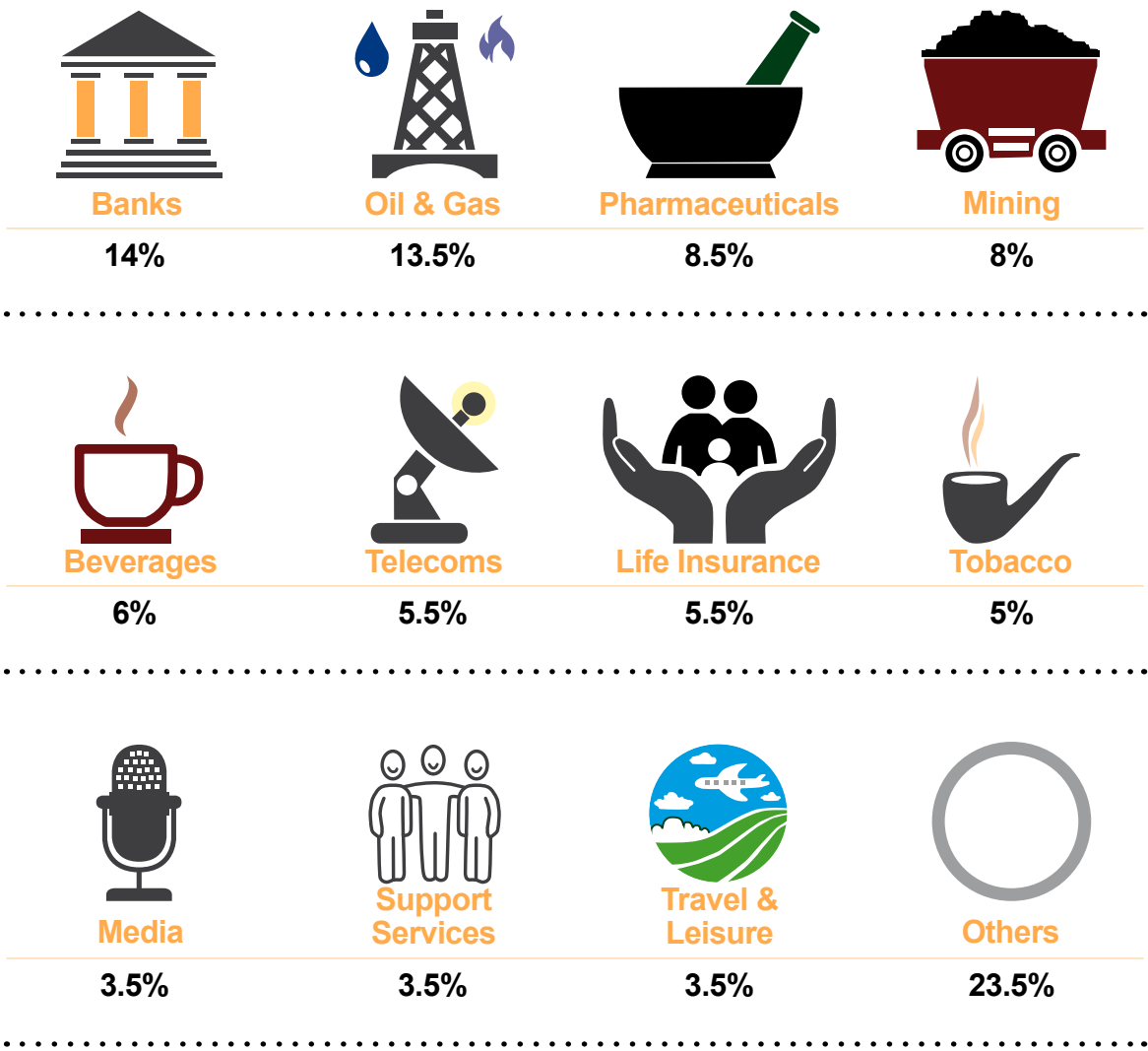
	March 15*	March 14
<b>UK equity indices</b>		
FTSE 100	6773	6616
FTSE All Share	3664	3559
<b>Overseas equity indices</b>		
S&P500 (USA)	2068	1858
Euro Stoxx 50 (Europe)	3697	3172
Topix 100 (Japan)	1543	1187
Hang Seng (Hong Kong)	24901	22066
MSCI Emerging Markets	995	975
<b>Key commodities</b>		
Brent Crude Oil	55	108
Gold US\$	1183	1294
<b>Key currencies</b>		
GBP-USD	1.48	1.66
GBP-EUR	1.38	1.20
EUR-USD	1.07	1.37
USD-JPY	119.95	102.83

	March 15*	March 14
<b>UK Government bond yields</b>		
UK 1 Year Gilt yield	0.38%	0.44%
UK 2 Year Gilt Yield	0.44%	0.72%
UK 10 Year Gilt Yield	1.61%	2.74%
<b>UK statistics</b>		
UK GDP YoY% change	3.0%	3.1%
UK CPI YoY Change	0.00%	1.6%
UK unemployment rate	5.70%	6.8%
UK Base Rate	0.5%	0.5%

\*Rounded to whole number. Source: Bloomberg







# Report of the Clerk







## Breakdown of FTSE 100



# Report of the Clerk

## Treasury Management Deposits with Institutions

Bank Deposit Accounts		Rating as at 31 March 2015	Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
HSBC		F1+ -Fitch	5,207,000	9,973,000
Bank of Montreal		F1+ -Fitch	15,000,000	-
Bank of Nova Scotia		F1+ -Fitch	15,000,000	-
Commonwealth Bank of Australia		F1+ -Fitch	15,000,000	-
Canadian Imperial Bank of Commerce		F1+ -Fitch	15,000,000	15,000,000
DBS Bank		F1+ -Fitch	-	15,000,000

Bank Deposit Accounts		Rating as at 31 March 2015	Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
Landesbank Hessen (Helaba)		F1+ -Fitch	-	15,000,000
Lloyds Bank PLC		F1+ -Fitch	-	10,000,000
National Bank of Canada		F1+ -Fitch	-	10,000,000
Oversea Chinese Banking Corporation		F1+ -Fitch	15,000,000	10,000,000
United Overseas Bank		F1+ -Fitch	-	15,000,000
Nat West		F1 -Fitch	10,000,000	10,000,000



# Report of the Clerk

## Property

The Fund holds direct UK property assets valued at nearly £600m in a diversified portfolio of agricultural, industrial, office and retail properties. These include single-let and multi-let industrial and office buildings, restaurants and a hotel. In addition, there are investments in some specialist UK and European property funds which give exposure to assets and sectors which the Fund would otherwise find gaining access to difficult.

During the year the Fund sold two industrial buildings: one in South Wales and one in Derbyshire. It bought a modern industrial property in Harlow and a multi-let office building in Woking. The Harlow property, which comprises more than

55,000 square feet split across five units occupied by a single tenant, is close to both the M11 and M25 and produces a net income of some £390,000 per annum. Midas House comprises over 50,000 square feet of office space over four floors with ground retail and restaurant space. It is in the centre of Woking and was built in 2003. It currently produces a net income of over £1.3m per annum. The Fund also added to its agricultural estate by acquiring a 276 acre grade-1 arable farm near Wisbech in Cambridgeshire (see page 96).

The Fund is refurbishing one of the units at its office investment in Warrington and is involved in a project to refurbish and redevelop

one of its central London office buildings. The development of student accommodation in Chichester was completed during the year under review as was the office development in Guildford. The aging Chertsey Street office block was bought in late 2012 for £3.15m with a view to extending and enhancing the building. Following works which cost c£3.5m the prime City centre building is now almost fully let and producing rents of nearly £450,000 and is valued at just over £13m. The Fund is continuing to develop its industrial estate in Edinburgh and has agreed, in principle, to acquire an industrial property near Slough.

In conjunction with another local pension fund and a London based asset manager the Fund invested in a specialist regional property portfolio which includes, amongst others, buildings in Doncaster, Rotherham and Sheffield (see page 97). It is hoped that the portfolio will produce an income return in excess of 8% per annum.

The Fund's portfolio is actively managed and the current strategy is to continue to dispose of holdings which are expected to underperform and to reduce the number of its smaller buildings so that the average size of the holdings is increased. At the same time managers continue to strive to improve the quality of the portfolio's income stream.

# Report of the Clerk

## Property

At the end of March 2015 the five largest direct commercial holdings by market value were:

- 1. Queen Victoria Street, London Office  
**£30.9m**
- 2. Stockbridge Road, Chichester  
*Student accommodation*  
**£28.6m**
- 3. Winterhill Retail Park, Milton Keynes  
*Retail warehouse*  
**£26.4m**
- 4. High Street, Epping  
*Retail*  
**£23.9m**
- 5. New Cavendish Street, London Office  
**£19.9m**

Photographs supplied by courtesy of Standard Life Investments





# Report of the Clerk

## Property

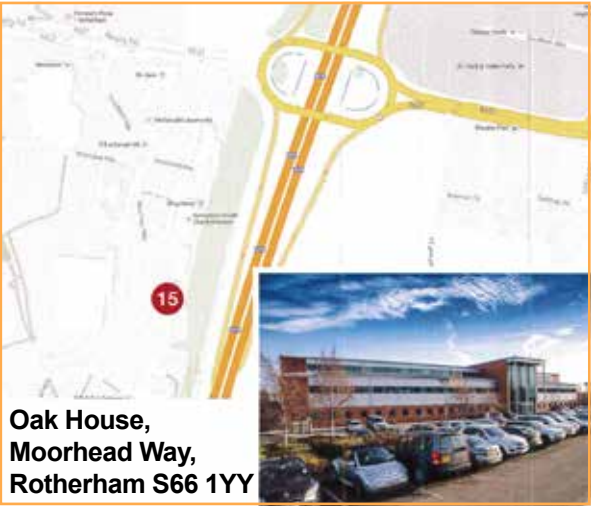
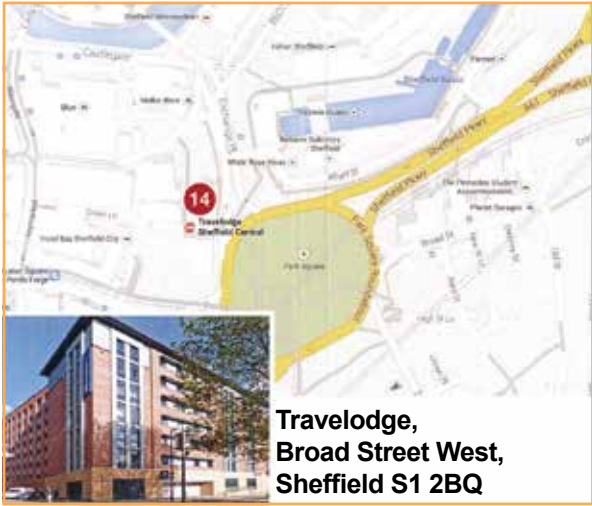
Chapel of Ease Farm,  
Christchurch,  
Cambridgeshire



Photographs supplied by courtesy of Bidwells



Photographs supplied by courtesy of White Rose Partnership





# 5 the GOVERNANCE



# Report of the Clerk

## Corporate governance, responsible investing and shareholder activism

**At its simplest corporate governance is about ensuring that the companies in which the Fund invests are using robust and responsible operational processes and policies. These are essential for financial success. At the same time the Fund recognises that social, environmental and external considerations can also affect financial return. There is evidence that those companies which adopt best practice in corporate governance matters ultimately outperform those that do not. Therefore, in order to reach its investment objectives it is reasonable for the Authority to pursue such considerations when making investment decisions.**

In order to act at all times in the best long-term interests of all its members the Authority looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that there are some overarching principles of corporate governance that apply globally but recognises that practices do vary considerably. It recognises its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. The Authority believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and, therefore, will not

actively disinvest from companies solely or principally because of social or ethical or environmental reasons. This approach is consistent with that undertaken by other large investors. As responsible institutional investors the Fund seeks to influence companies' governance arrangements, environmental, human rights and other policies by positive use of shareholder power. Selling shares is not an effective tool for delivering change.

The Authority was one of a handful of UK pension funds which co-filed shareholder resolutions at the annual meetings of BP and Shell regarding carbon asset management. The Authority was

pleased that the Boards of both companies agreed to endorse the initiative and that other companies have subsequently agreed similar commitments. Climate change and the role of fossil fuels is an area where short-term thinking and long-term consequences collide for both businesses and governments alike. Meeting the challenge of climate change does require investors to assess the risks and act appropriately. However, climate change is both subtle and cruel and understanding the impacts requires serious planning and adaptation. The subject knows no geographic borders. The Authority is a member of the IIGCC which is a forum for collaboration on climate change for European investors and

ensures that it is kept fully appraised of industry developments.

During the year the Law Commission reported upon the concept of fiduciary review and concluded that trustees should take into account factors which are financially material to the performance of an investment. The Commission reiterated the accepted view that whilst the pursuit of a financial return should be the predominant concern of pension trustees, the law is sufficiently flexible to allow other, subordinate, concerns to be taken into account. The report concluded that the law permits trustees to make investment decisions that are based on non-financial factors, provided that

they have good reason to think that scheme members share the concern and there is no risk of significant financial detriment to the fund. The Authority welcomed the review and considers that its own policies comply with best practice.

The Fund regards its voting rights as an asset and uses them carefully. The Authority has established a set of voting guidelines which cover corporate governance issues and has engaged a third party service provider to ensure that its votes are executed in accordance with its policies. Its voting record is published on the Fund's website. The Authority reviews its voting guidelines and shareholder engagement policies annually.

# Report of the Clerk

## Corporate governance, responsible investing and shareholder activism continued

The Fund has limited resources and recognises that it is not always possible for it to conduct constructive engagement alone: therefore, it will enter into collaboration with other like-minded investors when the occasion warrants doing so and circumstances allow. The Authority is an active member and supporter of the Local Authority Pension Fund Forum and encourages LAPFF in its campaigns and initiatives.

Administering authorities are required to state compliance with the Myners' Principles, on a 'comply or explain basis', within their Statement of Investment Principles. There is no requirement that authorities implement every element of the

Principles but the Authority aims to do so.

The Authority is supportive of the UK Stewardship Code and endorses the 'comply or explain' approach it follows. The Authority believes it complies with the majority of the recommendations of the Code.

# Report of the Clerk

## Risk Management

The effective management of risk is a key consideration which lies at the heart of the Authority's operations and this is reflected in the Authority's governance arrangements.

The Authority recognises that potentially the greatest risk the Fund faces is to have a fundamental mismatch between its assets and liabilities: the latter fall largely outside of its control. Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund whilst at the same time maximising the opportunity to achieve gains across the portfolio. The returns achieved from investment will, to a considerable degree, be determined by and reflect the level of risk which the Authority deems to be acceptable when setting its strategy. Given the unique characteristics of the

Fund, the Authority has determined a strategy which aims to reduce the level of uncontrolled risk in such a manner that is appropriate with its liability structure. This is partly achieved through asset diversification, thereby reducing exposures to market risk (price risk, currency risk and interest rate), and this is reflected in the Fund's customised benchmark which is itself determined by the Investment Board. Liquidity risk is also managed to ensure that the Fund's forecast cash needs are met. The benchmark, which reflects the risk and return expectations of the Authority, is reproduced within the Statement of Investment Principles.

It is, of course, not possible to control the absolute return on investments. Over the longer term, however, by recognising the types of risks outlined the

Authority seeks to achieve the returns required to achieve the objectives of the Funding Strategy Statement (FSS). Further information regarding those objectives and how they relate to the actuarial valuation can be found in the FSS.

The Corporate Planning and Governance Board reviews risk policy at its meetings and receives reports on the risk registers operated by both the Authority and the service. The Authority recognises that risk is inherent in many of its activities and seeks to control risk rather than try to eliminate it. Without taking risks it will be difficult for the Fund to achieve the performance it needs if it is to meet its objectives.

**Diana Terris**  
Clerk

# Publications

As required by the LGPS Regulations a number of statutory documents are published by the Authority separately. The Government has recognised that amalgamating all of the prescribed disclosures into the annual report will result in an unwieldy document and has advised that the statutory requirement to publish these can be satisfied via references to them within the report. Accordingly, although the Statement of Investment Principles and Voting Guidelines are incorporated into this document all the others can be found on the Authority’s website ([www.sypensions.org.uk](http://www.sypensions.org.uk)):-

- Consultation and Communication Policy
- Funding Strategy Statement
- Shareholder Engagement Statement
- Governance Compliance Statement







# 6 the REPORTS



# Report of the Advisors 2014 - 2015

Neil MacKinnon was reappointed as an investment advisor at the start of the year to work alongside Tim Gardener and Leslie Robb, both appointed in 2012.

## Financial Markets

The last 12 months have been characterized by a hesitant and multi-speed recovery in the global economy. In the advanced economies, growth leadership has been confined to the US and UK with the Eurozone stuck in recessionary conditions and high unemployment. Emerging market economies have generally seen slower economic growth as world trade growth slowed down and their domestic economies slowed in response to previous interest rate increases. China, in particular, is experiencing a slowdown in economic growth though there are concerns about excess credit growth and speculative conditions in the Chinese real estate market and Chinese equity market.

Nevertheless, in the advanced economies, the lingering effects of the financial crisis are still felt despite the implementation of ultra-easy monetary policies, in particular the use of zero interest rates and quantitative easing (QE) programs. Levels of debt are now higher than in 2007 and may be a restraint on growth and productive potential in the medium term.

The European Central Bank (ECB) has taken up QE in response to deflationary concerns and introduced negative interest rates. Now 25% of Eurozone sovereign debt has negative yields. The American Federal Reserve and the Bank of England, in contrast, over the last 12 months have moved away

from further expansion of their QE programs and the financial markets are focused on the timing of the first increase in interest rates. At the time of writing, the markets expect the Federal Reserve to make the first interest rate increase sometime this year with the Bank of England to follow some time thereafter.

As far as financial markets are concerned, the accomodative monetary stance of the major central banks has underpinned good performance in many asset classes as investors “search for yield” and enhanced investment returns. Many of the major equity markets are at a record high though there are concerns about stretched valuations and a build-

up of excess leverage. Government bond yields have fallen to new lows in many cases reflecting the impact of QE bond purchases by central banks as well as the decline in inflation expectations that took place through 2014. Some commentators have expressed concern that risk-reward considerations at this level of yields invites the possibility of a sharp reversal at some point.

During 2013-2014, the advisors worked closely with the investment team and the trustees to work towards enhancing fund governance, the asset and liability update and improve the investment process such as the consistent management of risk across the portfolio. The advisors

are satisfied with the long term investment performance of the Fund, on an absolute and relative basis and are also satisfied that the Fund is meeting its investment mandate and investment objectives. Following the asset/liability review, the advisors reassessed the benchmark and its constituents with the officers and Board and a number of changes are being implemented within certain asset classes with the aim of enhancing returns after costs.

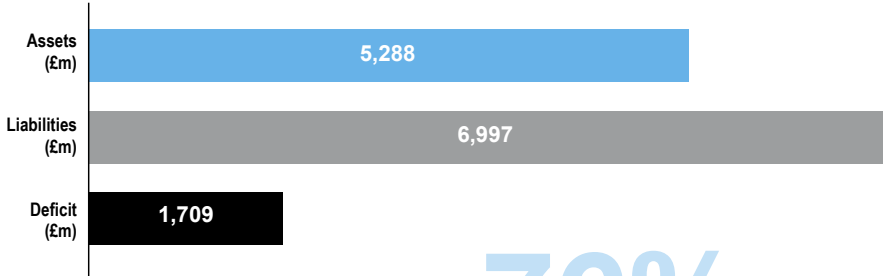
# Statement by the Consulting Actuary

## Accounts for the year ended 31 March 2015

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,288 million represented 76% of the Fund's past service liabilities of £6,997 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £1,709 million.



76%  
Funded

The valuation also showed that a common rate of contribution of 12.8% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in

respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,330 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £79 million per annum increasing at 2.6% per annum (equivalent to 9.4% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. The certified contribution rates for each employer also included specific allowances (zero for some employers) to meet the additional liabilities arising from ill-health and voluntary early retirements. Payments to cover additional liabilities arising from early retirements on the grounds of redundancy or efficiency (or ill-health / voluntary early retirements where the employer's allowance is exceeded) will also

be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

[continues overleaf >>](#)

# Statement by the Consulting Actuary

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service Liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases (long term)	4.35% per annum*	4.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund’s promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19

rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	4.15% per annum*	3.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014. During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund’s promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £7,278 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£1,216 million. Adding interest over the year increases the liabilities by c£324 million, and allowing for net benefits accrued/ paid over the period decreases the liabilities by c£144 million (including any increase in liabilities arising as a result of early retirements/augmentations

and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014). The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2015 is £8,674 million.



**Paul Middleman**  
**Fellow of the Institute and**  
**Faculty of Actuaries**  
**Mercer Limited**  
**May 2015**

# Independent Auditor’s Report

to the members of South Yorkshire Pensions Authority on the pension fund financial statements published with the pension fund annual report



We have examined the pension fund financial statements for the year ended 31 March 2015 on pages 120 to 187.

## Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer’s Responsibilities, the Treasurer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of South Yorkshire Pensions

Authority, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority’s annual published statement of accounts describes the basis of our opinion on those financial statements.

## Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of South Yorkshire Pensions Authority for the year ended 31 March 2015 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## Matters that we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

**Rashpal Khangura**  
**for and on behalf of KPMG LLP,**  
**Appointed Auditor**  
*Chartered Accountants*  
1 The Embankment  
Neville Street  
Leeds, LS1 4DW  
28 July 2015





# 7 the FINANCE

# Statement of Responsibilities for the Statement of Accounts

## The Authority’s Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

**I confirm that these Accounts were approved at the Corporate Planning and Governance Board meeting held on the 23<sup>rd</sup> July 2015.**

**Signed on behalf of the Pensions Authority by the Chair of the meeting approving the Accounts:**

\_\_\_\_\_

Date: 23<sup>rd</sup> July 2015

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# Statement of Responsibilities for the Statement of Accounts

## The Treasurer’s Responsibilities

The Treasurer is responsible for the preparation of the Authority’s Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (“the Code”), is required to present fairly the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

In preparing the Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer has also:

- kept proper accounting records which were kept up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**In accordance with Regulation 8(2) of the Accounts and Audit Regulations 2011, I certify that the attached Statement of Accounts presents a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2015 and its income and expenditure for the year then ended.**

**The date represents that on which the Accounts are authorised for issue.**

F. Foster, Treasurer

\_\_\_\_\_

Date: 23<sup>rd</sup> July 2015

\_\_\_\_\_



# Fund Account

2013/14 £'000		2014/15 £'000	£'000	Note
<b>Dealings with members, employers and others directly involved in the Fund</b>				
220,003	Contributions receivable	315,292		7
12,177	Transfers in from other pension funds	5,514		8
232,180			320,806	
(235,167)	Benefits payable	(248,657)		9
(14,335)	Payments to and on account of leavers	(122,932)		10
(249,502)			(371,589)	
<b>(17,322)</b>			<b>(50,783)</b>	
(6,152)	Management expenses		(6,219)	11
<b>Returns on investments</b>				
149,999	Investment income	149,060		12
138,003	Profit and losses on disposal of investments and changes in value of investments	636,051		15
(1,831)	Taxes on income	(1,934)		13
286,171			783,177	
<b>262,697</b>	<b>Net increase (decrease) in the net assets available for benefits during the year</b>		<b>726,175</b>	
<b>5,288,266</b>	<b>Net assets of the Fund at 1 April</b>		<b>5,550,963</b>	
<b>5,550,963</b>	<b>Net assets of the Fund at 31 March</b>		<b>6,277,138</b>	

Fund account presentation changed due to administration expenses and investment management expenses being merged into Management expenses

# Net Assets Statement

31 March 2014 £'000		31 March 2015 £'000	£'000	Note
<b>Investment assets</b>				
508,490	Fixed Interest Securities	557,164		
3,374,202	Equities	3,763,549		
581,649	Index-Linked Securities	718,122		
440,734	Pooled Investment Vehicles	504,436		
511,594	Property	581,396		19
214	Forward currency contracts	4,111		18
13,555	Cash - Foreign currency	10,622		
90,208	Cash - Sterling	110,241		
15,637	Other investment balances	17,046		
5,536,283			6,266,687	
<b>Investment liabilities</b>				
(-)	Forward currency contracts	(3,173)		18
(1,495)	Other investment liabilities	(1,305)		
(1,495)			(4,478)	
5,534,788	<b>Net investment assets</b>		6,262,209	17
22,737	<b>Current assets</b>		21,309	26
1,788	<b>Long Term Debtors</b>		2,046	27
(8,350)	<b>Current liabilities</b>		(8,426)	28
<b>5,550,963</b>	<b>Net assets of the Fund available to fund benefits at 31 March</b>		<b>6,277,138</b>	

# Notes to the Pension Fund Accounts

## 1. Description of the Fund

### a) General

The South Yorkshire Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by South Yorkshire Pensions Authority. It is a funded contributory defined benefit pension scheme which provides pensions and other benefits for pensionable employees of the 4 district councils of South Yorkshire and a range of other scheduled and admitted bodies within South Yorkshire.

All aspects of pensions administration, including calculating and paying benefits, are conducted in house in accordance with the Local Government Pension Scheme (LGPS) Regulations. All of the Fund’s investments are managed internally, albeit with the

assistance of advisors on real estate matters, in accordance with the LGPS regulations. The Authority has a retained actuary, Mercer Limited, and has appointed an independent investment advisory panel.

The Authority meets approximately every quarter and concentrates upon strategy and scrutiny matters. It has appointed two Boards to manage everyday aspects of its duties and responsibilities as an administering authority under the LGPS: the Boards operate to an approximately quarterly cycle.

The Authority’s Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS) were reviewed during the year. Copies of both, along with more detail of the activities of the Fund are posted on the Fund’s website ([www.sypensions.org.uk](http://www.sypensions.org.uk)).

### b) Membership

Organisations participating in the South Yorkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 313 employer organisations contributing to the fund as at 31 March 2015, these are listed in Schedules A and B.

The following table summarises the position with regard to membership of the Fund as at 31 March:

	31 March 2015	31 March 2014
Active Contributors	50,300	49,931
Pensioners & Dependents	43,854	42,583
Deferred Pensions	47,565	45,927
Totals	141,719	138,441

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

Employee contributions are matched by employer’s contributions which are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2013. Currently, employer contribution rates required to cover the cost of the accruing benefits and expenses range from 9.7% to 27.5% of pensionable pay (common rate of 12.8%).



# Notes to the Pension Fund Accounts

## d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line

with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details please refer to the LGPS

details please refer to the LGPS website.

## 2. Basis of preparation

The Statement of Accounts summarises the Fund’s transactions for 2014/15 and its position at the year end of 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice.

The accounts summarise the transactions of the Fund and show the net assets at the disposal of the Authority. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

## 3. Accounting policies

### Fund account - revenue recognition

**A. Contributions income**  
Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers’ augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a

current financial asset. Amounts not due until future years are classed as long-term financial assets.

### B. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see note 8).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are

# Notes to the Pension Fund Accounts

accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

**C. Investment Income**

*i. Interest income*

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

*ii. Dividend income*

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

*iii. Distributions from pooled funds*

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

*iv. Property-related income*

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis. Rental income is recognised in the fund account

as it accrues and any amounts received in respect of the future year are disclosed in the net assets statement as current liabilities.

*v. Movement in the net market value of investments*

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

**Fund account – expense items**

**D. Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

**E. Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

**F. Management expenses**

The code does not require any breakdown of pension fund administration expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

*Administration expenses*

All administration expenses are accounted for on an accruals basis. All costs incurred by South Yorkshire Pensions Authority (the administering authority) in respect of administration expenses are charged directly to the Fund.

*Oversight and governance costs*

All oversight and governance expenses are accounted for on an accruals basis. All costs incurred by South Yorkshire Pensions Authority (the administering Authority) in respect of oversight and governance are charged directly to the Fund.

*Investment management expenses*

All investment management expenses are accounted for on an accruals basis. Fees of the corporate bond fund manager, property advisor and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

# Notes to the Pension Fund Accounts

In addition the Fund has negotiated with the corporate bond fund manager that an element of their fee be performance related. This performance related fee was £98,404 in 2014/15 (nil in 2013/14).

All costs incurred by South Yorkshire Pensions Authority (the administering authority) in respect of investment management expenses are charged directly to the Fund.

**Net assets statement**

**G. Financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i. Market-quoted investments*  
Quoted securities are valued at closing bid prices on the relevant stock market.
- ii. Fixed interest stocks*  
Fixed interest stocks are included in the valuation on a “clean” basis (that is, excluding

the value of interest accruing from the previous interest payment date to the valuation date).

The “clean” basis has been used for accounting for fixed interest stocks, including for purchase and sale activity on these stocks, as it enables the capital and income elements of total investment returns to be accounted for distinctly.

*iii. Unquoted investments*

The fair value of investments for which market quotations are not readily available is determined as follows:  
Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs. Securities subject to takeover offer – the value of the

consideration offered under the offer, less estimated realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trust and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the

net asset value or a single price advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

*iv. Limited partnerships*

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

*v. Pooled investment vehicles*

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at

the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

*vi. Freehold and leasehold properties*

Investment properties are independently valued in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards January 2014 on a market value basis. by two firms of chartered surveyors. Jones Lang LaSalle values the commercial portfolio every quarter (valuation prices are as at 31 March 2015) and Smiths Gore valued the agricultural portfolio as at 31 December 2014.

# Notes to the Pension Fund Accounts

## H. Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses arising on conversion or translation are dealt with as part of the change in market value.

## I. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

The value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contracts were matched at the year end with an equal and opposite contract.

## J. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## K. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

From this date any gains or losses arising from changes in the fair value of liability are recognised by the Fund.

## L. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed at the period end using a roll forward of the results of the triennial valuation (as at 31 March 2013) allowing for the different financial assumptions required under IAS19.

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to these accounts (Note 25).

## M. Additional Voluntary Contributions (AVCs)

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093) Additional Voluntary Contributions (AVCs) have not been included in either the Authority's Fund Account or Net Assets Statement, as they are paid directly to the AVC providers by employers of contributors. AVCs are specifically for the provision of additional benefits for individual contributors. AVC funds returned to the Scheme and benefits paid as a result of this are included in the Fund account as part of Transfer values received and Benefits paid respectively.

Details of AVC investments are however shown in note 29.

## 4. Critical judgements in applying accounting policies

### Unquoted private equity fund investments

It is important to recognise the highly subjective nature of determining the fair value of private equity funds. Private equity funds are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equity funds at 31 March 2015 was £303.5 million (£271.08 million at 31 March 2014).

### Pension Fund liability

The pension fund liability is calculated every three years by the Fund's actuary, Mercer Limited, with annual updates in the intervening years. The methodology used is in line

with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in Notes 24 and 25. This estimate is subject to significant variances based on changes to the underlying assumptions.



# Notes to the Pension Fund Accounts

## 5. Assumptions made about the future and other major sources of estimation uncertainty

The Pension Fund Accounts contain estimated figures that are based upon assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Pension Fund Accounts at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the Authority with expert advice about the assumptions to be applied.	The funding level at the 2013 actuarial valuation was 76%. The effects on the funding level of changes in individual assumptions can be measured. For instance, a 0.25% increase in inflation would reduce the funding level by 5% (£326m). A 0.5% reduction in real salary growth would increase the funding level by 3% (£173m). A 1 year increase in life expectancy would reduce the funding level by 2% (£150m).
Private equity funds	Private equity funds are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity fund investments in the financial statements are £303.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge fund of funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of hedge fund of funds in the financial statements is £9.06m. There is a risk that this investment may be under or overstated in the accounts.

# Notes to the Pension Fund Accounts

## 6. Events after the Balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

Contributions represent the total amount receivable from the various employing authorities and admitted bodies in respect of their own contributions and those of their pensionable employees.

When an employer retires staff early, on redundancy or efficiency grounds, a strain on the Fund is generated through the early payment of their benefits. The Authority requires employers to reimburse the Fund for that strain by making capital injections over a phased period of up to 3 years. These capital injections are accounted for in full when they occur.

Lists of scheduled bodies and admitted bodies contributing to the Fund are shown in Schedule A and B.

Analysis of contributions receivable:-	2014/15 £'000	2013/14 £'000
<strong>From Employers</strong>		
Normal Contributions	107,617	102,318
Deficit Funding Lump Sums	141,903	50,064
Augmentation	0	5
Additional Capital Contributions	186	1,929
Additional Cost of Early Retirement	11,693	12,360
	<strong>261,399</strong>	<strong>166,676</strong>
<strong>From Members</strong>	53,893	53,327
	<strong>315,292</strong>	<strong>220,003</strong>

Analysis by employer type:-	2014/15 £'000	2013/14 £'000
<strong>Administering Authority</strong>		
South Yorkshire Pensions Authority	673	664
<strong>Scheduled Bodies</strong>		
Barnsley MBC	31,530	28,677
Doncaster MBC	56,857	30,819
Rotherham MBC	32,947	31,392
Sheffield CC	109,275	58,298
Other Scheduled Bodies	63,837	52,133
<strong>Admitted Bodies</strong>	20,173	18,020
<strong>Totals</strong>	<strong>315,292</strong>	<strong>220,003</strong>

# Notes to the Pension Fund Accounts

## 8. Transfers In

	2014/15 £'000	2013/14 £'000
Group transfers	0	0
Individual transfers	5,514	12,177
Totals	5,514	12,177

## 9. Benefits payable

Analysis of benefits payable:-	2014/15 £'000	2013/14 £'000
Retirement Pensions	190,579	182,904
Commutation of benefits and lump sum retirement benefits	51,825	46,494
Lump sum death benefits	6,253	5,769
Totals	248,657	235,167

Analysis by employer type:-	2014/15 £'000	2013/14 £'000
Administering Authority		
South Yorkshire Pensions Authority	289	520
Scheduled Bodies		
Barnsley MBC	35,164	33,082
Doncaster MBC	36,732	35,654
Rotherham MBC	37,534	34,489
Sheffield CC	78,261	75,108
Other Scheduled Bodies	41,209	41,264
Admitted Bodies	19,468	15,050
Totals	248,657	235,167

# Notes to the Pension Fund Accounts

## 10. Payments to and on account of leavers

	2014/15	2013/14
	£'000	£'000
Individual transfers out	8,642	14,257
Group transfers out	114,112	0
Refunds of contributions	199	87
State scheme premiums	(21)	(9)
Totals	122,932	14,335

## 11. Management Expenses

	2014/15	2013/14
	£'000	£'000
Administrative costs	3,086	2,960
Investment Management Expenses	2,088	1,933
Oversight and Governance costs	1,045	1,259
	6,219	6,152

This analysis of the costs of managing the South Yorkshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

These management expenses include a VAT liability of £394,775 (£195,247 in 2013/14)

## 12. Investment Income

	2014/15	2013/14
	£'000	£'000
Interest from fixed interest securities	25,875	24,262
Dividends from equities	94,244	98,361
Income from index-linked securities	5,730	5,802
Income from pooled investment vehicles	2,878	2,443
Net property income	18,654	17,424
Interest on cash deposits	456	434
Other	1,223	1,273
	149,060	149,999
Irrecoverable withholding tax	(1,934)	(1,831)
Total Investment Income	147,126	148,168

Income from property is shown net of landlord's expenses amounting to £1.686m (£1.669m in 2013/14).



Notes to the Pension Fund Accounts

13. Taxes on Income

	2014/15	2013/14
	£'000	£'000
Withholding tax - equities	1,934	1,831
	<b>1,934</b>	<b>1,831</b>

14. Investment Management Expenses

	2014/15	2013/14
	£'000	£'000
Management costs	802	767
Property Advisor fees	843	725
Custody	174	250
VAT Liability	269	191
	<b>2,088</b>	<b>1,933</b>

15. Change in Market Value of Investments

The change in market value of investments during the year comprises all the increases and decreases in the market value of investments held at any time during the year, including all realised and unrealised profits and losses.

	Mkt Value at 1/4/14	Purchases at Cost	Sale Proceeds	Change in Mkt Value	Mkt Value at 31/3/15
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	508,490	123,997	(117,437)	42,114	557,164
Equities	3,374,202	351,445	(314,646)	352,548	3,763,549
Index-Linked Securities	581,649	41,081	(32,429)	127,821	718,122
Pooled Investment Vehicles	440,734	124,571	(118,643)	57,774	504,436
Property	511,594	40,503	(18,223)	47,522	581,396
<b>Total Purchases/(Sales)</b>		<b>681,597</b>	<b>(601,378)</b>		
Foreign currency contracts	214	0	(1,653)	2,377	938
	<b>5,416,883</b>	<b>681,597</b>	<b>(603,031)</b>	<b>630,156</b>	<b>6,125,605</b>
Cash - Foreign currency	13,555			4,468	10,622
Cash - Sterling	90,208			1,427	110,241
				<b>636,051</b>	
Other investment assets	15,637				17,046
Other investment liabilities	(1,495)				(1,305)
<b>NET INVESTMENT ASSETS</b>	<b>5,534,788</b>				<b>6,262,209</b>

# Notes to the Pension Fund Accounts

## 15. Change in Market Value of Investments *continued*

Previous year comparative:

	Mkt Value at 1/4/13	Purchases at Cost	Sale Proceeds	Change in Mkt Value	Mkt Value at 31/3/14
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	521,091	64,897	(50,484)	(27,014)	508,490
Equities	3,177,284	524,147	(414,145)	86,916	3,374,202
Index-Linked Securities	607,142	36,234	(36,253)	(25,474)	581,649
Pooled Investment Vehicles	437,410	61,056	(79,621)	21,889	440,734
Property	409,824	66,455	(5,150)	40,465	511,594
<b>Total Purchases/(Sales)</b>		<b>752,789</b>	<b>(585,653)</b>		
Foreign currency contracts	25,126	44,843	(111,156)	41,401	214
	<b>5,177,877</b>	<b>797,632</b>	<b>(696,809)</b>	<b>138,183</b>	<b>5,416,883</b>
Cash - Foreign currency	20,494			(1,321)	13,555
Cash - Sterling	59,497			1,141	90,208
				<b>138,003</b>	
Other investment assets	15,924				15,637
Other investment liabilities	(216)				(1,495)
<b>NET INVESTMENT ASSETS</b>	<b>5,273,576</b>				<b>5,534,788</b>

## Cash deposits in Icelandic Banks

The Authority continues to pursue the recovery of its deposits with the Icelandic banks and their UK subsidiaries which collapsed in October 2008. The Fund had five deposits which were of different sizes and lending periods and were spread across four banks.

At the end of March 2015 the only monies that remain to be recovered relate to deposits held with the UK subsidiary banks: Heritable and KSF. The claims relating to the monies deposited directly with the Icelandic banks (Glitnir and Landsbanki) have been satisfied in full (after adjusting for currency movements etc) with the Glitnir position being settled in March 2015.

Recoveries from all four banks amount to £1.427m during the year 2014/15 (£1.141m during 2013/14).  
The Authority wrote off both principal (£18.5m) and interest (£123,010.96) due on the five deposits during 2008/09 and has had returns of £16.720m in total so far.  
The whole recovery process is still likely to take a number of years.

Bank	Principal	Returns received to date
	£'000	£'000
Heritable Bank	2,500	2,361
Kaupthing Singer & Friedlander	5,000	4,148
Landsbanki islands	1,000	921
Glitnir	10,000	9,290
<b>Totals</b>	<b>18,500</b>	<b>16,720</b>

Notes to the Pension Fund Accounts

16. Investment Position

From a global investor’s standpoint the year was dominated by the persistently low level of interest rates and sovereign bond yields which in some cases actually turned into negative territory. Financial markets continued to be distorted by central bank intervention policies. Investors had gradually increasing concerns over the prospects for economic growth and, at the same time, the desire to secure both safety of capital and improving income.

Against this backdrop the Fund continued to favour risk assets and remained underweight in bonds. Concerns over pricing and the potential capital loss associated with an increase in bond yields the Fund was short of duration and this adversely affected Fund performance.

Fortunately, other classes performed strongly with private equity doing especially well. Overseas equities were preferred ahead of UK equities and the direct commercial property portfolio outperformed again.

In January changes were made to the Fund’s customised benchmark and the implementation of these began but were not completed during the fourth quarter of the year.

The Fund’s market value (not including current net assets) rose over the year and closed at just over £6,262m (£5,534m in 2013/14) producing an overall return of 14.2% (5.7% in 2013/14).The Fund’s benchmark return was 14.4% (5.4% in 2013/14).

The total value of purchases and sales made during the year is as follows:

	2014/15	2013/14
	£’000	£’000
Purchases	681,597	752,789
Sales	601,378	585,653

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £1.978m (£2.412m in 2013/14). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately shown.

17. Net Investment Assets

	31/03/15 £’000	31/03/14 £’000
<b>Fixed Interest Securities</b>		
UK public sector quoted	18,999	-
UK corporate bonds	311,690	343,707
Overseas public sector quoted	84,276	77,188
Overseas other quoted	142,199	87,595
	557,164	508,490
<b>Equities</b>		
UK quoted	1,193,386	1,158,274
Overseas quoted	2,570,163	2,215,928
UK unquoted	0	0
	3,763,549	3,374,202
<b>Index Linked Securities</b>		
UK public sector quoted	659,722	530,947
Overseas public sector quoted	0	0
UK corporate bonds	58,400	50,702
	718,122	581,649
<b>Pooled Investment Vehicles</b>		
<b>UK</b>		
Limited Partnerships	83,307	68,589
Unit Trusts	12	12
Other managed funds	18,320	23,448
<b>Overseas</b>		
Limited Partnerships	220,194	202,495
Hedge fund of funds	9,066	13,491
Other managed funds	81,960	53,660
UK Property	73,064	55,473
Overseas Property	18,513	23,566
	504,436	440,734
<b>Property</b>		
UK Freehold	456,985	400,536
UK Leasehold	108,300	95,625
UK Other	16,111	15,433
	581,396	511,594
<b>Derivative Contracts</b>		
Forward currency contracts	4,111	214
	4,111	214
<b>Cash - Foreign currency</b>	10,622	13,555
<b>Cash - Sterling</b>	110,241	90,208
<b>Investment income due (outstanding dividend entitlement and recoverable withholding tax)</b>	17,041	15,631
<b>- Broker balances receivable</b>	5	6
<b>Investment liabilities</b>		
Forward currency contracts	(3,173)	0
Broker balances payable	(1,305)	(1,495)
<b>Net Investment Assets</b>	<b>6,262,209</b>	<b>5,534,788</b>

# Notes to the Pension Fund Accounts

The Fund has one investment that represents more than 5% of the net investment assets of the Scheme:

Security	Market Value 31 March 2015 £'000	% of total fund	Market Value 31 March 2014 £'000	% of total fund
Henderson All Stocks Credit Fund	310,498	4.96	341,542	6.17

## 18. Derivative Contracts

Since September 2013 the Fund has used currency hedging to manage risk and the foreign currency exposure and volatility in the property fund portfolio. This exposure was Euro denominated and has been transacted by forward currency contracts with the custodian bank whereby the

parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. Since January 2015 the policy has been extended to the US dollar and Euro denominated assets within the bond portfolios. This has resulted in an increase in the level of hedging activity and scale of open forward currency contracts.



# Notes to the Pension Fund Accounts

## Open forward currency contracts at 31 March 2015

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		£'000	£'000	£'000
Up to one month	GBP	108,661	USD	165,000		(2,718)
Up to one month	GBP	42,611	EUR	55,000	2,758	
Up to one month	GBP	1,550	EUR	2,000	100	
Up to one month	GBP	29,921	USD	15,000		(455)
Up to one month	GBP	19,369	EUR	25,000	1,253	
					4,111	(3,173)
Net forward currency contracts at 31 March 2015						938

## Prior year comparative

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		£'000	£'000	£'000
Up to one month	GBP	21,707	EUR	21,493	214	
					214	(-)
Net forward currency contracts at 31 March 2014						214

# Notes to the Pension Fund Accounts

## 19. Investment Property

The Fund has investment in property of £581.396m (£511.594m) of which £565.285m (£496.161m) is in direct property (see Note 17) which is classified as Investment Property.

The following items of income and expense have been accounted for in the investment income line in the Fund Account.

	2014/15	2013/14
	£'000	£'000
Rental income from investment property	20,050	18,830
Direct operating expenses arising from investment property	(1,686)	(1,669)
Net gain/(loss)	18,364	17,161

There are no restrictions on the Fund's ability to realise the value inherent in its investment property or on the Fund's right to the remittance of income and the proceeds of disposal. The Fund has one Development Funding Agreement at 31 March 2015 (one at 31 March 2014) with an outstanding commitment of just under £0.376m).

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15	2013/14
	£'000	£'000
Balance at start of the year	496,161	404,566
<b>Additions</b>		
Purchase	29,415	46,940
Construction	7,164	3,425
Subsequent Expenditure	2,920	4,993
	39,499	55,358
Disposals	(18,227)	(4,400)
Net gains/losses from fair value adjustments	47,852	40,637
Balance at end of the year	565,285	496,161

# Notes to the Pension Fund Accounts

## 20. Investment Commitments

Outstanding investment commitments at 31 March 2014 were £233.538m (£192.520m at 31 March 2014).

The figures are based on commitments made to private equity limited partnerships and infrastructure funds (some of which are designated in Australian Dollars, Euros and US Dollars) which have not yet been drawn down.

31 March 2015		31 March 2014	
Currency '000	£ equivalent £'000	Currency '000	£equivalent £'000
£39,960	39,960	£36,093	36,093
€71,429	51,742	€49,265	40,721
US\$198,353	133,877	US\$178,425	107,085
AUS\$15,500	7,959	AUS\$15,500	8,621
233,538		192,520	

## 21. Stocklending

The value of stocklending as at 31 March was as follows:

	31/03/15 £'000	31/03/14 £'000
Index-Linked Securities	125,743	135,194
UK Equities	49,310	136,541
Overseas Bonds	4,269	20,123
Overseas Equities	106,434	89,707
Value of stock on loan	285,756	381,565
Value of collateral held	304,618	409,845

Collateral held was in the form of Gilt DBV's (collection of Gilt edged securities), FTSE 100 DBV's (collection of FTSE 100 equities), overseas bonds and UK and overseas equities.

## 22. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The Fund's financial instruments are the investment assets and debtors and creditors, these are all disclosed on the Net Assets Statement. The assets and debtors are all carried at fair value. The creditors are carried at amortised cost.

The Net Assets Statement also includes property which is classified as investment property ( see Note 19).

### a) Classification of Financial Instruments

The items in the Net Assets Statement (excluding investment property) are made up of the following categories of financial instrument (see next page):

	31 March 2015	31 March 2014
	£'000	£'000
<b>FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Financial Assets</b>		
Fixed Interest Securities	557,164	508,490
Equities	3,763,549	3,374,202
Index-Linked Securities	718,122	581,649
Pooled Investment Vehicles	504,436	440,734
Forward currency contracts	4,111	214
Other investment balances	17,046	15,637
<b>Total</b>	<b>5,564,428</b>	<b>4,920,926</b>
<b>Financial Liabilities</b>		
Forward currency contracts	(3,173)	(-)
Other investment balances	(1,305)	(1,495)
<b>Total</b>	<b>(4,478)</b>	<b>(1,495)</b>
<b>LOANS AND RECEIVABLES</b>		
<b>Financial Assets</b>		
Cash – Foreign currency	10,622	13,555
Cash - Sterling	110,241	90,208
Current assets	21,309	22,737
Long Term Debtors	2,046	1,788
<b>Total</b>	<b>144,218</b>	<b>128,288</b>
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>		
<b>Financial Liabilities</b>		
Current liabilities - creditors	(8,426)	(8,350)
<b>Total</b>	<b>(8,426)</b>	<b>(8,350)</b>

See note 3(h) re method of valuation of asset classes. Debtors and creditors are included at cost.

b) Net gains and losses on Financial Instruments

	31 March 2015	31 March 2014
	£'000	£'000
<b>Financial Assets</b>		
Fair value through profit and loss	582,634	97,718
Loans and receivables	5,895	(180)
<b>Financial Liabilities</b>		
Fair value through profit and loss	(-)	(-)
Financial liabilities measured at amortised cost	-	-
<b>Total</b>	<b>588,529</b>	<b>97,538</b>



# Notes to the Pension Fund Accounts

## c) Fair value of Financial Instruments

The following table summarises the carrying values of the categories of financial assets and liabilities presented in the Net Assets Statement:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	31 March 2015		31 March 2014	
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Trading and other financial assets at fair value through profit or loss	5,564,428	5,564,428	4,920,926	4,920,926
Loans and receivables	144,218	144,218	128,288	128,288
<b>Total financial assets</b>	<b>5,708,646</b>	<b>5,708,646</b>	<b>5,049,214</b>	<b>5,049,214</b>
<b>Financial Liabilities</b>				
Trading and other financial assets at fair value through profit or loss	(4,478)	(4,478)	(1,495)	(1,495)
Financial liabilities at amortised cost	(8,426)	(8,426)	(8,350)	(8,350)
<b>Total Financial Liabilities</b>	<b>(12,904)</b>	<b>(12,904)</b>	<b>(9,845)</b>	<b>(9,845)</b>

See note 3(h) for method of valuation for asset classes. Debtors and creditors are included at cost.  
Gains/losses are reflected in the change in market value and in investment income in the Fund Account. (See note 15).

## d) Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1**  
Financial instruments at Level 1 are those where the fair value are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and funds.  
Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2**  
Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. This includes composite prices for fixed income instruments and fund net asset value prices.

**Level 3**  
Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment in determining appropriate assumptions. Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies. The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Notes to the Pension Fund Accounts

2015	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	3,854,901	1,355,516	354,011	5,564,428
Loans and receivables	144,218			144,218
<b>Total financial assets</b>	<b>3,999,119</b>	<b>1,355,516</b>	<b>354,011</b>	<b>5,708,646</b>
<b>Financial Liabilities</b>				
Financial assets at fair value through profit or loss	(4,478)			(4,478)
Financial liabilities at amortised cost	(8,426)			(8,426)
<b>Total Financial Liabilities</b>	<b>(12,904)</b>			<b>(12,904)</b>
<b>Net financial assets</b>	<b>3,986,215</b>	<b>1,355,516</b>	<b>354,011</b>	<b>5,695,742</b>

2014	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	3,474,149	1,159,409	287,368	4,920,926
Loans and receivables	128,288			128,288
<b>Total financial assets</b>	<b>3,602,437</b>	<b>1,159,409</b>	<b>287,368</b>	<b>5,049,214</b>
<b>Financial Liabilities</b>				
Financial assets at fair value through profit or loss	(1,495)			(1,495)
Financial liabilities at amortised cost	(8,350)			(8,350)
<b>Total Financial Liabilities</b>	<b>(9,845)</b>			<b>(9,845)</b>
<b>Net financial assets</b>	<b>3,592,592</b>	<b>1,159,409</b>	<b>287,368</b>	<b>5,039,369</b>

# Notes to the Pension Fund Accounts

## 23. Nature and extent of risks arising from Financial Instruments

The Fund’s activities expose it to a variety of financial risks:

- market risk - the possibility that financial loss might arise for the Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk - the possibility that other parties might fail to pay amounts due to the Fund
- liquidity risk - the possibility that the Fund might not have funds available to meet its commitments to make payments

The management of risk is described within the Fund’s Statement of Investment Principles (SIP) which is included in the published report and

accounts and also posted on the Fund’s website (www.sypensions.org.uk). It centres upon the adoption of an investment strategy, as represented by the Fund’s customised benchmark, which is appropriate to meet the objectives of the Funding Strategy Statement. It focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The Authority’s treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA’s Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in March 2014.

As a pension fund the primary risks which affect it are market risk and credit risk.

### a. Market Risk

#### Market Risk – Price Risk –

The Fund publishes its SIP which details how the real risk of negative returns due to price fluctuations is managed.

Because different asset classes have different risk and return characteristics they will react differently to external events and will not necessarily do so in a pre-determined or correlated manner to each other. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.

In order to minimise the risks associated with market movements the Fund is well

diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

#### Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. ‘Riskier’ assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund’s’ asset allocations. Based on this the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Asset type	Potential market movements (+/-)	
	31 March 2015	31 March 2014
Bonds	5.06%	4.5%
UK Equities	10.14%	12.03%
Overseas Equities	8.99%	11.22%
Index Linked securities	12.61%	12.24%
Private Equity	5.28%	5.56%
Absolute return	3.69%	3.81%
Property	3.97%	4.25%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

# Notes to the Pension Fund Accounts

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
2015	£'000	%	£'000	£'000
Bonds	557,164	5.06	585,356	528,971
UK Equities	1,193,386	10.14	1,314,395	1,072,376
Overseas equities	2,570,163	8.99	2,801,221	2,339,106
Index linked securities	718,122	12.61	808,677	627,567
Private equity	270,840	5.28	285,141	256,540
Absolute return	142,019	3.69	147,259	136,778
Property (unit trusts)	91,577	3.97	95,212	87,941
Forward currency contracts	4,111	0	4,111	4,111
Cash – Foreign currency	10,622	0	10,622	10,622
Cash – Sterling	110,241	0	110,241	110,241
Other investment assets	17,046	0	17,046	17,046
Forward Currency contracts	(3,173)	0	(3,173)	(3,173)
Other investment liabilities	(1,305)	0	(1,305)	(1,305)
Net investment assets	5,680,813		6,174,803	5,186,821

Asset type	Value as at 31 March 2014	Percentage change	Value on increase	Value on decrease
2014	£'000	%	£'000	£'000
Bonds	508,490	4.50	531,372	485,608
UK Equities	1,158,274	12.03	1,297,615	1,018,934
Overseas equities	2,215,928	11.22	2,464,555	1,967,300
Index linked securities	581,649	12.24	652,842	510,455
Private equity	254,810	5.56	268,977	240,642
Absolute return	106,886	3.81	110,958	102,814
Property (unit trusts)	79,038	4.25	82,398	75,679
Forward currency contracts	214	0	214	214
Cash - Foreign currency	13,555	0	13,555	13,555
Cash - Sterling	90,208	0	90,208	90,208
Other investment assets	15,637	0	15,637	15,637
Other investment liabilities	(1,495)	0	(1,495)	(1,495)
Net investment assets	5,023,194		5,526,836	4,519,551



# Notes to the Pension Fund Accounts

**Market Risk – Interest Rate Risk –** This primarily impacts upon the valuation of the Fund’s bond holdings and, to a lesser degree, the return it receives on cash held. A rise in interest rates would lead to the income earned on variable rate investments increasing but would cause the value of fixed rate investments to fall. The Fund’s correlation to interest rates will vary depending upon the profile of investments held.

The Fund manages its cash investments with a view to obtaining the best returns possible whilst ensuring the security of the deposits. The Fund also holds foreign currency balances which could be affected by interest rate movements but are more sensitive

to exchange rate movements (see Market risk – Currency risk).

The Fund’s direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2015	As at 31 March 2014
	£’000	£’000
Cash - Sterling	110,241	90,208
Total	110,241	90,208

**Interest rate risk – sensitivity analysis**  
The Authority recognises that interest rates can vary and can affect both income to the fund and the value of the net assets.

The one standard deviation of the 10 year government bond yield (annualised) amounts to just over 0.9%.

The following analysis assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets of a +/- 0.9% (0.9% at 31 March 2014) change in interest rates:

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets	
2015	£’000	+0.9% £’000	-0.9% £’000
Cash - Sterling	110,241	992	(992)
Total change in assets available	110,241	992	(992)

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets	
2014	£’000	+0.9% £’000	-0.9% £’000
Cash - Sterling	90,208	812	(812)
Total change in assets available	90,208	812	(812)

# Notes to the Pension Fund Accounts

**Market Risk – Currency Risk –** the Fund holds cash balances in foreign currency and has investments quoted in foreign currency. The risk of exchange rate movements is accepted as part of the overall management strategy of the Fund.

The following table summarises the Fund’s currency exposure as at 31 March 2015 and as at the previous year end:

Currency exposure - Asset type	Asset value as at 31 March 2015	Asset value as at 31 March 2014
	£'000	£'000
Overseas fixed interest securities	226,475	164,783
Overseas quoted securities	2,570,163	2,215,928
Overseas limited partnerships	220,194	202,495
Overseas hedge fund of funds	9,066	13,491
Overseas other managed funds	81,960	53,660
Overseas property funds	18,513	21,590
Forward currency contracts	938	214
Cash - Foreign currency	10,622	13,555
<b>Total overseas assets</b>	<b>3,137,931</b>	<b>2,685,716</b>

## Currency risk – sensitivity analysis

The potential volatility of the aggregate currency exposure within the fund based on historical data for the last 3 years associated with foreign exchange rate movements is 7.37% (7.47% at 31 March 2014).

A 7.37% (7.47%) strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets as follows:

Currency exposure – Asset type	Asset value as at 31 March 2015	Change in year in the net assets	
<b>2015</b>	£'000	<b>+7.37%</b> £'000	<b>-7.37%</b> £'000
Overseas fixed interest securities	226,475	243,166	209,783
Overseas quoted securities	2,570,163	2,759,584	2,380,742
Overseas limited partnerships	220,194	236,422	203,965
Overseas hedge fund of funds	9,066	9,734	8,398
Overseas other managed funds	81,960	88,001	75,920
Overseas property funds	18,513	19,877	17,149
Forward currency contracts	938	1,008	869
Cash - Foreign currency	10,622	11,405	9,839
<b>Total change in assets available</b>	<b>3,137,931</b>	<b>3,369,197</b>	<b>2,906,665</b>

Currency exposure – Asset type	Asset value as at 31 March 2014	Change in year in the net assets	
<b>2014</b>	£'000	<b>+7.47%</b> £'000	<b>-7.47%</b> £'000
Overseas fixed interest securities	164,783	177,092	152,473
Overseas quoted securities	2,215,928	2,381,457	2,050,398
Overseas limited partnerships	202,495	217,622	187,369
Overseas hedge fund of funds	13,491	14,498	12,483
Overseas other managed funds	53,660	57,669	49,652
Overseas property funds	21,590	23,203	19,977
Forward currency contracts	214	230	198
Cash - Foreign currency	13,555	14,568	12,543
<b>Total change in assets available</b>	<b>2,685,716</b>	<b>2,886,339</b>	<b>2,485,093</b>

# Notes to the Pension Fund Accounts

## b. Credit Risk

**Credit Risk** - arises from deposits with banks and financial institutions, as well as credit exposures to the Fund's customers. The risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by the Authority. The Treasury Management Strategy also imposes a maximum sum to be invested with each institution. Deposits are limited to £15m with any counterparty and counterparties must have a short term debt credit rating of F1 or better.

As detailed in note 15 the Fund did have cash deposited with some Icelandic banks in 2008 and is actively pursuing recovery of those funds.

The strategy for treasury management and internal procedures were fully reviewed following this event and the Fund expects full repayment on the due dates of deposits placed since then.

The Fund's benchmark allowance for cash at 31 March 2015 was a maximum of 10% of the Fund (same at 31 March 2014). The actual cash holdings were 2.09% (1.63%).

Interest received on advances during 2014/15 was just over £0.420m (£0.403m) at an average rate of 0.39% (0.36%) (as the Fund maintains short term deposits only, the rate of interest is closely aligned to the Bank of England base rate which has remained at 0.5% since March 2009). For illustration purposes an increase of 0.25% in interest rates achieved would have resulted in an increase of £0.269m (£0.280m) in interest received provided that bank balances had remained the same.

## c. Liquidity Risk

**Liquidity Risk** - the Fund ensures it has adequate cash resources to meet its commitments. This is particularly the case for cash to meet pensioner payroll costs and investment commitments.

The Fund has immediate access to its cash holdings with a majority of cash being deposited for no longer than a week and no cash being deposited for more than a month. Also the Fund holds Government bonds amounting to £678.7m (£530.9m at 31 March 2014) which can be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

All financial liabilities are due to be paid in less than one year.

## 24. Actuarial Position

The Authority's appointed actuary, Mercer Limited, carried out an actuarial valuation of the assets and liabilities of the Fund as at 31 March 2013. The market value of the Fund's assets at the date of the valuation was £5,288m. The previous valuation had been completed as at 31 March 2010 (market value £4,076m). The valuation was conducted in accordance with the requirements of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

The actuary has taken a long term view when setting the future service basis. The assumptions adopted are (2010 valuation assumptions shown in brackets):-

	Past service	Future service
Discount Rate	4.6%p.a. (5.9%p.a.)	5.6%p.a. (6.7%p.a.)
Pensionable Pay increases	4.35%p.a. (4.75%p.a.)	4.35%p.a. (4.75%p.a.)
Pensions increases	2.6%p.a. (3.0%p.a.)	2.6%p.a. (3.0%p.a.)

Mortality assumptions	31 March 2013	31 March 2010
Retired members' mortality – base tables	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality – future improvements	CMI 2012 model methodology with 1.5%p.a. long term trend	CMI 2009 model methodology with 1%p.a. long term trend

The above mortality rates relate to members retiring in normal health.

# Notes to the Pension Fund Accounts

## Commutation assumption

It is assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1p.a. of pension given up.

This assumption is unchanged from the previous actuarial valuation.

The funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The funding plan, in accordance with the Funding Strategy Statement (FSS), is to achieve the funding objective over a maximum period of 22 years (25 years at 2010 valuation). The notional funding deficit revealed by the valuation was £1,709m at 31 March 2013 (£1,085m deficit at 31 March 2010). This represents a funding level of 76% at 31 March 2013 (79% at 31 March 2010).

The funding plan is set out in the FSS, as prepared by South Yorkshire Pensions Authority. Individual employer funding plans, and the resulting certified contributions, have been determined in

accordance with the FSS. Depending on individual circumstances, different approaches to the funding of benefits have been adopted, as part of the FSS consultation process.

The Authority's contribution rate for 2014/15 was 13.2% with an additional payment of £184,000 and the rate for 2015/16 is 13.2% with an additional payment of £188,800.

The contribution rates for the four district councils for 2015/16 are:-

Employer	Contribution Rate 2015 / 2016	
	%	Additional Payment
		£'000
Barnsley MBC	12.8	10,173
Doncaster MBC <i>(additional payment made in full in 14/15)</i>	12.9	-155
Rotherham MBC	12.6	9,360
Sheffield City Council <i>(additional payment made in full in 14/15)</i>	12.6	-641

## 25. Actuarial Present Value of Promised Retirement Benefits

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes.

For the purpose of IAS26/IAS19 the actuary has treated all benefits as vested obligations.

In order to assess the value of the benefits on this basis, the actuary has used the following financial assumptions:

	31 March 2015	31 March 2014
Rate of return on investments (discount rate)	3.3% p.a.	4.5% p.a.
Rate of pay increases	3.75% p.a.	4.15% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.	2.4% p.a.

The demographic assumptions are the same as those used for funding purposes (in the actuarial valuation).

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.). On this basis, the value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was £8,674m (£7,278m).

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£1,216 million. Adding interest over the year increases the liabilities by c£324 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£144 million (including any increase in liabilities arising as a result of early retirements/augmentations and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £8,674 million.



# Notes to the Pension Fund Accounts

## 26. Current Assets

Debtors:

	31 March 2015	31 March 2014
	£'000	£'000
Contributions due - employers	9,563	9,461
Contributions due - employees	3,483	3,581
Additional costs of early retirement	3,890	3,497
Sundry debtors	4,373	6,198
	<b>21,309</b>	<b>22,737</b>

Analysis of debtors:

	31 March 2015	31 March 2014
	£'000	£'000
Central government bodies	20	10
Other local authorities	13,277	14,556
NHS bodies	8	9
Public corporations and trading funds	333	855
Other entities and individuals	7,671	7,307
	<b>21,309</b>	<b>22,737</b>

## 27. Long Term Debtors

Long term debtors are all additional costs of early retirement due later than 2014/15.

	31 March 2015	31 March 2014
	£'000	£'000
Central government bodies	-	-
Other local authorities	1,870	1,654
NHS bodies	-	-
Public corporations and trading funds	-	8
Other entities and individuals	176	126
	<b>2,046</b>	<b>1,788</b>

# Notes to the Pension Fund Accounts

## 28. Current Liabilities

Creditors:

	31 March 2015	31 March 2014
	£'000	£'000
Sundry creditors	(1,755)	(1,623)
Payroll deductions	(2,210)	(1,847)
Benefits payable	(0)	(974)
Advance property rents	(4,035)	(3,713)
Holding accounts	(426)	(193)
	(8,426)	(8,350)

The cash balance is held by the Authority and the Fund Net Assets Statement includes a creditor of £1.581m (creditor of £1.551m in 2013/14) for sums due to the Authority at the year end.

The Authority is unable to accurately accrue for benefits payable at 31<sup>st</sup> March 2015 and so no accrual has been made. This would not be a material figure.

Analysis of creditors:

	31 March 2015	31 March 2014
	£'000	£'000
Central government bodies	(2,041)	(1,848)
Other local authorities	(1,654)	(1,552)
NHS bodies	-	-
Public corporations and trading funds	(512)	(420)
Other entities and individuals	(4,219)	(4,530)
	(8,426)	(8,350)

## 29. Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) made by pension fund contributors are managed by Equitable Life, Scottish Widows and Prudential. The fund value of AVCs with these managers and contribution received during the year are shown below:

	Fund Value		Contributions received	
	31/3/15	31/3/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Equitable Life	2,313	2,427	14	18
Scottish Widows	5,648	5,484	432	313
Prudential	4,726	3,922	1,718	1,599

Notes to the Pension Fund Accounts

30. Related Party Transactions

There are no material transactions with related parties other than those which have been properly recorded and disclosed elsewhere in the Fund accounts.

South Yorkshire Pensions Authority is a related party to the Fund as the administering authority and all transactions are shown either in the Authority's statements or in the Fund account.

One officer of the Authority is a director of Waldersey Farms Limited and F H Bowser limited (see note 33).

All employers listed in schedules A and B attached are related parties to the Fund, and have material transactions with the Fund during the year in the form of

contributions described elsewhere in the accounts.

Elected Members of the Authority are related parties to the Fund and signed declarations are made where they are also members of the Fund.

External fund managers are also related parties to the Fund and fees paid to them are included within investment management expenses (see note 14).

31. Contingent Assets

Twelve admitted body employers in the Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

32. Compensation Payments

The Fund makes compensation payments in respect of non-statutory pension benefits (e.g. compensatory added years). These costs are not chargeable to the Fund, but are recovered from the employing authorities

During 2014/15, the Fund made payments in respect of non-statutory pension benefits of £15.001m (£15.073m in 2013/14).

Analysis of compensation payments

	2013/15 £'000	2012/14 £'000
<b>Administering Authority</b>		
South Yorkshire Pensions Authority	14	17
<b>Scheduled Bodies</b>		
Barnsley MBC	2,635	2,599
Doncaster MBC	1,964	1,945
Rotherham MBC	1,376	1,355
Sheffield CC	6,739	6,698
Other Scheduled Bodies	2,206	2,393
<b>Admitted Bodies</b>	67	66
<b>Totals</b>	<b>15,001</b>	<b>15,073</b>

# Notes to the Pension Fund Accounts

## 33. Subsidiary Companies

The Authority had, within its portfolio, two wholly owned subsidiary companies; Waldersey Farms Limited and F H Bowser Limited.

Waldersey Farms Limited is primarily a farming company. The book value of the company is included in the net assets statement under the heading of Property - Other UK, to reflect the exposure of the Pensions Authority. One officer of the Authority is a director of the company.

The latest available accounts for Waldersey Farms Limited show the following information:  
  
Waldersey Farms Limited has a year end of 31 December.

Waldersey Farms Limited	2014/15	2013/14
	£	£
Pension Fund investment at book cost at 31 March	5,508,112	4,508,112
(Debenture loan included within above)	4,143,100	3,143,100
Pension Fund investment value at 31 March		
(included in net asset statement)	5,508,100	4,508,100
	31/12/2014	31/12/2012
	£	£
Profit (loss) on ordinary activities before taxation	240,869	1,348,254
Profit (loss) after taxation	171,149	1,036,685
Rent paid to SYPA	1,807,102	1,536,305
Dividend paid to SYPA	238,875	204,750
Retained profit (loss)	4,018,691	4,086,417
Net assets	5,883,691	5,951,417

A full Statement of Accounts for Waldersey Farms Limited can be obtained from the Company at Northfield Farm, Lynn Road, Southery, Norfolk.

The ten year debenture granted to Waldersey by the Authority was renewed on 1 April 2015 is for £7m, of which £4.143m (£3.143m in 2013/14) has been drawn down.



# Notes to the Pension Fund Accounts

F H Bowser Limited owns property which it lets to third parties. The book value of the company is included in the net assets statement under the heading of Property - Other UK, to reflect the exposure of the Pensions Authority. One officer of the Authority is a director of the company.

The latest available accounts for F H Bowser Limited show the following information:

F H Bowser accounts has a year end of 31 December.

F H Bowser Limited	2014/15	2013/14
	£	£
Pension Fund investment at book cost at 31 March	10,921,694	11,096,781
Pension Fund investment value at 31 March (included in net asset statement)	10,603,359	10,924,997
	31/12/2014	24/3/2014
	£	£
Fixed Assets	7,220,750	7,226,453
Current Assets	80,956	2,634,727
Current Liabilities	(566,711)	(3,234,195)
Net assets	6,734,995	6,626,985
Profit on Ordinary Activities	204,359	-

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at 18 Regent Street, Barnsley.

The company has a loan from the Authority and £484,356 was outstanding as at 31 December 2014 (the date of the company's accounts).



# Notes to the Pension Fund Accounts

## SCHEDULE A - Scheduled Bodies contributing to the Fund

South Yorkshire Pensions Authority (Administering Authority)  
Barnsley Metropolitan Borough Council  
Doncaster Metropolitan Borough Council  
Rotherham Metropolitan Borough Council  
Sheffield City Council  
South Yorkshire Passenger Transport Executive  
SYITA (Properties Ltd)  
SY Probation Trust  
South Yorkshire Fire Authority  
The Police and Crime Commissioner for South Yorkshire  
Barnsley College  
Doncaster College  
Rotherham College of Arts & Technology  
Thomas Rotherham College  
Dearne Valley College  
Sheffield College

Notre Dame School  
St John Fisher RC Junior & Infants School  
All Saints RC School  
St Ann’s RC Primary School  
St Joseph’s Primary School  
St Theresa’s RC School  
St Patrick’s RC School  
Totley All Saints Church of England School  
Broomhill Infants School  
Clifford C of E Grant Maintained School  
Hayfield School  
Sheffield Hallam University  
Askern Town Council  
Bradfield Parish Council  
Brierley Town Council  
Ecclesfield Parish Council  
Edlington Town Council  
Stainforth Town Council  
Thorne-Moorends Town Council

Penistone Town Council  
Stocksbridge Town Council  
Barnby Dun Parish Council  
Hatfield Town Council  
Sprotborough Parish Council  
Rossington Parish Council  
Thrybergh Parish Council  
Berneslai Homes  
Armthorpe Parish Council  
Barnburgh & Harlington Parish Council  
Anston Parish Council  
Aston-Cum-Aughton Parish Council  
Longley Park Sixth Form College  
University Technology College (Sheffield)  
Trinity Academy  
St Leger Homes of Doncaster  
Wickersley Parish Council  
Valuation Tribunal  
Barnsley Academy

Silkstone Parish Council  
Sheffield Springs Academy  
Sheffield Park Academy  
De Warenne Academy  
Outwood Academy Adwick  
Maltby Academy  
Brinsworth Academy  
Wales Academy  
Parkwood Academy  
St Mary’s CofE Primary (Barnsley)  
Oakhill Primary Academy  
Rossington All Saints Academy  
Ash Hill Academy  
Auckley Junior & Infant Academy  
Don Valley Academy & Performing Arts College  
Grange Lane Infant Academy  
Pheasant Bank Academy  
Danum School Technology College  
Rowena Academy

The Academy at Ridgewood Trust  
Conisbrough Ivanhoe Primary Academy  
Hall Cross Academy Trust  
Hungerhill Academy Trust  
Aston Academy  
Yewlands Technology College  
The Hill Academy  
Highgate Academy  
Carrfield Academy  
Gooseacre Academy  
Darfield All Saints Academy  
Upperwood Academy  
Carlton Primary  
Royston Parkside  
Royston Summer Fields  
Shafton Primary Academy  
St Helen’s Primary Academy  
Campsmount Technology College  
Highfields Primary  
Hatfield Woodhouse Primary

Crookesbroom Primary Academy  
Willow Primary  
Armthorpe Academy  
Barnby Dun Primary Academy  
Castle Academy  
St Oswald’s C of E Academy  
Armthorpe Shaw Wood Academy  
Kirk Sandall Infant School  
Dunsville Primary School  
Sir Thomas Wharton Community College  
Thurcroft Junior Academy  
St Bernards Catholic High School  
Tapton School  
Hartley Brook Academy  
Hatfield Academy

# Notes to the Pension Fund Accounts

## SCHEDULE A - Scheduled Bodies contributing to the Fund

Meadowhead School Academy Trust  
Chaucer School  
St Thomas of Canterbury Trust  
King Ecgbert School  
St Marie’s School A Catholic Voluntary Academy  
Fir Vale School  
Bradfield School  
Southey Green Primary School & Nurseries  
Silverdale School  
Greengate Lane Academy  
The Forest Academy  
Meadstead Primary Academy  
Heather Garth Primary School  
Queens Road Academy  
Littleworth Academy  
Darfield Valley School  
Hoyland Common Primary School  
West Meadows Primary School

Dodworth St John the Baptist CE Primary Academy  
Darton Primary  
Balby Carr Academy  
St Josephs Catholic School (Rossington)  
Richmond Hill Primary Academy  
Thrybergh Academy & Sports College  
East Dene Primary  
Coleridge Primary School  
St Bedes Catholic Primary School  
St Gerards Catholic Primary  
St Marys Catholic Primary School (Herringthorpe)  
Wingfield Academy  
St Marys Catholic Primary (Maltby)  
Canklow Woods Primary Academy  
Whiston Junior & Infants School  
Whiston Worrygoose Junior & Infant School

Oakwood High School  
Sandhill Primary Academy  
Brookfield Primary Academy  
St Josephs Catholic Primary (Dinnington)  
Maltby Redwood Primary Academy  
Wickersley School & Sports College  
St Wilfred’s Catholic Primary School  
Meynell Primary School  
Mansel Primary School  
Monteney Primary School  
Fox Hill Primary School  
Hinde House 3-16 School  
Lound Infant School  
Lound Junior School  
Firth Park Academy  
Porter Croft CofE Primary Academy  
E-ACT Pathways Academy

Hillsborough Primary School  
St Marys Catholic Primary School (High Green)  
Sacred Heart School, A Voluntary Catholic Academy  
Outwood Academy City  
Totley Primary School  
St Catherines Catholic Primary School  
Concord Junior School  
Wincobank Nursery & Infant School  
The Mill Academy  
Springwell Special Academy  
Springwell Alternative Academy  
Kirk Balk Community College  
Outwood Academy Shafton  
McAuley Catholic High School  
Montague Primary Academy – Mexborough  
Holy Family Catholic Primary  
St Wilfreds Academy

Mexborough School  
Kirk Sandal Junior School  
Rawmarsh Ashwood Primary School  
Sitwell Junior School  
Thrybergh Primary School  
Rawmarsh Communtiy School  
Wickersley St Albans C of E Primary School  
Bramley Grange Primary  
Monkwood Primary Academy  
Anston Greenlands Primary School  
Aston All Saints Academy  
Dinnington High School  
Trinity Croft C of E Primary Academy  
Listerdale Primary School  
Wickersley Northfield Primary  
Thrybergh Fullerton Primary  
Flanderwell Primary School  
Maltby Manor Academy

Maltby Lilly Hall Academy  
Ravenfield Academy  
Ecclesfield School  
Newfield Secondary School  
Emmaus Catholic & C of E Voluntary Academy  
Forge Valley School  
St Marys C of E Academy (Walkley)  
Lowedges Junior Academy  
Oasis Academy Firvale  
Oasis Academy Watermead  
Chapeltown Academy  
Handsworth Grange Academy  
Emmanuel Junior School  
High Hazels Academy

# Notes to the Pension Fund Accounts

## SCHEDULE B - Admitted Bodies contributing to the Fund

Voluntary Action Barnsley  
Danvn Drainage Commissioners  
National Childrens’ Bureau  
Sheffield Branch of UNISON  
Sheffield Students Union  
Doncaster Deaf Trust  
Action Housing Association Ltd  
Northern College  
Voluntary Action Rotherham  
Sheffield MIND  
Northern Racing College  
Barnsley Business Innovation  
Centre Ltd  
Barnsley Dial-a-Ride  
Doncaster Community Transport  
Sheffield Community Transport  
Groundwork Dearne Valley  
Priory Campus  
Age Concern Doncaster  
Leonard Cheshire Foundation  
The Centre for Full Employment

Community Action Halfway House  
Assoc  
Sheffield Industrial Museums  
Trust Ltd  
Sheffield Futures  
Sheffield International Venues  
Limited  
South Yorkshire Housing  
Association  
Sheffcare LimitedTrustclean –  
Mexborough Highwoods  
Stonham Housing Association  
Interserve FM Ltd  
Compass – Grange Lane Infants  
(SPT)  
Sheffield Galleries and Museums  
Trust  
Barnsley Premier Leisure  
Royston and Carlton Community  
Partnership  
Shaw Trust  
Wentworth Castle  
Compass – Hatfield Woodhouse  
(SPT)

Rotherham, Doncaster & South  
Humber Health  
Independent Training Services Ltd  
Roundhouse Community  
Partnership  
Forge Community Partnership  
Kier Group  
Sheffield NHS Care Trust  
Balfour Beatty Workplace Ltd  
May Gurney Fleet & Passenger  
Services  
Mellors Catering Services  
Tuscan Connects  
Carrillion Integrated Solutions  
Kier Support Services  
Midshire Catering Ltd  
NPS Barnsley Ltd  
Civica – Barnsley BSF  
JLIS PFI FM sub contract  
(Barnsley BSF)  
JLIS Non-PFI Barnsley BSF  
Crispin & Borst – DMBC PFI

Compass – Pheasant Bank (SPT)  
Compass – Rowena (SPT)  
Capita – Outstanding Sheffield  
Prog  
Taylor Woodrow Const  
(CleanSheff PFI 4)  
Veolia  
Mitie PFI Ltd  
Kier Managed Services Ltd  
Bulloughs Cleaning Services Ltd  
Great Places Housing Association  
Trustclean Ltd – Mexborough St  
Johns Primary  
Civica (Sheffield BSF PFI 4)  
Taylor Woodrow Const (Sheff PFI  
4)  
Willmott Dixon Prtn Ltd – Roth  
2010 Hsg Mnt  
Morrison Facilities Services Ltd  
Caterlink (Barnsley Academy)  
Taylor Shaw (catering BSF PFI 4)  
KAPS  
Taylor Shaw-Parkwood Academy

Carillion (AMBS) Ltd  
Civica Phase 2 ICT Function –  
Sheff BSF  
Peter Duffy Ltd  
Barnsley Norse Ltd  
Doncaster Culture & Leisure Trust  
Dublcheck Cleaning (Roughwood  
Primary School)  
Mellors Catering Services  
(Rawmarsh Com School)  
Mellors Catering Services  
(Longley Park School)  
Taylor Shaw (Sheff School Meals)  
Sheffield City Trust  
Seven Hills Leisure Trust  
Trustclean Ltd (Athersley North)  
Mellors Catering Services (Sheff  
Schools)  
Amey LG Limited  
Vinci Construction UK Ltd  
(Bradfield School)  
Taylor Shaw (Bradfield School)  
Creative Support Ltd

Chartwells – De Warenne  
Academy Catering Co  
Trustclean Ltd – Wath CofE  
School  
Places for People Leisure Ltd  
ABM Catering – Wales High  
School  
Churchill Contract Services  
Mellors – Hinde House/ King  
Ecgbert Scl Catering  
Sheffield City Region LEP  
Compass – Hatfield  
Crookesbroom (SPT)  
Doncaster Childrens Services  
Trust  
Compass – Armthorpe Academy  
Trustclean – Bramley Grange  
Primary  
Kier Services – SCC – CSSR  
Kier Services – SCC – SHRM  
Kier Services – SCC – ASHS  
Caterlink – Sheffield Park  
Academy  
Kier Services – SCC - Heating



# Glossary

**Accruals (Accrual Accounting)**

The fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. When income is due to the Authority but has not been received an accrual is made for the debtor. When the Authority owes money but the payment has not been made an accrual is made for the creditor.

**Actuarial /Actuary**

The science and profession of using mathematical techniques to model and quantify the financial effects of uncertain future events. For the Authority this is relevant in the context of accounting for the Pension Fund, where future transactions of the Fund will occur so far into the future that they cannot yet be known with certainty.

**Admitted Body**

Admitted bodies are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

**Amortisation**

The way in which an asset or liability is accounted for over more than one period (other than property, plant and equipment, for which depreciation applies).

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is a UK accountancy body, specialising in the finances of the public sector. CIPFA is responsible for determining the accounting rules and procedures that apply to local authorities and other public bodies.

**Code of Practice on Local Authority Accounting in the United Kingdom (the Code)**

This document is produced by CIPFA. It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to ‘the Code’ in the text. The Code is based on International Financial Reporting Standards.

**Contingent Assets**

These are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Authority.

**Contingent Liabilities**

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

**Creditors**

Amounts owed by the Authority for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

**Debtors**

Sums of money owed to the Authority but not received at the end of the year.

**Earmarked Reserve**

A sum set aside for a specific purpose.

**Emoluments**

Payments received in cash and benefits for employment.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of property, plant and equipment to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

**Financial Instruments**

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Authority.

**International Accounting Standards (IAS)**

These standards were issued by the International Accounting Standards Committee (IASC). These standards have now largely been replaced by International Financial Reporting Standards.

**International Financial Reporting Standards (IFRS)**

These are accounting standards issued by the International Accounting Standards Board.

**Investment Properties**

Land and buildings that are held for capital gain and rental income and not for the provision of services.

**Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

**Materiality**

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Operating Leases**

Leases other than a finance lease. Under operating leases the risks and rewards of ownership remain substantially with the lessor.

# Glossary

**Prior Year Adjustments**

Material adjustments applicable to prior years, arising from changes in accounting policies or from other corrections.

**Provisions**

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

**Related Parties**

Individuals or bodies who have the potential to influence or control the Authority or to be influenced or controlled by the Authority.

**Scheduled Body**

Scheduled bodies are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

**Usable Reserves**

Reserves that can be applied to fund expenditure, all other reserves retained on the balance sheet cannot.



8

**Policies &  
PRINCIPLES**



# Statement of Investment Principles

## at 1<sup>st</sup> January 2015

### 1) Background

#### 1.1

The Local Government Pension Scheme (LGPS) is established and governed by statute and its purpose is to provide death and retirement benefits for all eligible employees. It is a nationwide contributory, defined benefit occupational pension scheme administered at a local level by a number of so-called administering authorities. South Yorkshire County Council, which was created by the 1972 Local Government Act, was the first administering authority for the South Yorkshire Pension Fund but was itself abolished in 1986. After a period of transition under the auspices of a Residuary Body administration of the Fund was vested in this Authority which was created by Statutory Instrument in 1987.

#### 1.2

Administering authorities are required to publish a Statement of Investment Principles which records the investment policy of the Fund and which refers to certain stipulated key issues. This Statement meets those obligations and in preparing it the Authority has consulted those persons it considered appropriate. The Statement is regularly reviewed and has also established policies on corporate governance and voting matters.

### 2) Introduction

#### 2.1

The investment powers of the Authority are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009: SI 2009/3093 as amended. The Regulations establish the matters

that the Authority must consider when carrying out its responsibilities. In addition, common law requires the Authority to manage the Fund in the best financial interests of its members and beneficiaries at all times.

#### 2.2

The Authority has formed a Board to manage the Fund's investments on its behalf and has granted it all the powers it needs to do so: it has also delegated its day to day management responsibilities to its senior officer, the Clerk, who in turn delegates her duties and responsibilities to colleagues. The Scheme of Delegation to Officers is formally approved by the Authority. The Board comprises seven councillors drawn from the Authority and selected in accordance with the Authority's Constitution and meets not less than four times per year.

The Authority also liaises with representatives of the employers and stakeholders (including the trades unions).

#### 2.3

The Board is responsible for setting the strategic asset allocation of the Fund but the ultimate responsibility for investment strategy rests with the Authority. As well as obtaining advice from Authority officers it has also appointed independent investment advisors to advise it on investment matters and an actuary for the production of actuarial valuations and for advice on liability issues. For other work it appoints consultants on an as when required basis.

#### 2.4

The Authority is authorised and regulated by the Financial Conduct Authority.

### 3) Investment objectives and the management of investment risk

#### 3.1

The main investment objective of the Fund is to ensure that over the long term it will have sufficient assets to meet all of its pension liabilities as they fall due. This objective is more fully explained in the Authority's Funding Strategy Statement [FSS] (which needs to be read in conjunction with this Statement) which is derived from the triennial actuarial valuations of the Fund. The crux of the FSS is the need to achieve a future funding level of 100% or better whilst maintaining employer contribution rates to be kept as low and reasonably stable and affordable as possible. Accordingly, the Authority manages the Fund from a long term viewpoint and

endeavours to maximise its returns but, at the same time, operates within a closely controlled range of acceptable risks.

#### 3.2

In order to ensure as far as possible that the investment strategy is appropriate for the Fund's liabilities the Authority has created its own bespoke or customised benchmark. This benchmark acts as a framework and is adopted only after analysing the Fund's liability structure in detail. It is reviewed at least every three years and always after the statutory actuarial valuation. Changing circumstances can often, but not always, warrant a formal review and one is conducted whenever necessary.



# Statement of Investment Principles

## at 1<sup>st</sup> January 2015

**3.3**  
The investment strategy is developed by reference initially to the valuation of liabilities measured on a risk free basis but then adjusted to make allowance for the Authority’s appetite for risk. The investment strategy is determined based on the expected return on asset classes (for equities, bonds, property etc.) within the appetite for risk as measured by the dispersion (likely range) of these returns. The Authority is satisfied that the investment strategy has a sufficient probability of meeting its return targets over the long-term and it is expected that the Fund’s long term investment returns will be at least in line with these assumptions and those published in the FSS.

**3.4**  
The concept or notion of “risk” is subject to linguistic distortion. There are so many different types of risk involved in capital stewardship it is impossible to list them but all require judgment because few, if any, are accurately measurable. Trying to be too precise is dangerous because it blinds users to the true nature of risk with the paradoxical outcome that if not managed carefully the over-management of risk can result in increasing the number of risks rather than reducing them. Having added that caveat, the Authority notes that without taking “risks” it will be difficult for the Fund to achieve the performance it needs if it is to meet its objectives. The Authority recognises that risk is inherent in any investment or operational activity and seeks to control risk rather than try to eliminate it. The

approach aims to mitigate risk without compromising returns. In order to generate the required investment returns necessary to match the growth in liabilities this implies that the Fund will continue to take an active risk relative to its liability profile.

**3.5**  
There are many types of “risk” but the following are the ones which are most frequently identified by third parties and, therefore, are monitored by the Authority.

**3.6**  
There is counterparty risk in every transaction and the Authority aims to control this by using reputable service providers who operate effective controls. It has appointed an external bank to have custody of the Fund’s publicly listed financial securities and has the deeds of its direct property solicitors. Where advisory or

investments held by external management agreements are entered into these are fully documented and accord with best practice and the Fund’s internal operating procedures are subject to independent audit. The Authority has appointed independent investment advisors to assist it in the scrutiny of the internal investment management activity and has appointed an independent party to provide performance measurement services.

**3.7**  
Investing overseas exposes the Fund to fluctuations in exchange rates but allows it to spread risk across global markets and sectors and potentially enhance returns. The Fund’s customised benchmark regulates such exposure: part of that approach involves the Authority in passively hedging its overseas property portfolio’s currency risk.

**3.8**  
There is a risk that the value of Fund assets will not match the increase in its liabilities which could result in a deteriorating financial position. This is known as funding risk. An inappropriate strategy may lead to poor performance which is a relative risk. This can largely be controlled by granting the Fund’s managers sufficient freedom to meet their targets but setting them range constraints. Poor absolute returns stemming from market conditions cannot always be avoided but the effect can be reduced by diversifying the Fund’s portfolios across a broad spectrum of assets and markets.

**3.9**  
Because different classes of asset have different risk and return characteristics and different sensitivities to changes in financial factors, in particular

to inflation and interest rates, it is important that the Fund’s strategy takes into account these differences and the correlation between them. It is important to recognise that returns, volatility, risks and correlations between asset classes vary over time and that the concept and understanding of those terms also changes over time and can be interpreted differently by investors.

**3.10**  
The adoption of a customised benchmark, as previously described, is an integral part of the risk management process. The current customised benchmark was approved in December 2014 and became effective from 1 January 2015: it is as follows (see next page):-

# Statement of Investment Principles

## at 1<sup>st</sup> January 2015

3.10 continued

Bonds	23		
UK Index Linked	12	+3	9-15
UK B&M Bonds	5	+2	3-7
Emerging Market Bonds	3	+5	0-8}
High Return Bonds	3	+5	0-8} 4-8
Quoted Equities	60		
UK	20	+5	15-25
Overseas	40	+5	35-45
NAm	11.5	+5	6.5-16.5
Europe	9.5	+5	4.5-14.5
Japan	3.75	+5	0-8.75
Pacific	8.5	+5	3.5-13.5
EM	6.75	+5	1.75-11.75
Private Equity	3.5	+5	0-8.5
Absolute Return	2.0	+5	0-7
Property	10	+3	7-13
Cash	1.5	+8.5	0-10

Geographical split within overseas equities: 28.75% North America; 23.75% Western Europe; 9.375% Japan; 21.25% Pacific Basin ex Japan; 16.875% Emerging Markets.

3.11

Demographic factors including the uncertainty around longevity/ mortality projections (e.g. longer life expectancies) can also contribute to funding risk. It is recognised that there are limited options currently available to fully mitigate or hedge this aspect of risk. The Funding Strategy Statement, formal triennial actuarial valuations and periodic updates allow the Authority to keep track of the Fund’s liabilities.

3.12

There is also liquidity or market risk associated with the volatility of prices in certain assets and under certain market conditions. Part of the Fund is held in securities that can be realised quickly in normal market conditions, if necessary, to meet expected or unexpected demands for cash. The Authority is aware of the liquidity constraints that

affect individual asset classes and manages its cashflows to ensure future payments can be met.

3.13

The financial capacity and willingness of sponsoring employers to support the Fund is a key consideration and one which is regularly reviewed by the Authority. Whilst ensuring the stability of employers’ contribution rates is a leading objective it is recognised that absolute cost to the employers is also important. This implies that employers will undertake to adopt appropriate and economic policies in those areas where they have discretion and where the costs of their actions fall directly or indirectly on the Fund.

3.14

There are other non-financial but financially material risks which can affect Fund performance such as corporate governance and environmental issues and

governmental or regulatory intervention. The Authority has developed a Responsible Investment strategy in recognition of this.

4) Organisational matters and management arrangements

4.1

The Regulations define the types of investments the Fund can hold and places limits on the proportion of the Fund that can be invested in them. Although the Authority has adopted the maximum headroom limits on partnerships, unit trusts, unquoted companies, collective investment vehicles and similar entities permitted under the Regulations it does not necessarily utilise the full allocation. The Authority participates in stock lending to the limit permitted and the

programme is managed by the custodian bank in accordance with best market practice. The Fund’s securities are held by the custodian bank or its agents or directly by the Authority.

4.2

The Fund is managed internally although on real estate matters it does seek additional assistance from specialist external advisors. The fees payable to these advisors are determined via a tender process or by negotiation. The Authority periodically reviews the terms to satisfy itself that the fees are in line with, or better than, best market practice. Performance related fees are negotiated when it is thought to be in the best interests of the Fund to do so. The real estate advisors operate under contracts which clearly state the terms of their appointment and are in accordance with the Regulations.

# Statement of Investment Principles

## at 1<sup>st</sup> January 2015

### 4.3 Management Arrangements

Investment		
Name of Advisor	Nature of Brief	Appointed
Pensions & Investment Research Consultants Ltd	Corporate Governance /Voting execution	January 2015
Bidwells LLP	Agricultural Property	October 2005
Standard Life Pension Funds Limited	Commercial Property	April 2002*

### Custodial

The custody and safekeeping of those assets not directly held by the Authority is provided by the following custodian:-

Name of Custodian	Date of Signed Client Agreement
HSBC Securities Services	March, 1996*

### Actuarial

Name of Actuary	Date of Appointment
Mercer Limited	April 2000

\*Date of original appointment. Contractual arrangements amended since.

### 4.4

As referred to in 2.3 the Authority also employs independent investment advisors. Their fees, as well as those payable to the actuary and the custodian bank are negotiated upon appointment but are reviewed as appropriate. The fees payable will vary, dependent upon the nature of the work.

### 4.5

The Authority’s treasury management strategy is reviewed annually.

# Statement of Investment Principles

## at 1<sup>st</sup> January 2015

### 5) Responsible Investment

#### 5.1

The Authority acts at all times in the best long-term interests of all its members and looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that there are some overarching principles of corporate governance that apply globally but recognises that practices vary considerably. It accepts its responsibilities as a long-term investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios but does so within the duties placed upon it under statute and general legal principles. The Authority believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and,

therefore, will not actively invest in or disinvest from companies solely or largely for social or ethical or environmental reasons. The Authority has published a separate Responsible Investment policy statement.

#### 5.2

The Authority appreciates the importance of the voting rights attached to its shareholdings and exercises its votes on its British, European and North American listed equity investments whenever possible. The Authority has published its own voting policy and this is regularly reviewed. Voting decisions, nonetheless, are made on a case-by-case basis bearing in mind a company's circumstances. It has appointed a contractor to ensure that its votes are effectively executed and voting decisions are published on the Fund's website. Constructive shareholder engagement, with the aim of

promoting and supporting good corporate governance principles and practice, will be pursued whenever it is deemed appropriate to do so. The Authority's Shareholder Engagement Statement recognises that its expectations are based upon and constrained by the legal and regulatory framework of the market in which the company operates.

#### 5.3

The Authority acknowledges the fragmentation of UK pension funds and regards collaboration with other asset owners as a vital part of improving the Fund's effectiveness. This applies to both general investment issues and to the specific area of responsible investment and ownership. It is an active member of the Local Authority Pension Fund Forum and will join other collaborative pressure or lobbying groups if it feels it is appropriate

to do so. The Authority is a member of the IIGCC which is a forum for collaboration on climate change for European investors. The Authority believes that risks and opportunities associated with climate change may have a material impact on the financial performance of the Fund and, therefore, supports the Group's objective to catalyse greater investment in a low-carbon economy by bringing investors together to use their collective influence with companies, policymakers and investors.

#### 5.4

Under Regulations issued in 2009 administering authorities of the LGPS are required to report their compliance against the Myners' Principles. The six Principles are intended to guide institutional investors on matters such as investment, scheme governance, disclosure and consultation. There is no

requirement that authorities implement every element of the Principles but they should be regarded as best practice.

#### 5.5

The Authority publishes a separate paper outlining its compliance with the Principles. In summary, the Authority complies fully with the Principles. The training policy for Members will be reviewed following the creation of the Local Pensions Board and an assessment of that Board's own training needs. In the meantime Members participate in regular training programmes which are provided both internally and externally.

#### 5.6

The Authority is supportive of the UK Stewardship Code and endorses the 'comply or explain' approach it follows. The Authority believes it complies with the majority of the recommendations of the Code.

### 6) Consultation and review

#### 6.1

This Statement needs to be read in conjunction with the investment section of the Fund's annual report, the Funding Strategy Statement and the risk disclosures contained within the Fund's accounts. It is kept under regular review by the Board. A revised Statement will be published when there has been any material change of policy or where circumstances require it to do so. Significant changes are only made after consultation with the leading employers and the Authority's advisors.

#### 6.2

Copies of this statement and the Authority's investment powers are supplied to the managers and custodian so that they are aware of any constraints it imposes on them. The Statement is published on the Fund's website and copies are made available to members upon request.



# Responsible Investment: Corporate Governance Policy

## Voting Guidelines- Introduction

The Authority acts at all times in the best long-term interests of all its members and looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that there are some overarching principles of corporate governance that apply globally but recognises that practices vary considerably. It recognises its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of

fellow shareholders and with society as a whole and, therefore, will not actively disinvest from companies solely or principally because of social or ethical or environmental reasons.

In seeking to achieve its investment objectives the Authority recognises the importance of the voting rights attached to its British listed investments and exercises them whenever possible. The Authority’s voting policy is regularly reviewed and published as is its shareholder engagement statement.

Although votes are generally cast in favour of incumbent

boards voting is assessed on a case-by-case basis and in the light of a company’s unique circumstances. It has appointed a contractor to ensure that its votes are effectively executed and voting decisions are published on the Fund’s website. Constructive shareholder engagement, with the aim of promoting and supporting good corporate governance principles and practice, will be pursued whenever circumstances and constraints allow. The Authority’s expectations are based upon the legal and regulatory framework of the market in which the company operates.

The voting guidelines reflect the six key themes which appear on the agenda of company meetings. These are:-

- Boards and directors
- Auditors and audit related issues
- Capital structure
- Remuneration and benefits
- Social, ethical and environmental issues
- General corporate governance matters

The following notes highlight the main issues considered by the Authority when determining its voting policy, the Authority’s preferred outcome and the methodology employed to translate the policy into votes. They are not exhaustive. Because the Authority is well aware of the inherent difficulties of imposing too rigid a guideline on a wide range of situations, the guidelines will be interpreted flexibly according to the specific circumstances of each company and meeting.

The guidelines are reviewed annually or as and when events make such a review appropriate.

# Responsible Investment: Corporate Governance Policy at March 2015

## Section One- Listed Companies (excluding Investment Trusts)

### 1. Reports and Accounts

If the Chairman (see 5 below) is not standing for election vote against the proposal to adopt the report and accounts where:-

- 1. The roles of Chief Executive and Chairman are combined (unless temporary and specifically justified in the report)
- 2. NEDs comprise less than one half of the board, excluding the Chairman (unless the situation is temporary and there is evidence that new NED(s) are to be appointed).
- 3. The company has made a political donation that has not been authorised by shareholders
- 4. The Board consists of fewer than three directors or exceeds eighteen
- 5. The audit committee is not fully independent, except for companies outside of FTSE350 where the committee is comprised of fewer than two

- thirds non-executive directors (unless the situation is temporary and there is evidence that new NED(s) are to be appointed)
- 6. There is an executive director on the remuneration committee.
- 7. The Chairman is not independent upon appointment

Vote against the proposal to adopt the report and accounts where:-

- 8. There is no UK Corporate Governance Code ("Code") compliance or appliance statement
- 9. There are dual voting rights for ordinary shares
- 10. A new director is not put to the vote at the first meeting
- 11. Directors are insulated from election and are not standing
- 12. The accounts have been qualified
- 13. The auditors have been replaced upon a qualification to the accounts

- 14. There is non-compliance with other relevant legal/regulatory requirements
- 15. A dividend has been declared and the dividend is not put to the vote
- 16. Audit, remuneration and nomination committees do not exist
- 17. The remuneration report has not been put to shareholders for the vote
- 18. There is no quantifiable environmental reporting (does not apply to investment trusts)
- 19. Company has not disclosed in the Annual Report its diversity policy or disclosed the gender balance on the board, at senior management and organisational level.

Abstain on the proposal to adopt the report and accounts where:-

- 20. Board evaluation is not carried out

### 2. Dividend Policy

Vote against where earnings do not cover proposed dividend before exceptional items and no clear justification given.

### 3. Political Donations

Vote against all resolutions to approve political donations.

### 4. Takeovers, Mergers, Acquisitions, Disposals

Query resolutions related to takeovers, mergers, acquisitions and disposals and other capital restructuring. Take into account the governance profile of board responsible for making the recommendation and the effect on shareholder interests.

### 5. Chairman

Vote against the chairman when:

- 1. The roles of Chief Executive and Chairman are combined (unless temporary and specifically justified in the report)

- 2. The Chair has been a former director or employee of the same company and the time lapse is less than five years
- 3. There is no resolution to approve the report and accounts

- 4. NEDs comprise less than half of the board, unless the situation is temporary and there is evidence that new NED(s) are to be appointed (if no Chairman is standing vote against report and accounts, see 1.1 above)
- 5. The Chairman is not independent upon appointment
- 6. The Board consists of fewer than three directors or exceeds eighteen
- 7. The audit committee is not fully independent, except for companies outside of FTSE350 where the committee is comprised of fewer than two thirds non-executive directors (unless the situation is temporary and there is evidence that new NED(s) are to be appointed)

- 8. The company has made a political donation that has not been authorised by shareholders
- 9. There is an executive director on the remuneration committee

### 6. Non-Executive Directors

Vote against non-executive director where not independent even if by so voting it will lead to the number of NEDs falling below at least one half of the board.

### 7. Audit Committee Members

Vote against any member of the audit committee who has a link with the auditors (unless ten years has elapsed since the association).

### 8. Biographical Information

Vote against a director where:

- 1. Insufficient biographical information has been provided to allow shareholders to exercise judgement

# Responsible Investment: Corporate Governance Policy at March 2015

## Section One- Listed Companies (excluding Investment Trusts)

- 2. Concerns have been identified as to the suitability of a director
- 3. More than five other directorships are held, except the CEO where no more than one other should be held
- 4. Less than 50% of meetings have been attended

### 9. Non-Executive Directors' Independence

Vote against a director where:

- 1. The director is not subject to re-election every year unless an explanation is given, except for companies outside of FTSE350 where the director is not subject to re-election at least every three years
- 2. They were a former executive of the company and the time lapse has been less than five years
- 3. The director has or has had a material business or professional relationship with the company and the time lapse has been less than three years

- 4. The director has been on the board for nine years or more
- 5. The director is linked to the controlling shareholder if independent directors comprise 50% or less of the board except where mechanisms are in place to prevent linked directors forming a majority for votes on major decisions
- 6. There are other reasons where independence is seen to be impaired
- 7. They receive remuneration other than Board fees and the reimbursement of expenses (ie bonuses, share options, consultancy fees etc)
- 8. They have close family ties with any of the company's advisers, directors or senior employees
- 9. They hold cross-directorships with other directors

### 10. Service Contracts

Vote against directors with service contracts of more than one year or where liquidated

damages exceed one year's remuneration unless initial appointment is for a maximum period of two years and reduces to one year or severance payments equivalent to one year. Also vote against chairman of remuneration committee.

### 11. Alterations to Share Based Incentive Schemes

Vote against new or amended share based incentive schemes if:

#### DISCLOSURE

- 1. No disclosure and justification for performance targets in long term schemes
- 2. No disclosure of targets and % payout for annual bonus scheme (if bonus paid) in the previous financial year
- 3. Unexplained discretionary bonus paid or any non-performance related bonuses (eg golden hellos) or ex-gratia payment

#### POTENTIAL EXCESSIVENESS

- 4. Any long term bonus scheme which may award more than 100% of salary in any year
- 5. Any annual bonus scheme that may award more than 100% of salary in any year
- 6. Any combination of incentive schemes that may award more than 150% of salary in any year (consideration should be given to companies with low base salaries)

#### PERFORMANCE TARGETS

- 7. Primary performance target of real EPS is not sufficiently demanding
- 8. Primary performance target using a vesting scale which pays out 20% or more of salary at median. Maximum vesting for less than 80th percentile performance
- 9. Use of only one performance criterion for a long-term scheme
- 10. Options re-priced (down) during the year

#### ISSUANCE

- 11. The maximum issuance of shares under incentive schemes is not to exceed 10% of issued capital

Abstain against new or amended schemes if there is no scheme that enables all employees to benefit from business success and no explanation for this is offered.

### 12. Employee Share Save Schemes

Abstain on votes for the establishment, renewal or extension of employee share save schemes where they are not open to all employees.

### 13. Remuneration Policy or Report

This guideline affects resolutions that put the Remuneration Policy or Report to the vote.

Vote against the report where:

- 1. There is no remuneration committee

#### COMMITTEE COMPOSITION

- 2. There is an executive director on the Committee

#### DISCLOSURE

- 3. No disclosure and justification for performance targets in long term schemes
- 4. The nature of performance measures are not disclosed
- 5. Unexplained discretionary bonus paid or any non-performance related bonuses (eg golden hellos) or ex-gratia payment
- 6. Significant change in policy during the year that is not explained
- 7. New share scheme (including personal scheme) has been or is to be introduced and has not been put to the vote

#### CONTRACTS

- 8. Contracts policy not in line with best practice (see guideline 11 above)

# Responsible Investment: Corporate Governance Policy at March 2015

## Section One- Listed Companies (excluding Investment Trusts)

- 9. No explanation and justification for compensation paid during the year
- 10. There are liquidated damages or change in control provisions in excess of one year

**POTENTIAL EXCESSIVENESS**

- 11. Any long term bonus scheme which may award more than 100% of salary in any year
- 12. Any annual bonus scheme that may award more than 100% of salary in any year
- 13. Any combination of incentive schemes that may award more than 150% of salary in any year (consideration should be given to companies with low base salaries)
- 14. Bonuses are pensionable and the scheme is defined benefit
- 15. Bonuses are paid when the company has made a loss

**PERFORMANCE TARGETS**

- 16. Primary performance target is not sufficiently demanding

- 17. Primary performance target using a vesting scale which pays out 20% or more of salary at median
- 18. Maximum vesting for less than 80th percentile performance
- 19. Use of only one performance criterion for a long-term scheme
- 20. Options re-priced (down) during the year

Abstain where:

- 21. There is no scheme that enables all employees to benefit from business success unless a full explanation is offered
- 22. Performance targets are changed retrospectively
- 23. Other contentious issued have been identified

**14. Appointment of Auditors**

Vote against auditors where:

- 1. Non-audit fees are more than 75% of audit fee in the year under review and on a three year aggregate basis unless full

- explanation is offered in the accounts
- 2. The finance director has a link with the auditors (unless five years has elapsed since the association)
- 3. The auditor has missed an issue which resulted in a restatement
- 4. The auditor has been in place for more than ten fiscal years

Abstain on the auditors where:

- 5. Non-audit fees are not disclosed on a global basis regardless of the size of non-audit fees
- 6. The auditors have been replaced upon a qualification to the accounts
- 7. Non-audit fees are between 25% and 50% of audit fees on one and three year basis
- 8. The auditor has been in place for more than five fiscal years.

It is to be assumed that all non-audit fees are unacceptable apart

from sums received for regulatory, takeover and merger or tax compliance work and identified as such.

**15. Scrip Dividend**

Generally vote for scrip dividend resolutions but vote against if no cash dividend alternative.

**16. Share Repurchase/Buy Backs**

Vote against share repurchase where:

- 1. Authority exceeds 15% of issued share capital
- 2. Disclosure fails to meet Listing Rule requirements
- 3. It is not in the best interest of shareholders

Abstain on the share repurchase where the resolutions require any ordinary majority only.

**17. Authority to Issue Shares**

Vote against share issue where:

- 1. Authority exceeds 66% of share capital (after share

- schemes, warrants and convertible shares)
- 2. Disclosure fails to meet Listing Rule requirements
- 3. Where company has done a “cashbox” placing in excess of 5% of share capital

**18. Disapplication of Pre-emption Rights**

Vote against share issue where:

- 1. Authority exceeds 5% of share capital
- 2. Disclosure fails to meet Listing Rule requirements

**19. Increase Authorised Share Capital**

Abstain on resolution to increase share capital if no explanation for seeking the authority is disclosed.

**20. Articles of Association**

Vote according to best practice on resolutions to adopt new articles or amend existing articles where the changes adversely affect

accountability to shareholders or are otherwise not in the interests of shareholders on balance.  
Vote against proposals to amend borrowing limits if it is not justified in the meeting documents and the limit is not excessive.

**21. New Employee Share Option Scheme (ESOP)**

Support if it applies to all employees in practice and is within institutional guidelines.

**22. Discretionary Payment to Directors**

Vote against unless part of a payment under an existing scheme for which performance targets were published and disclosure is sufficient to show how these were achieved.

**23. Liability of Auditors to be Capped**

Vote against any resolution seeking to agree a cap on the liability of the auditors.



# Responsible Investment: Corporate Governance Policy at March 2015

## Section Two- Listed Investment Trusts

### 1. Report and Accounts

If the Chairman (see 4 below) is not standing for election vote against on the proposal to adopt the reports and accounts where:

- 1. NEDs comprise less than one half of the board (unless the situation is temporary and there is evidence that new NED(s) are to be appointed)
- 2. The company has made a political donation that has not been authorised by shareholders
- 3. Where the size of the Board consists of fewer than three directors or exceeds seven
- 4. The Chair does not meet the independence standard set out in section 8
- 5. Executive Chairman (or quasi exec Chairman) and no NED appointment in prospect
- 6. The contract with the management company exceeds one year
- 7. The management contract has not been reviewed within the last year

8. The company has made a political donation that has not been authorised by shareholders

If the Chairman or most senior member of the committee is not standing for election vote against on the proposal to adopt the report and accounts where:

- 9. The audit committee is not wholly comprised of less than two thirds non-executive directors (unless the situation is temporary and there is evidence that new NED(s) are to be appointed)
- 10. There is an executive director on the remuneration committee

Vote against the proposal to adopt the report and accounts where:

- 11. There is no Code compliance or appliance statement
- 12. Where there are dual voting rights for ordinary shares
- 13. Where a new director is not put to the vote at the first meeting

14. Directors are insulated from election and are not standing

15. The accounts have been qualified

16. The auditors have been replaced upon a qualification to the accounts

17. There is non-compliance with other relevant legal/regulatory requirements

18. Where a dividend has been declared and the dividend is not put to the vote

19. Audit and management engagement committees do not exist

20. Where more than one director has served for nine years or more

21. The company has made a political donation during the year which has not been approved by shareholders (if no Chairman is standing vote against report and accounts, see 1.1 above)

22. The remuneration report has not been put to shareholders for the vote

23. The company does not have an institutional voting policy and does not publicly disclose voting activity

24. The company does not disclose its policies regarding social, environmental and ethical issues covering the companies in which it invests.

### 2. Dividend Policy

Vote against where revenue (less management fee) does not cover proposed dividend and no clear justification given.

### 3. Political Donations

Vote against all resolutions to approve political donations.

### 4. Directors

#### CHAIRMAN

Vote against the Chairman when:

- 1. The Chair does not meet the independence standard set out in section 6
- 2. There is no resolution to approve the report and accounts

3. NEDs comprise less than one half of the board, unless situation is temporary and there is evidence that new NED(s) are to be appointed (if no Chairman is standing vote against report and accounts, see 1.1 above)

4. Executive Chairman (or quasi exec Chairman and no NED appointment in prospect

5. The size of the Board consist of fewer than three directors or exceeds seven

6. The contract with the management company exceeds one year

7. The management contract has not been reviewed within the last year

8. The company has made a political donation that has not been authorised by shareholders

9. The audit committee is not fully independent, except for companies outside of FTSE350 where the committee is comprised of fewer than two

thirds non-executive directors (unless the situation is temporary and there is evidence that new NED(s) are to be appointed)

If there is no remuneration report vote against the Chairman where:

10. There is an executive director on the remuneration committee

### 5. Biographical Information

Vote against a director where:

- 1. Insufficient biographical information has been provided to allow shareholders to exercise judgement
- 2. Concerns have been identified as to the suitability of a director
- 3. Less than 50% of meetings have been attended

### 6. Non-Executive Directors' Independence

Vote against a director where:

- 1. The director is not subject to re-election at least every three years

# Responsible Investment: Corporate Governance Policy at March 2015

## Section Two- Listed Investment Trusts

- 2. They are a current or former executive of the company or management company and the time lapse has been less than three years
- 3. The director sits on more than two trusts managed by the same management company
- 4. The director has had a material business or professional relationship with the company or management company and the time lapse has been less than three years
- 5. The director has been on the board for nine years or more and the company has no published policy on tenure
- 6. The director is linked to the controlling shareholder if independent directors comprise 50% or less of the board except where mechanisms are in place to prevent linked directors forming a majority for votes on major decisions

### 7. Service Contracts

Vote against directors with service contracts of more than one year.

### 8. Remuneration Policy or Report

This guideline affects resolutions that put the Remuneration Policy or Report to the vote.

Vote against the report where:

#### COMMITTEE COMPOSITION

- 1. There is an executive director on the Committee

#### DISCLOSURE

- 2. No disclosure and justification for performance targets in long term schemes
- 3. No disclosure of targets and % payout for annual bonus scheme (if applicable) in the previous financial year

#### CONTRACTS

- 4. Contracts policy not in line with best practice
- 5. No explanation and justification for compensation

paid during the year

- 6. There is no objective to reduce contracts to one year for all executive directors (new or existing)

- 7. Newly appointed executive directors have been awarded fixed term contracts in excess of one year

- 8. There are liquidated damages or change in control provisions in excess of one year

- 9. Directors bonuses are pensionable and the scheme is defined benefit

- 10. Other contentious issues have been identified

### 9. Appointment of Auditors

Vote against auditors where:

- 1. Non-audit fees are more than 75% of audit fee in the year under review and on a three year aggregate basis unless full explanation is offered in the accounts

- 2. Any director on the audit committee has a link with the auditors (unless ten years has elapsed since the association)

Abstain on the auditors where:

- 3. Non-audit fees are not disclosed on a global basis regardless of the size of non-audit fees
- 4. The auditors have been replaced upon a qualification to the accounts

It is to be assumed that all non-audit fees are unacceptable apart from sums received for regulatory, takeover and merger or tax compliance work and identified as such.

### 10. Scrip Dividend

Generally vote for scrip dividend resolutions but vote against if no cash dividend alternative.

### 11. Share Repurchase/Buy Backs

Vote against share repurchase where:

- 1. Authority exceeds 15% of issued share capital
- 2. Disclosure fails to meeting Listing Rule requirements

Abstain on the share repurchase where the resolutions require any ordinary majority only.

### 12. Authority to Issue Shares

Vote against issue where:

- 1. Authority exceeds one third of share capital (after share schemes, warrants and convertible shares)
- 2. Disclosure fails to meet Listing Rule requirements

### 13. Disapplication of Pre-emption Rights

Vote against share issue where:

- 1. Authority exceeds 10% of share capital
- 2. Disclosure fails to meet Listing Rule requirements

### 14. Increase Authorised Share Capital

Abstain on resolution to increase share capital if:

- 1. No explanation for seeking the authority is disclosed
- 2. The resolution includes authority for directors to act where their actions may raise concerns which are unrelated to the consequences of the share capital increase (bundled)

### 15. Articles of Association

Vote according to best practice on resolutions to adopt new articles or amend existing articles where the changes adversely affect accountability to shareholders or are otherwise not in the interests of shareholders on balance.

Vote against proposals to amend borrowing limits if it is not justified in the meeting documents and the limit is not excessive.

# Responsible Investment: Corporate Governance Policy at March 2015

## Section Three- Listed Exchange Traded Funds (ETFs)

Due to the nature of the entity it is the policy of the Authority not to vote at all on any issue at any meeting of a listed Exchange Traded Fund.

March 2015

# Responsible Investment Policy

In terms of managing the South Yorkshire Pension Fund the Authority's primary objective is to ensure that the Fund can meet its pension liabilities. In order to achieve that it has to produce superior financial returns without taking on undue levels of risk and to do so within the legislative and operational constraints which govern the operation of the Fund. Capturing the required investment returns involves identifying opportunities that offer greater than normal reward and the Authority believes that businesses that operate to high standards of corporate social responsibility (CSR) have the potential to protect and enhance investment returns. The Authority supports the view that environmental, social and governance best practice should be encouraged so long as the potential for financial return is not

reduced or risk isn't increased. It favours companies committed to high standards of CSR and to the principles of sustainable development. The Authority believes that good corporate governance includes the management of the company's impact on society and the environment, as these are increasingly becoming a factor in contributing towards maximising long term shareholder value. Environmental, social and governance (ESG) factors can be integral to the long-term sustainability of businesses regardless of where they are listed or the countries in which they operate. Given that significant ESG issues play out over the medium to longer term, it is important that investors consider companies' approaches to these issues on a case by case basis.

However, the Authority must be cognisant of its legal and statutory obligations and responsibilities and it applies its responsible investment policy within that context. One of those duties is to ensure a proper diversification of investments and, therefore, it has determined not to actively invest or disinvest from companies solely or largely for social, governance or environmental reasons. Instead, it adopts a positive engagement approach whereby social, environmental and governance matters are discussed with company management with the aim of improving procedures and attitudes. The Authority believes that this is the most effective way to improve the attitude of business towards CSR. In the Authority's view, simply divesting from particular companies is a denial of responsibility.

Considerations such as these have led the Authority to develop a policy that revolves around using its shareholder power and influence, either singly or in collaboration with other like-minded institutional investors, by voting and using other contacts to positively influence company behaviour. It acknowledges the arguments occasionally put forward by special interest groups on specific ESG issues but it will not allow such considerations to detract it from undertaking its statutory and fiduciary duties. This approach does not prevent the Authority from applying social, environmental or governance criteria on a case by case basis if considered appropriate.



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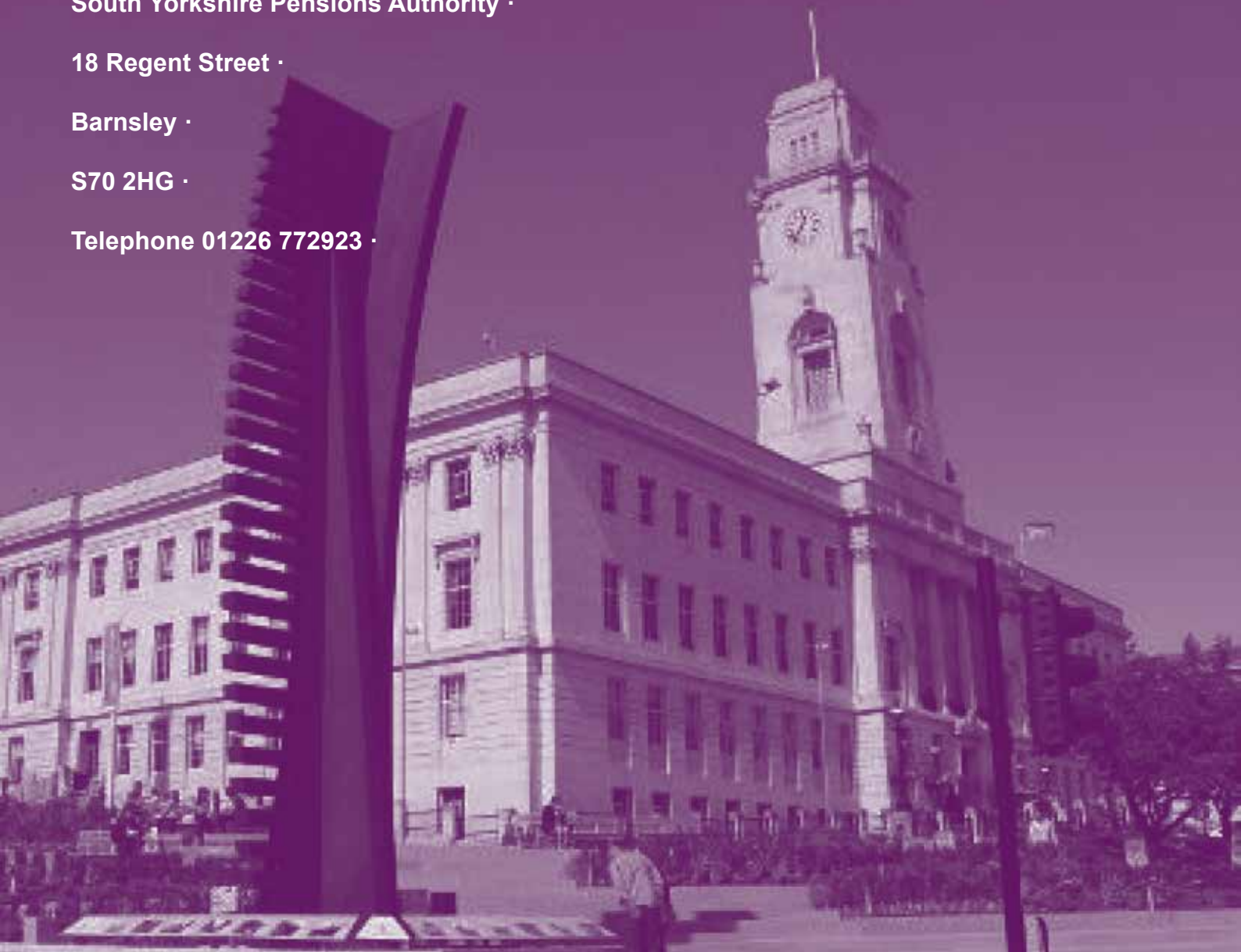
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