



SOUTH YORKSHIRE
PENSIONS AUTHORITY

ANNUAL REPORT 2018/19



CONTENTS

1 MANAGEMENT ARRANGEMENTS

Members of the Authority	6
Officers of the Authority	8
Service providers	9
Introduction Mick Stowe- Chair of the Authority	12

2 OUR YEAR IN REVIEW

3 OUR ORGANISATION



4 OUR PENSION FUND



5 ADMINISTERING THE PENSION FUND

6 MANAGING THE PENSION FUND'S INVESTMENTS

Month by month	16
Mission statement and strategic objectives	20
Member attendance and training events	22
About us	28
Annual Governance Statement	32
Managing risk	42
Managing our money	45
Membership	50
Employer admissions and contributions	54
Local Pension Board Annual Report	80
Actuarial report	86
Administration performance	94

Investment review	106
Investment strategy	110
Investment pooling	112
Investment performance	113
Property	129
Cash	131
Responsible investment	132
Climate change	141

7 FINANCIAL STATEMENTS

8 GLOSSARY

9 APPENDICES

We are required to publish alongside this Annual Report a number of policy documents - these are shown as appendices to the main report.

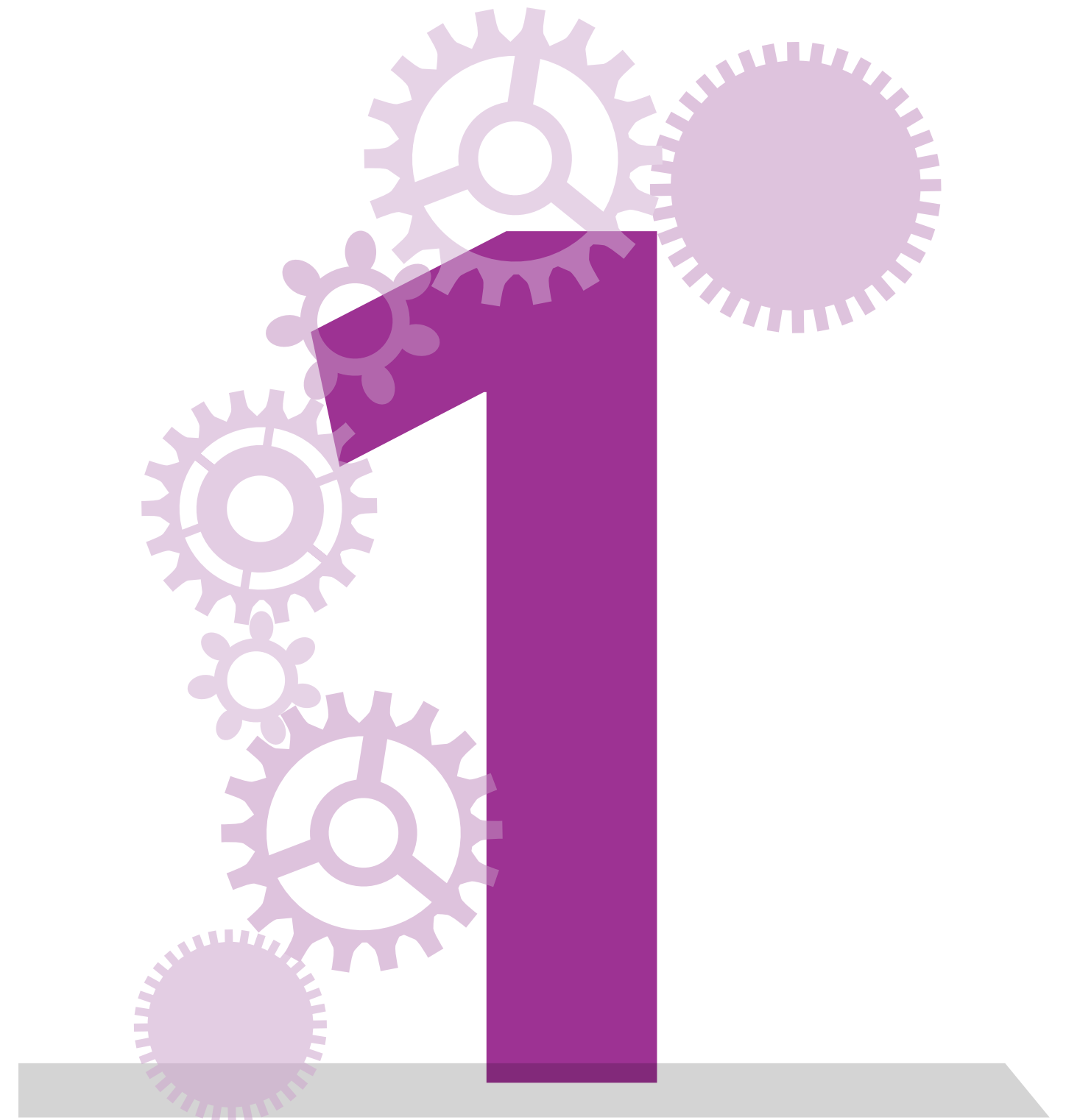
Pension Fund Statement of Accounts 2018/19	148
Independent Auditor's Report	200
Glossary	203
Consultation and Communication Strategy	215
Funding Strategy Statement	231
Investment Strategy Statement	279
Pensions Administration Strategy	289
Governance Compliance Statement	327

1 MANAGEMENT ARRANGEMENTS

HOW TO CONTACT US

All the Authority's officers can be contacted at
01226 772992 and
admin@sypa.org.uk

Our postal address is;
South Yorkshire Pensions Authority
Floor 8
Gateway Plaza
Sackville Street
Barnsley
S70 2RD



1.1

MANAGEMENT ARRANGEMENTS

Members of the Authority 2018-19 Municipal Year

BARNSELEY MBC	DONCASTER MBC	ROTHERHAM MBC	SHEFFIELD CC	TRADES UNION OBSERVERS	LOCAL PENSION BOARD MEMBERS
<div>Cllr M Stowe (Vice Chair) LABOUR (CP, IB)</div> <div>Cllr Richard Wraith LABOUR (IB)</div>	<div>Cllr Steve Cox CONSERVATIVE (IB)</div> <div>Cllr Susan Durant LABOUR (CP)</div> <div>Cllr John Mounsey* LABOUR (IB)</div>	<div>Cllr Sue Ellis* (Chair) LABOUR (CP, IB)</div> <div>Cllr Ken Wyatt LABOUR (CP)</div>	<div>Cllr Andy Bainbridge LABOUR (CP) from 17.5.18</div> <div>Cllr Adam Hurst LABOUR (CP) from 17.5.18</div> <div>Cllr Andrew Sangar LIBERAL DEMOCRAT (IB)</div> <div>Cllr Ian Saunders* LABOUR (IB)</div> <div>Cllr Alison Teal GREEN PARTY (CP) from 17.5.18</div> <div>Cllr Kieran Harpham LABOUR up to 3.5.18</div> <div>Cllr Talib Hussain LABOUR up to 16.5.18</div> <div>Cllr Zoe Sykes LABOUR up to 3.5.18</div>	<div>(additional members of the Authority, Corporate Planning and Governance Board and Investment Board)</div> <div>Nicola Doolan-Hamer Unison</div> <div>Garry Warwick GMB</div> <div>Doug Patterson Unite</div>	<div>EMPLOYEE REPRESENTATIVES</div> <div>Jill Thompson LGPS Member</div> <div>Nicola Doolan-Hamer (Unison) Trades Union</div> <div>Kevin Morgan (Unite) Trades Union</div> <div>Garry Warwick (GMB) Trades Union</div> <div>Vacancy LGPS Member</div> <div>EMPLOYER REPRESENTATIVES</div> <div>Rob Fennessey 'Other Large Employer' South Yorkshire Police</div> <div>Nicola Gregory Academy</div> <div>Councillor Phillip Lofts Employer Member Representing Local Authority (Barnsley)</div> <div>Vacancy Admitted Body Representing</div> <div>Vacancy Local Authority Member (Rotherham)</div>

CP = Member of the Corporate Planning
and Governance Board,

IB = Member of the Investment Board

*S41 Member who answers questions on behalf of
the Authority in meetings of the relevant full Council

Members

1.2 MANAGEMENT ARRANGEMENTS

Officers of the Authority

CLERK	Diana Terris (Chief Executive Barnsley MBC)
MONITORING OFFICER AND SOLICITOR	Andrew Frosdick (Executive Director Barnsley MBC)
TREASURER	Neil Copley (Service Director Barnsley MBC)
FUND DIRECTOR AND HEAD OF PAID SERVICE	George Graham
HEAD OF FINANCE	Bev Clarkson (to May 2019)
HEAD OF INVESTMENT STRATEGY	Sharon Smith
HEAD OF PENSION ADMINISTRATION	Jason Bailey

1.3 MANAGEMENT ARRANGEMENTS

Service providers

INDEPENDENT INVESTMENT ADVISORS	T Gardener N MacKinnon (until September 2018) L Robb
CUSTODIAN OF THE FUND	HSBC
BANKERS	Lloyds Bank HSBC
EXTERNAL AUDITOR	Deloitte LLP
INTERNAL AUDITOR	Barnsley MBC
ACTUARY	Mercer
AVC PROVIDERS	Equitable Life Prudential Scottish Widows
GOVERNANCE AND VOTING ADVISOR	Pensions and Investment Research Consultants (until August 2018)

1.3

MANAGEMENT ARRANGEMENTS

INVESTMENT MANAGERS

The managers of major mandates are:	Aberdeen Standard Investments (Commercial Property)
	Bidwells (Agricultural Property)
	Border to Coast Pensions Partnership Ltd (from 1 July 2018) (Listed Equities)
	Royal London Asset Management (Bonds)
	Schroder (Equity Protection)
	Emerging Market and High Yield Bonds, Cash and Alternatives are managed in house, with advice from Border to Coast Pensions Partnership Ltd
	Details of managers within the Alternatives portfolios are provided on the Authority's website

LEGAL ADVISORS

Addleshaw Goddard
Barnsley MBC
Pinsent Mason
CMS Cameron McKenna Nabarro Olswang
Burges Salmon
Mills & Reeve

INDEPENDENT
PROPERTY VALUER

Jones Lang LaSalle (Commercial)
Fisher German (Agricultural)

PERFORMANCE
MEASUREMENT

Portfolio Evaluation Ltd



1.4

INTRODUCTION

Councillor Mick Stowe Chair of the Authority

In looking back on 2018-19 the word that springs to mind is transition. Transition for the Authority as we move towards our new corporate strategy, transition for our staff as some of them moved to the Border to Coast Pensions Partnership and the rest moved, after 30 years in Regent Street, to the Authority's new home at Gateway Plaza overlooking Barnsley. It was also a year of transition for the assets of the pension fund as more than half the Fund moved into new pooled vehicles managed by Border to Coast.

Through all of this our staff have remained focussed on delivering for our customers as effectively as possible and we have seen improvements in most areas of pension administration over the course of the year together with the groundwork being put in place for further improvements in the coming years.

At the same time as this the investments of the Fund have continued to grow and the strategies we put in place to protect the value of the Fund against market volatility in the run up to the 2019 valuation have been very effective. This means we go into the valuation process in a much better place than might otherwise have been the case.

The other feature of this year has been an increased focus on the health of the Authority as an organisation. We have always, rightly prided ourselves on the quality of what we deliver for customers and on the outcomes achieved by our investment strategy. We have though, paid less attention to making sure that we are a healthy organisation. As you will see elsewhere in this document this is a gap we are now addressing through the new Corporate Strategy which has been developed over the course of the year and which brings together both the inward and outward facing activities which we carry out within the same framework.

Finally, in closing it would not be right not to thank Councillor Sue Ellis for her service to the Authority as Chair over the last four years during which she has guided us through the complexities of pooling and the challenges of implementing major new computer systems with a sure touch and a relentless focus on our customers.

The coming year will no doubt be as interesting as the last with the transition of further assets to Border to Coast and the results of the 2019 Valuation and a review of the Investment Strategy being some of the major items on the agenda, so the Authority will have plenty to keep it busy in the year ahead.

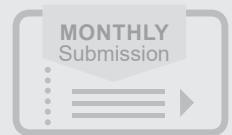


Councillor Mick Stowe
Chair of the Authority
2019/20 Municipal Year

2
OUR YEAR IN REVIEW



2.1 OUR YEAR IN REVIEW Month by month



APRIL 2018

Introduction of monthly submissions of data by employers.



JUNE 2018

6 members of the in house investment team transfer to new roles with the Border to Coast Pensions Partnership.



AUGUST 2018

88,650 Annual Benefit Statements distributed to active and deferred scheme members.



OCTOBER 2018

£646m of Emerging Market Equities transition to the Border to Coast Pensions Partnership.



DECEMBER 2018

Authority moves in to Floor 8 Gateway Plaza after 30 years in Regent Street.



FEBRUARY 2019

£25m commitment to local investment through the White Rose residential fund.



MAY 2018

The Fund is estimated to have reached full funding through a period of market turbulence due to the Equity Protection Strategy. **AND** GDPR Regulations introduced protecting personal data. All staff trained and systems updated.



JULY 2018

£3.5bn of UK and Developed Overseas equities transfer to the Border to Coast Pensions Partnership.



SEPTEMBER 2018

Authority holds its first Corporate Planning Seminar.



NOVEMBER 2018

Annual employers' meeting attended by 88 people from 52 employers.



JANUARY 2019

Pensions Authority begins planning for the Actuarial Valuation by agreeing key elements of the valuation framework. **AND** Authority supports Border to Coast in joining an investor coalition seeking action following the Brazilian tailings dam disaster.

MARCH 2019

Commitment of £80m to investment in the SCR through CBRE working with the City Region JESSICA Fund. **AND** SYPA receives Cyber Essentials Plus accreditation for its data security.





3

OUR ORGANISATION

What we are here for and what we do





3.1 OUR ORGANISATION

Mission statement

The South Yorkshire Pensions Authority is a unique organisation created in 1988 to manage the South Yorkshire Pension Fund on behalf of the four district councils in the former metropolitan County area.

The Authority’s mission is:-

“To deliver a sustainable and cost effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions.”

3.2 OUR ORGANISATION

Strategic objectives

To achieve this mission we are working to deliver against a number of corporate objectives, which are:

CUSTOMER FOCUS

to design our services around the needs of our customers (whether scheme members or employers).

LISTENING TO OUR STAKEHOLDERS

to ensure that stakeholders’ views are heard within our decision making processes.

INVESTMENT RETURNS

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

RESPONSIBLE INVESTMENT

to develop our investment options within the context of a sustainable and responsible investment strategy.

EFFECTIVE AND TRANSPARENT GOVERNANCE

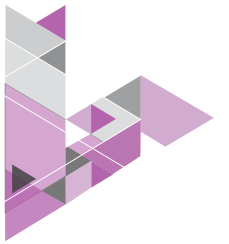
to uphold effective governance showing prudence and propriety at all times.

VALUING AND ENGAGING OUR EMPLOYEES

to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

3.3 OUR ORGANISATION

The Authority itself consists of 12 councillors appointed by the District Councils roughly in proportion to population. In addition 3 representatives of the recognised Trades Unions act as observers to represent the interests of scheme members. The work of the Authority during 2018-19 was conducted through meetings of the Authority itself and the Corporate Planning and Governance and Investment Boards. These arrangements were reviewed during the year and changes will be made in the new municipal year. The table below shows attendance by members at various meetings during the year.



Members' attendance at Authority meetings 2018/19

	7 June 2018	4 Oct 2018	22 Nov 2018	17 Jan 2019	14 Mar 2019
Cllr S Ellis	✓	x	✓	✓	✓
Cllr A Bainbridge	✓	✓	✓	✓	x
Cllr S Cox	✓	x	✓	✓	✓
Cllr S Durant	x	x	x	x	✓
Cllr A Hurst	✓	✓	✓	✓	✓
Cllr J Mounsey	✓	x	x	✓	✓
Cllr A Sangar	✓	✓	✓	✓	✓
Cllr I Saunders	✓	✓	✓	✓	x
Cllr M Stowe	✓	✓	✓	✓	✓
Cllr A Teal	x	x	✓	✓	✓
Cllr R Wraith	✓	✓	✓	✓	✓
Cllr K Wyatt	x	✓	✓	✓	✓
N Doolan-Hamer (UNISON)	✓	x	✓	✓	x
D Patterson	✓	✓	✓	✓	✓
G Warwick (GMB)	✓	✓	✓	✓	x

3.3

OUR ORGANISATION

Board Meetings 2018/19

Attendance at Corporate Planning and Governance Board

	14 June 2018	19 Jul 2018	18 Oct 2018	14 Feb 2019
Cllr M Stowe	✓	✓	✓	✓
Cllr S Ellis	✓	✓	✓	✓
Cllr A Bainbridge	✓	✓	✓	✓
Cllr S Durant	x	✓	✓	x
Cllr A Hurst	✓	✓	✓	✓
Cllr A Teal			x	✓
Cllr K Wyatt	✓	✓	✓	✓
N Doolan- Hamer (UNISON)	✓	✓	x	✓
D Patterson	x	✓	x	✓
G Warwick (GMB)	✓	✓	✓	x

Attendance at Investment Board Meetings

	21 June 2018	13 Sept 2018	13 Dec 2018	7 Mar 2019
Cllr S Ellis	✓	✓	✓	✓
Cllr M Stowe	✓	✓	✓	✓
Cllr S Cox	✓	✓	✓	✓
Cllr J Mounsey	✓	✓	✓	✓
Cllr A Sangar	✓	✓	✓	✓
Cllr I Saunders	✓	✓	x	x
Cllr R Wraith			✓	✓
N Doolan-Hamer (UNISON)	x	✓	✓	✓
D Patterson	✓	✓	x	x
G Warwick (GMB)	✓	✓	✓	x



3.3

OUR ORGANISATION

Member training events 2018/19

All members and Trades Union observers have an obligation to ensure that they undertake appropriate learning and development activity, and the

table below illustrates the formal activity undertaken by members during the year.
The Authority operates its learning and development

arrangements with regard to the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

Training Event	Date	Cllr A Bainbridge	Cllr S Cox	Cllr S Durant	Cllr S Ellis	Cllr A Hurst	Cllr J Mounsey	Cllr A Sangar	Cllr I Saunders	Cllr M Stowe	Cllr A Teal	Cllr R Wraith	Cllr K Wyatt
		▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼	▼
Corporate Strategy & Investment Beliefs	20.9.18				✓	✓		✓	✓		✓	✓	✓
Border to Coast Annual Conference	8/9.11.18				✓	✓		✓	✓	✓			
DCLG & SAB Infrastructure Event	15.11.18				✓								
Schroders Trustee Training	16.11.18					✓			✓				
Member Briefing – Corporate Strategy & Financial Framework	17.1.19	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Induction	7.2.19	✓				✓					✓		
LAPFF Presentation	7.3.19		✓		✓		✓	✓		✓		✓	
LAPFF Conference	5,6,7.12.18									✓			
Data Section 13 Workshop													✓
LGC Investment Seminar	23/24.10.18												✓
LGC Investment Summit	18.9.18									✓			
SPS Investment Conference	15.11.18									✓			

The work of the Authority is overseen and scrutinised by the Local Pension Board required by the Public Sector Pensions Act 2013. Details of the Board’s work appear at page 80 of this Annual Report and their full annual report will be published on the Authority’s website in due course.

Unlike other administering authorities in the Local Government Pension Scheme SYPA is a free -standing organisation, with the responsibilities which that brings. Over the last 12 months we have spent considerable time working to refresh our Corporate Strategy which was approved in March 2019 and which is now supported by a Medium Term Financial Strategy and Human Resources and ICT strategies reflecting the importance of these resources to achieving the Authority’s overall mission. These documents are all available on the Authority’s website.

The analysis which has been undertaken to develop this strategy, including a staff survey, has highlighted the need to spend time and effort on ensuring that we are a healthy organisation as well as being an organisation that performs well. As a result, over the last year we have begun a comprehensive review of all our HR policies, and begun to initiate workplace health and wellbeing initiatives (such as a weekly fruit delivery) alongside our move to much more modern accommodation at Gateway Plaza which helps the creation of a “one organisation” approach.

Our analysis has also helped us to acknowledge that as an organisation we are whiter, older and more female than the community we serve and we have set out steps to address this over the coming years as we experience a significant amount of staff turnover due to our aging workforce.

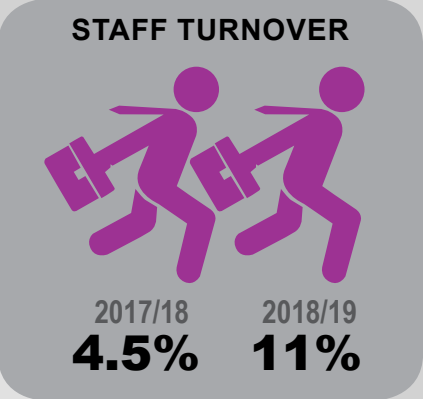
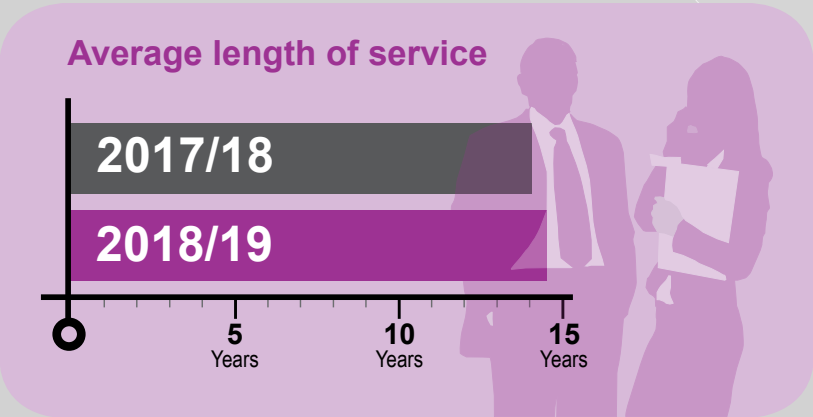
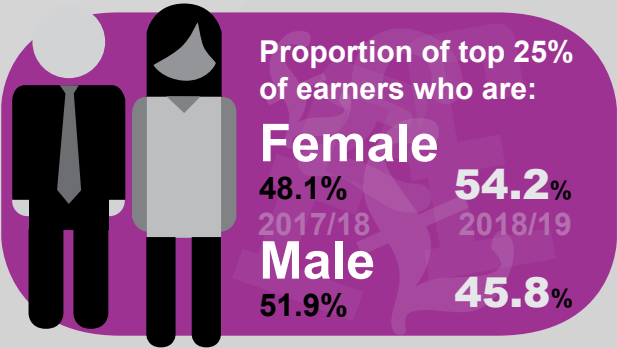
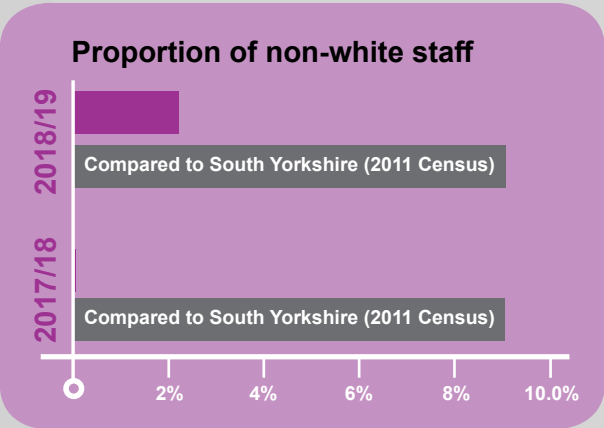
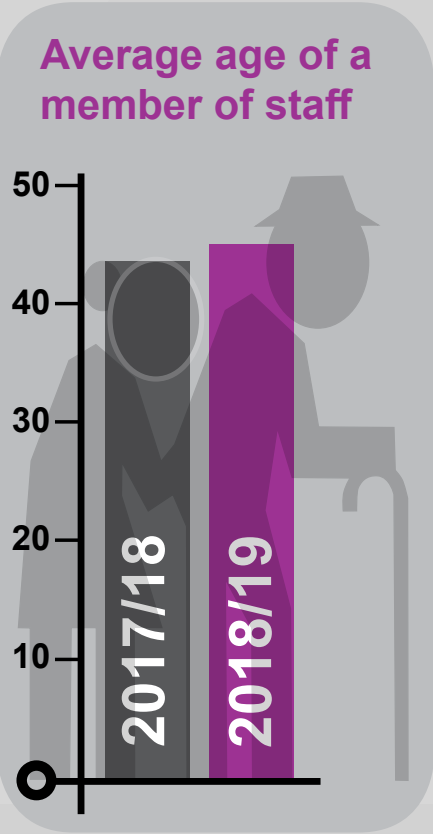
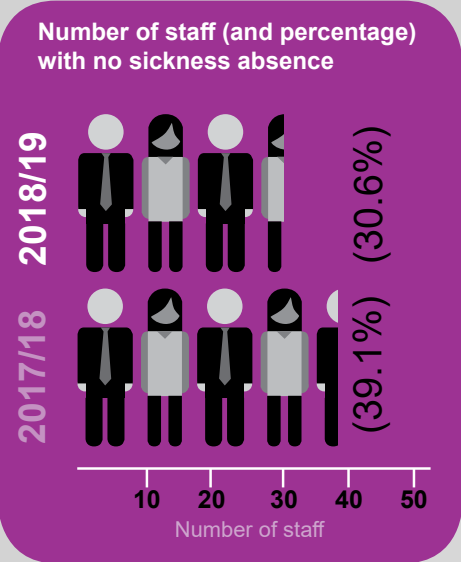
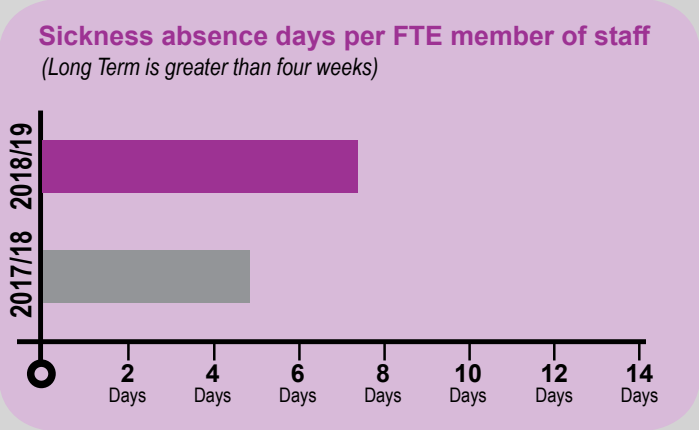
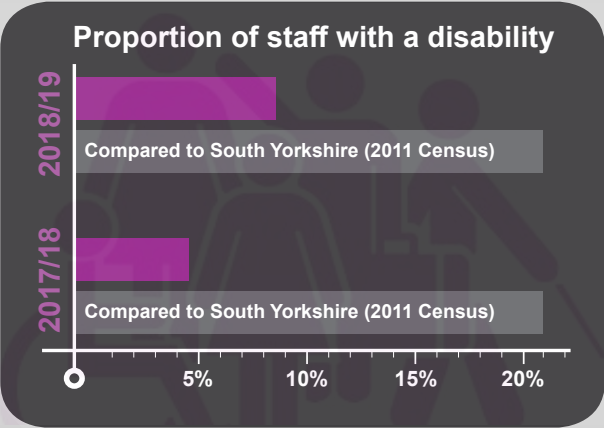
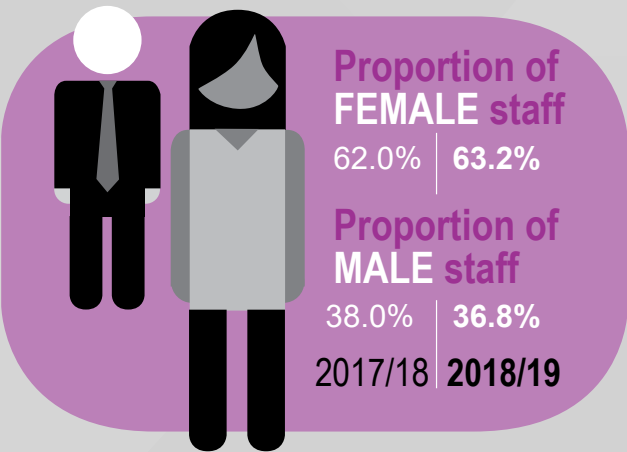
We have also analysed the gender pay gap across the organisation and while the results are broadly in line with other public sector organisations in the locality it is significantly better than averages in the financial services sector which may be a better comparator for the Authority. We will be continuing to examine ways to address these various inequalities in the next three years.

In the coming year we will undertake a review of the Authority’s arrangements for the management of Health and Safety, however, as can be seen below there are relatively few health and safety incidents to deal with. Our review will take a wider view of health and safety including wellbeing so that we can be sure we are supporting our staff to be able to do their best for the organisation.

The table overleaf presents a baseline position for a number of measures of our health as an organisation.

3.4 OUR ORGANISATION

About us



Over the coming year we will be developing a wider range of measures in this area.

3.4 OUR ORGANISATION

As part of the new corporate strategy a new approach has been taken to staff engagement and communication which has involved more open communication through monthly stand ups involving all staff and annual Q and A sessions for all staff with the Fund Director, and a monthly “blog” by the Director.

As an organisation we do not exist in isolation from the place in which we exist, and our staff are keen to engage with the wider community. We are currently supporting a work placement for an accounting student from Barnsley College and one apprentice, with recruitment of two further apprentices in hand.



In addition to this over the Christmas and New Year period our staff raised £655 for the Children’s Heart Surgery Fund through various events including Christmas Jumper Day and an auction.

As an organisation we are committed to openness and transparency and we have taken steps in the last 12 months to publish more information on the internet so that it is available to the public, and we will be making changes to our website in the coming year that will make information easier to find. At the same time we still receive and need to respond to requests for information under the Freedom of Information Act. The table opposite shows the numbers of requests received which were all responded to in line with the required timescales.

As a public authority we are required to keep our governance arrangements and our arrangements for managing risk under review. The following pages set out the statements on this that we are required to produce.

Number of Freedom of Information requests

	Investments	Administration	Total
1 April 2017 - 31 March 2018	20	0	20
1 April 2018 - 31 March 2019	15	12	27

3.5

OUR ORGANISATION

Annual Governance Statement

1. Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. Apart from employing its own officers and advisors the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC) under the terms of a service level agreement.

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework **Delivering Good Governance in Local Government** Framework 2016.

A copy of the Authority's code is on our website at www.southyorks.gov.uk. This statement explains how the Authority has complied with the code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and the activities through which it accounts to and engages with employing bodies, pensioners, contributors and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness.

The system of internal control is ongoing and is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework - Outline

The Authority's framework of governance continues to evolve in line with best practice and is based upon CIPFA / SOLACE guidance.

The Authority's arrangements are set out under 7 Core Principles embodied within their 2016 report, *Delivering Good Governance in Local Government: Framework*.

3.1 Identifying and communication of the Authority's vision of its purpose and intended outcomes for employing bodies, pensioners and contributors

The Authority is responsible for administering the South Yorkshire Pension Fund in accordance with local government law and the various regulations governing the operation of the Local Government Pension Scheme. It has a fiduciary duty to the contributors and beneficiaries of the Fund to ensure that contributions are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly invested.

Within the statutory framework the Authority has established objectives, policies and performance standards relating to the investment and administration of the Fund. The Authority reviews these objectives on a regular basis.

The development of policy by the Authority is informed and shaped by:

- Regulation
- Professional advice
- The nature of the liabilities of the Fund
- The results of the triennial actuarial valuation of the Fund
- Periodic asset and liability studies
- Consultation with employees, employers and other stakeholders
- Participation in the Border to Coast Pensions Partnership
- Membership of the Local Authority Pension Fund Forum
- Customer Service Excellence criteria.

The policies of the Authority are published by means of the:

- Annual Report, newsletters and Authority/Board reports
- Publication of policies on the internet.
- Corporate Strategy Statement
- Live webcast of Authority meetings
- The Fund's meetings for pensioners and contributors and employers.

3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

Changes to the Local Government Pension Scheme and in particular the transition

to Pooling arrangements for the investment arm of funds together with a changed funding position together with ongoing changes in customer expectations mean that the Authority needs to fundamentally review all of its policy planning framework. Work has commenced on this during 2018/19 with a significant review of the Authority's corporate planning framework and its overall governance arrangements which will be implemented from the beginning of 2019/20.

3.3 Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and that they represent the best use of resources

Service quality is monitored via satisfaction surveys which target scheme employers contributors and recipients, the complaints system and Customer Service Excellence reviews. The key service standards are monitored and action taken where these are not met. The Authority has been awarded Customer Service Excellence status for more than ten years.

3.5

OUR ORGANISATION

Annual Governance Statement

3.4 Monitoring performance against operational, financial and other strategic plans

The Authority has established and adopted six corporate objectives within its Corporate Strategy which are published on the website and in the Annual Report.

The performance management process in place provides for the Authority and its Boards to receive reports on, and monitor performance against, the Authority's objectives and priorities. Performance reports considered during the year:

- Quarterly Planning & Performance Management Framework reports on the Authority's and Service's performance against the six strategic objectives;
- Reports on the performance of Pensions Administration measured against other local authorities through CIPFA benchmarking arrangements;
- Quarterly investment performance reports including measurement against the Fund's customised benchmark;

- Financial reports which indicate budgetary performance against forecasts and provide information to allow proper oversight of Treasury Management activity;
- Monitoring reports on the achievement of the Internal Audit Plan;
- Reporting of Breaches of law and regulation;
- Reports on the implementation of Internal and External Audit recommendations;
- The Annual Governance Statement review process.

These arrangements will be revised during 2019/20 to reflect the adoption of the new Corporate Strategy and the changes to the Authority's governance arrangements. Emphasis will be placed on creating a single corporate report providing a holistic view of organisational performance.

3.5 Establishment of risk management processes by which key risks are identified and mitigated

Risk is managed at all levels within the Authority with, at the highest level, a corporate risk register forming part of the Corporate Strategy. The identification and monitoring of risks is a standing item at

Senior Management Team meetings. The Authority's risk register is reviewed quarterly by the Corporate Planning and Governance Board (CPGB).

The Authority has thoroughly reviewed the Risk Register including content and format in conjunction with internal audit. The Risk Register underwent a more detailed baseline review by the Authority in October 2018.

3.6 Audit Committee

The Corporate Planning and Governance Board functions as an audit committee and conducts its arrangements in accordance with the CIPFA good practice guidance for local authority audit committees. The Board produces an Annual Report on its activities and this is reported to the Authority and subsequently published on the website. This arrangement has been reviewed during the year and a dedicated Audit Committee will be put in place from 2019/20.

3.7 Local Pension Board

In accordance with the requirements of The Public Services Pensions Act 2013 the Authority has established a Local Pension Board. The Board has held regular meetings and

provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority's website, and within the Annual Report. A review of the terms of reference of the Board during the year has resulted in changes which focus the Board's attention more clearly on ensuring compliance with the Regulator's code of practice.

3.8 Defining and documenting the roles and responsibilities of the Authority, members and officers, with clear delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising activity

The roles and responsibilities of the Authority, members and officers are set out in the Authority's Constitution which identifies matters reserved to the Authority, the terms of reference of Boards and Committees, the scheme of delegation to officers, standing orders and financial regulations.

The Authority maintains forward work programmes which outline future matters for consideration. These are regularly reviewed.

All officers have job descriptions and a training and development framework exists.

3.9 Developing communicating and embedding codes of conduct, the standards of behaviour for members and staff

Members and officers are subject to codes of conduct. Officer codes of conduct are reviewed on an ongoing basis. There is, also, a Member and Officer Relations protocol. Equality and diversity training is part of the development programme for staff. The Authority has a Member Training and Development Strategy which supports learning and maintains high levels of compliance. This includes Induction. Individual training needs analysis interviews are conducted with Members to further support this process.

3.10 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

Officers are charged with reviewing fundamental systems on a rolling basis and the Authority receives regular updates and considers changes when necessary. Recommendations arising out of audit reviews or changes necessitated by legislation are brought to Members' attention. As stated previously it is acknowledged that amendments will need to be made to a range of governance/constitutional documents to reflect changes stemming from legislation governing the Local Government Pension Scheme. In addition during 2018/19 a fundamental review of the Authority's procurement rules has been undertaken and work has commenced on the changes to constitutional documents which will be required for the changed governance arrangements from 2019/20.

3.5

OUR ORGANISATION

Annual Governance Statement

3.11 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Annual Statement of Accounts, including the Annual Governance Statement is reported to Members. The statutory officers of the Authority during 2018/19 were the Clerk, Treasurer, Monitoring Officer, Fund Director, supported by the members of the Authority's senior management team. Through service level agreement arrangements with Barnsley MBC, the Authority has access to HR and Internal Audit functions. Collectively these senior officers supported by their staff, provide professional advice to the Authority on its functions, powers, internal policies and procedures. They seek to ensure that the Authority operates within the law; that expenditure is lawful and effective management procedures are maintained to identify and address any areas of non-compliance.

Formal reporting on Internal Audit, External Audit, expenditure and Treasury Management is built into the annual meetings cycle.

The role of the Head of Internal Audit is fulfilled through the Head of Internal Audit at BMBC. The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). Internal Audit reports to management all identified weaknesses in the internal control arrangement, for resolution. The plan of work, progress against the plan and an annual report, including the Head of Internal Audit's opinion on the internal control arrangements, are reported to CPGB.

The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Having obtained legal advice the Authority has determined not to comply with regulation 6 of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 and does not operate a separate bank account for its pension fund, on the basis that unlike other administering authorities all of the activities of the Authority represent a charge to the Pension Fund and there is therefore no risk of co-mingling pension fund and local authority monies.

3.12 Ensuring that a Whistleblowing policy, supported by other processes for receiving and reporting complaints, is in place

Confidential reporting procedures are in place for all personnel, whether directly employed, or providing services through a service level agreement. Complaints procedures exist with the aim of ensuring prompt response, appropriate action, and recording. The Anti-Fraud and Corruption Strategy incorporates the best practice guidance issued by CIPFA. It incorporates the whistle blowing policy and additional guidance on expected behaviour and reporting.

3.13 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The above CIPFA Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance arrangements needed to support them. These

are that the Chief Financial Officer should:

- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy;
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- Lead and direct a finance function that is resourced and fit for purpose.
- Be professionally qualified and suitably experienced.

The Authority has the following financial arrangements which demonstrate compliance with the above key principles:

- The Chief Executive of Barnsley MBC is designated as the Clerk to the Authority and the Treasurer function and that of Monitoring officer are also provided by officers of Barnsley MBC;
- The Clerk to the Authority is responsible for monitoring the effectiveness of governance arrangements.
- The Treasurer is professionally qualified and suitably experienced.

These arrangements have been strengthened over the course of the year by changes to the directly employed role of Head of Finance and Corporate Services which now includes the responsibilities of the statutory deputy to the Treasurer.

3.14 Determining the conditions of employment and remuneration of officers

The Authority sets the conditions of employment and remuneration of its officers and approves an annual Pay Policy Statement setting out these arrangements.

3.15 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Induction training is provided to all new Authority members. All members are required to attend the Fundamentals Training for Trustees Course prepared by the Local Government Employers organisation. Additional specific training is provided as appropriate throughout the year. Externally organised training opportunities are reported to members as they arise. Invitation to these events are extended to members of the Local Pensions Board.

Senior officers attend appropriate specialist training events and conferences to support their strategic roles. A training budget is maintained for members and officers.

The Authority has introduced a self-assessment process for Members. The current procedures satisfy the requirements under the Myners' Principles, which the Authority has agreed to continue to use as a performance benchmark.

3.5

OUR ORGANISATION

Annual Governance Statement

3.16 Establishing clear channels of communication with employing bodies, pensioners and contributors and other stakeholders, ensuring accountability and encouraging open consultation

The Authority has well developed consultation and communications procedures and has published a Communication Policy Statement.

3.17 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements

The Authority has established a working protocol with Barnsley MBC in agreement with the other South Yorkshire District and City Councils.

The Authority is a member of the Border to Coast Pensions Partnership pooling arrangements and is fully represented by members and officers in the various aspects of the governance arrangements of this partnership. The Authority has

also taken steps to ensure that appropriate protocols are in place to ensure that the different roles which the Authority has within BCPP, such as investor and shareholder are carried out in different places within its governance structure, and that any conflicts of interest that might occur are managed.

4. Review of Effectiveness

4.1 The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is based upon work by its senior officers, the Head of Internal Audit's annual report and any comments made by the external auditors or other review agencies.

4.2 Monitoring the effectiveness of the governance framework has been accomplished in several different ways:

4.2.1 Through the normal ongoing business of the Authority

- The Authority and Boards have met on a regular basis and have received reports from officers on issues concerning its business;

- Regular performance reports have been presented to the Authority and Boards by managers;
- The Authority reviewed its budget requirements and set a budget;
- Actuarial valuations of the Fund. The last triennial valuation was undertaken in March 2016; and interim valuation work was undertaken during the year in preparation for the full 2019 valuation.
- Periodic asset and liability studies;
- The review of a number of strategic policies and procedural documents during the year including:
 - o Review and update of the Corporate Planning Framework, including:
 - Corporate Strategy
 - Medium Term Financial Strategy
 - HR Strategy
 - ICT Strategy
 - Equality and Diversity Scheme
 - o Pay Policy Statement, workforce profile and gender pay gap report
 - o Risk Management Policy
 - o Treasury Policy and Strategy Statement
 - o CLG LGPS Consultations
 - o Investment Strategy Statement

- o Investment Mandates for assets transferring to Border to Coast.
- o Shareholder Engagement - Statement on Corporate Governance and Social Responsibility
- o Responsible Investment Policy review
- o Commercial property health and safety review
- o Voting Guidelines

4.2.2 Through formal processes of compliance

- The work of the Internal Audit section.

The Head of Internal Audit is responsible for providing assurances on the robustness of the governance, risk and control arrangements to the Authority. An annual report on audit activity and the performance of the Internal Audit Service is also presented to the Authority.

The Head of Internal Audit has provided an interim statement subject to the production of his Annual Report to be submitted to the July meeting of the Authority's Audit Committee:

"Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the Head of Internal Audit is able to give an indicative substantial assurance opinion regarding the effectiveness of the control, risk and governance environment.

Eight specific pieces of work have been completed to date, all of which received a substantial assurance opinion. A number of pieces of work are being completed at the time of preparing this Annual Governance Statement. These will be reported on and taken into account in the Annual Report to the July Audit Committee."

4.2.3 By the adoption of Risk Management

Maintenance of a corporate risk register, which is reported to the Authority's Corporate Planning and Governance Board on a quarterly basis. Regular monitoring of risk exposures within the Senior Management Team.

4.2.4 By participating externally in processes which enhance the quality of governance

The Authority is a member of the Local Authority Pension Fund Forum.

4.2.5 Through other processes in support of the main review

- Officer assurance statements have been sought from the Authority's senior managers and also from the Statutory Officers (within Barnsley MBC). These require a positive return (i.e. a formal statement even if there are no issues to raise);
- Completion of Core Principle Templates which provide for greater focus in determining governance issues / actions required to evidence and measure compliance against the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework **Delivering Good Governance in Local Government** Framework 2016;
- A review of Authority reports and minutes
- A review of complaints received
- A review of member declarations

3.5

OUR ORGANISATION

Annual Governance Statement

4.3 The Corporate Planning and Governance Board has overseen the whole process of review, and this statement is for the purpose of advising the Authority on the implications of the review, including a plan to address weaknesses and ensure that continuous improvement takes place.

5. Significant Governance Issues

5.1 The processes described in Section 4 have identified the following governance issues for attention. Some of these remain longer term issues and as such continue to feature. The outcome of the Annual Governance Review suggests that the following significant governance issues need to be included in the 2018-19 Annual Governance Statement Action Plan. These are:

- The need to develop improved reporting of activity and performance across all aspects of the Authority's work following the review of the Corporate Strategy and the beginning of the transition of assets to Border to Coast.
- Changes required to the organisation to improve customer focus and stakeholder engagement.
- The implementation of changed governance arrangements for the Authority's business.
- The delivery of the 2019 Valuation of the Fund including developing more active engagement with stakeholders and the completion of the associated review of the Investment Strategy and a specific review of the agricultural property portfolio.

5.2 The actions taken to date to address these have been or will be reported to the Authority and the Audit Committee. Progress in monitoring the implementation of these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and Committee.

Statement by the Chair and Head of Paid Service

We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The Action Plan that has been put in place will be monitored by the Authority's Audit Committee and this will, when implemented, further enhance the Authority's governance, risk and internal control framework.

Signed:
Mick Stowe
Chair
South Yorkshire Pensions Authority

Signed:
George Graham
Fund Director
South Yorkshire Pensions Authority

South Yorkshire Pensions Authority Annual Governance Statement Action Plan for 2019/20

Issue	Action Required	Responsible Officer	Date for Completion
The need to develop improved reporting of activity and performance across all aspects of the Authority's work following the review of the Corporate Strategy and the beginning of the transition of assets to Border to Coast.	Redesign reporting of investment performance to accommodate the introduction of pooling and a move away from internal management with a wider focus on the links to funding, cash flow and impact.	Head of Investment Strategy	To be developed on a continuing basis during 2019/20
	Redesign reporting of administration performance to focus on customer service and statutory compliance and highlight improvement initiatives	Head of Pensions Administration	April 2019
	Introduce a new form of corporate performance report providing a balanced scorecard type approach to the overall work of the Authority	Fund Director and Head of Finance & Corporate Services	To be developed on a continuing basis during 2019/20
Changes required to the organisation to improve customer focus and stakeholder engagement.	Introduce a systematic approach to the handling of incoming enquiries whether by phone, e mail or traditional post by developing a customer centre to handle the first point of enquiry	Head of Pensions Administration	December 2019
	Identify activities falling within the scope of engagement and reallocate resources to support these activities, including a review of the role and function of all existing administration and ICT teams (including the District Offices)	Head of Pensions Administration	December 2019
The implementation of changed governance arrangements for the Authority's business.	Implement revised governance arrangements from the beginning of the 2019 Municipal Year, including a revised constitution and scheme of delegation.	Clerk / Fund Director	May 2019
	Institute a pattern of informal member seminars for both policy development and learning and development	Fund Director	May 2019
The delivery of the 2019 Valuation of the Fund including developing more active engagement with stakeholders and the completion of the associated review of the Investment Strategy and a specific review of the agricultural property portfolio.	Produce and consult on revised Funding Strategy Statement.	Fund Director	March 2020
	Produce and consult on revised investment strategy statement and associated policy documents.	Head of Investment Strategy	March 2020
	Conduct review of the Agricultural Property portfolio	Head of Investment Strategy	March 2020 (for implementation by January 2021)

3.6

OUR ORGANISATION

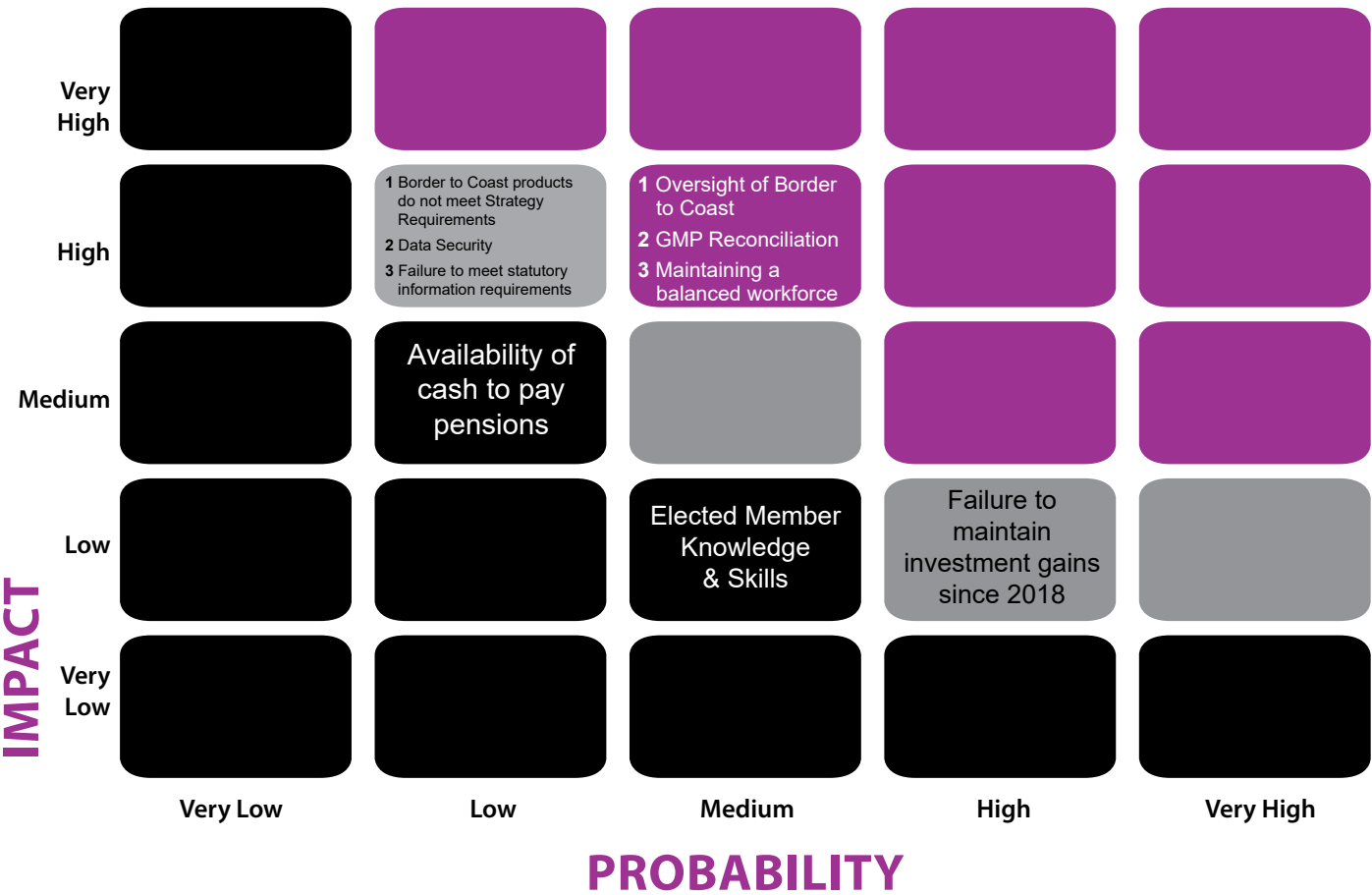
Managing the risks facing the Authority and the Pension Fund

Risk Management is the process by which the Authority identifies and overcomes those issues which might prevent it achieving its and the Pension Fund’s objectives. Given the financial scale of the Pension Fund and the fact that it invests money in order to achieve financial return the effective management of risk is crucial to us being able to achieve our objectives.

As indicated in the Annual Governance Statement, the Corporate Planning and Governance Board has overseen the Authority’s risk management arrangements over the course of the year, a function that will now pass to the new Audit Committee. The Risk Register, which now forms an integral part of the Corporate Strategy, has been regularly reviewed by the

Authority’s Senior Management Team and changes have been made in the light of changes in the external environment and the progress made in delivering projects such as investment pooling. The key risks identified in the corporate risk register are shown below:

Risk Matrix



Given the scale of the financial assets managed by the Authority the management of the risks inherent in participation in the financial markets is a crucial part of the overall risk management framework. The Authority sets out broad policies in the Investment Strategy Statement which conforms to the LGPS Investment Regulations and which cover the following areas:

- **Acting with proper advice** - such advice may come from appropriately qualified officers, the Fund’s Independent Advisers or specialist consultants retained for specific projects.
- **Maintaining a diversified portfolio of assets** - The Fund’s Strategic Asset Allocation is intended to reduce the overall level of investment risk by investing across a range of asset classes the performance of which is not directly correlated.
- **Specifically limiting Risk Exposure** - The setting of limits within individual investment management agreements with regard to the types of exposure the investment manager is allowed to achieve relative to a benchmark, the level of concentration of holdings and measures of portfolio risk.

These are reported on by managers and significant movements or breaches are followed up as part of ongoing performance review.

In addition, in order to manage the risk of market volatility at a crucial point in the valuation cycle the Authority has instituted an equity protection mandate which caps gains and losses on the various equity portfolios.

We will over the coming years be developing a more comprehensive suite of metrics which will allow us to better monitor the risk exposures within the investment portfolio.

The most significant investment risk exposure over the last year has resulted from the transition of assets into pooled structures provided by the Border to Coast Pensions Partnership. Many of these risks would apply to any transition of assets from one manager to another. However, the scale of the transition being undertaken in the context of the Fund is greater than might normally be expected. These risks were mitigated through a significant amount of planning and preparation of the portfolios for transition. Consequently, as set out elsewhere in this report

the transition process had no material impact on the overall performance of the Fund.

The members of the Authority receive assurance as to the effectiveness of both the system of control and the risk management arrangements from a number of sources. The most significant sources of such assurance are the internal and external auditors. Internal Audit is provided on an outsourced basis by Barnsley MBC in line with the relevant professional standards. The scale of the Internal Audit Plan (which is significantly greater than for most local government pension funds) reflects the unique nature of the Authority as an organisation in its own right. The Head of Internal Audit’s overall opinion which is included in the Annual Governance Statement is one of Substantial Assurance. The following table indicates the various systems identified that require internal audit testing, and the level of assurance received. The requirement for specific testing is assessed every year as part of the preparation of the Internal Audit Plan and activities are prioritised or deprioritised following a risk based assessment. Consequently some

3.6

OUR ORGANISATION

Managing the risks facing the Authority and the Pension Fund

systems may be examined every year and others less frequently.

This is the first year in which external audit has been provided by Deloitte under procurement arrangements managed by Public Sector Audit Appointments Ltd. The previous external auditors, KPMG, raised no specific issues in terms of the control framework or the system of governance in their previous reports to those charged with governance and value for money conclusion.

The Authority relies heavily on external organisations to manage money on its behalf. In addition to the managers of listed assets (Border to Coast Pensions Partnership and Royal London) we have investments in over 150 individual funds within our Alternative Portfolio. All of these Managers supply us with a copy of their ISAE3402 report (or equivalent) which is reviewed and any issues highlighted pursued with the manager. All of these managers have produced reports giving an appropriate level of assurance. Details of the organisations that manage money on our behalf are available on our website together with details of the sums invested.

Internal Audit Review Results 2018/19

Review Topic	Assurance Level
Audit Assurance for the Data Protection Officer	Audit ongoing
Verification of Assets	Substantial
Main Accounting System	Substantial
Pensions Payroll	Audit ongoing
Transfer Values and Lump Sums	Substantial
Total Fund Value	Substantial
Workflow	Adequate
Equity Protection Scheme	Substantial
Rechargeable Pensions	Audit ongoing
AVCs	Audit ongoing
Pensions Pooling Arrangements	Substantial

3.7

OUR ORGANISATION

Managing our money

The Authority’s day to day running costs are managed through the Operational Budget, while costs and income associated with specific investments and dealings with scheme members are managed through the Pension Fund directly. All of these are subject to audit by the external auditors and the full financial statements can be found from page 148.

As well as producing our statutory accounts we also need, like any public body, to be able to show that we have managed our spending on the Operational Budget within the agreed level of resources. The table opposite illustrates the position for 2018/19.

The Authority’s overall underspend for the year, before transfers to reserves, is (£424k). The significant variances are explained below.

Staff vacancies resulted in a total underspend of (£230k) on employee-related costs across the areas of Finance, Pension Administration and ICT.

Operational Budget & Outturn	2018/19 Revised Budget £	2018/19 Actual £	2018/19 Variance £ %	
Investment Strategy	916,000	858,227	(57,773)	-6.3%
Finance	549,800	505,582	(44,218)	-8.0%
Pension Administration	2,752,400	2,515,615	(236,785)	-8.6%
ICT	639,800	577,616	(62,184)	-9.7%
Management & Corporate Costs	400,150	390,191	(9,959)	-2.5%
Democratic Representation	78,150	64,792	(13,358)	-17.1%
Sub Total	5,336,300	4,912,023	(424,277)	-8.0%
Appropriations to/from reserves	0	175,038	175,038	100.0%
Total	5,336,300	5,087,061	(249,239)	-4.7%
			Amount not required returned to the pension fund 249,239	

Four senior posts were vacated at various stages during the second half of the year due to retirement and resignation. All four managerial posts are being covered on an acting up basis by existing staff pending the restructure of the administration function in 2019/20.

There was a total saving of (£40k)

in respect of rent and service charges for the Authority’s office accommodation for the year.

Savings of (£23k) were achieved on printing and postage costs in Pension Administration as a result of moving to the hybrid mail solution and progress on the move to ‘digital by default’. ICT achieved additional income of

3.7

OUR ORGANISATION

Managing our money

(£6k) and miscellaneous savings on systems totalling (£15k).

Within the Management and Corporate Costs budget, there was an underspend of (£13k) on the external audit fee arising from scale fee reductions achieved in the central procurement undertaken by Public Sector Audit Appointments Ltd.

The budget for Democratic Representation was underspent by (£13k) in total, which includes a variance of (£5k) on Local Pension Board costs.

A proportion of the total underspend has been transferred into the Authority's earmarked reserves, which stood at £466k at 31 March 2019; the remaining balance has been returned to the Pension Fund. The following table provides more details.

The Corporate Strategy Reserve exists to fund non-recurrent costs associated with various projects required for the implementation of the Corporate Strategy of the Authority. The balance at 1 April included an amount for the costs of the office move; whilst £35k of this has been utilised in year, there remains a balance of £30k that has been carried forward to be used in 2019/20. A further

	Balance at 01/04/2018	Transfers In	Transfers Out	Balance at 31/03/2019
	£	£	£	£
Corporate Strategy Reserve	217,735	200,000	(34,904)	382,831
ICT Reserve	74,191	20,942	(11,000)	84,133
Total	291,926	220,942	(45,904)	466,964

£200k has been transferred into the reserve in order to retain some of the savings achieved in 2018/19 and carry this forward to be used in future years. Of the total balance of £382k on this reserve at 31 March, £74k has already been allocated, and a review will take place during the early part of 2019/20 in order to allocate the remaining balance to specific planned projects so that resources are aligned with the priorities as set out in the Corporate Strategy.

The ICT Reserve is used to fund expenditure on computer equipment and to enable a rolling programme of hardware replacement and systems development for the Authority. £11k from this reserve was used in the year to fund the purchase of the Aggregations solution for the UPM system. £21k has been

transferred into the reserve this year; £7k of which is the income received from sales of software developed in-house, the remaining £14k transferred in will be used for the rolling programme of ICT hardware replacement.

The Authority's policy is to limit the amount to be held in reserves to 7.5% of the operational budget, which equates to a limit of £400k this year. Although the total balance at 31 March is above this level, this includes £74k relating to costs for projects that had been planned for 2018/19 but where the timing has slipped. If this amount is excluded from the calculation, the reserves balance would fall within the overall limit of 7.5%.

	2018/19 Forecast	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£m	£m	£m	£m	£m
Dealings with members, employers and others directly involved in the scheme	257.752	268.212	217.788	205.413	210.855
Benefits Payable	288.261	310.629	308.247	315.501	323.439
Net (withdrawals) from dealings with members	(30.509)	(42.417)	(90.459)	(110.088)	(112.584)
Management Expenses	30.830	53.237	56.414	59.944	63.427
Net return on investments	398.614	505.266	501.351	504.221	522.899
Net increase in the value of the Fund during the year	337.275	409.612	354.478	334.189	346.888
Net Assets of the Fund					
At 1 April	8,030.353	8,030.353	8,439.965	8,794.443	9,128.632
At 31 March	8,367.628	8,439.965	8,794.443	9,128.632	9,475.520

Increased membership has resulted in higher contributions receivable than anticipated whilst benefits payable have also been greater than expected due to a higher number of retirements than initially projected - this has resulted in a larger imbalance between contribution income received and benefits paid compared to the forecast.

Management expenses are significantly higher than the forecast for the year. This is a

reflection of further improvements in the disclosure and transparency of costs reporting in line with CIPFA guidance and partly arising from the transition of assets into the Border to Coast pool, rather than representing an actual increase in costs - as these would previously not have been reported on a gross basis but were netted off the investment return. Therefore, there is a corresponding increase included within the return on investments for the year,

contributing to the overall increase to the Fund value of £409.6m, representing a much improved position compared to the original forecast increase of £337.2m. Further details are provided in the Fund Statement of Accounts.

The results and experience from 2018/19 have been applied to the forward projections for the next three years shown in the table above.



4
OUR PENSION FUND





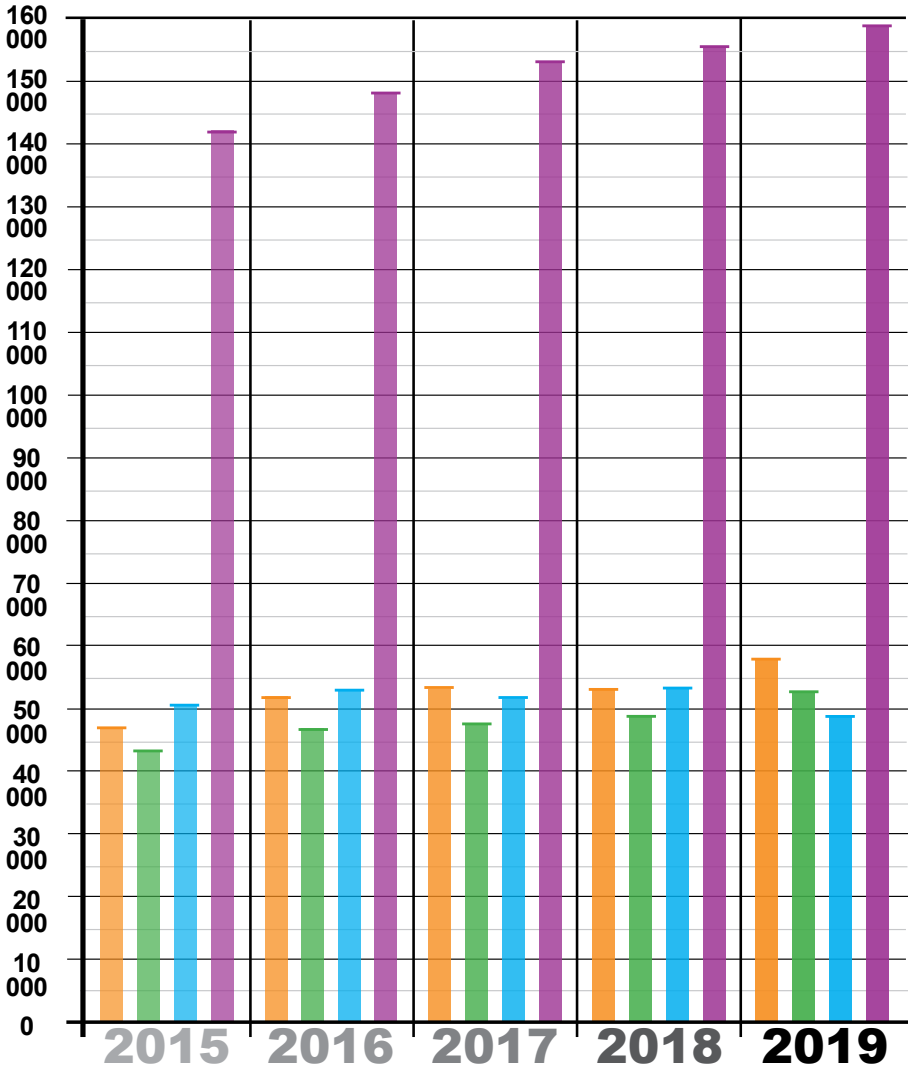
4.1

OUR PENSION FUND


Membership

Overall, Fund membership continues to grow. The Fund has **159,779** members compared with **156,880** at March 2018. There are three main categories of membership, **49,145** active contributing members, **52,582** members and dependants in receipt of a pension and **58,052** deferred members (members who have left employment and deferred their benefits until normal retirement age). This figure also includes 6,175 members who have left the pension scheme before retirement age but we haven't yet processed their benefits.

- Total membership
- Active Members
- Pensioners (including dependants)
- Deferred Members (members who have left the pension scheme before retirement age)



Fund Statistics



ACTIVE MEMBER GENDER


Female	74%
Male	26%

AGE PROFILE

16 - 29	12%
30 - 44	31%
45 - 54	32%
55 - 64	23%
65+	2%

OTHER

Average age	45
Minimum age	16
Maximum age	74



DEFERRED MEMBER GENDER


Female	72%
Male	28%

AGE PROFILE

16 - 29	6%
30 - 44	34%
45 - 54	38%
55 - 64	21%
65+	1%

OTHER

Average age	46
Minimum age	18
Maximum age	76



PENSIONER GENDER

Female	63%
Male	37%

AGE PROFILE

0 - 44	1%
45 - 54	1%
55 - 64	26%
65+	72%
Oldest pensioner	105

OTHER

Average pension	£4,776.94pa
Average age at retirement	59
Average age of pensioner	70

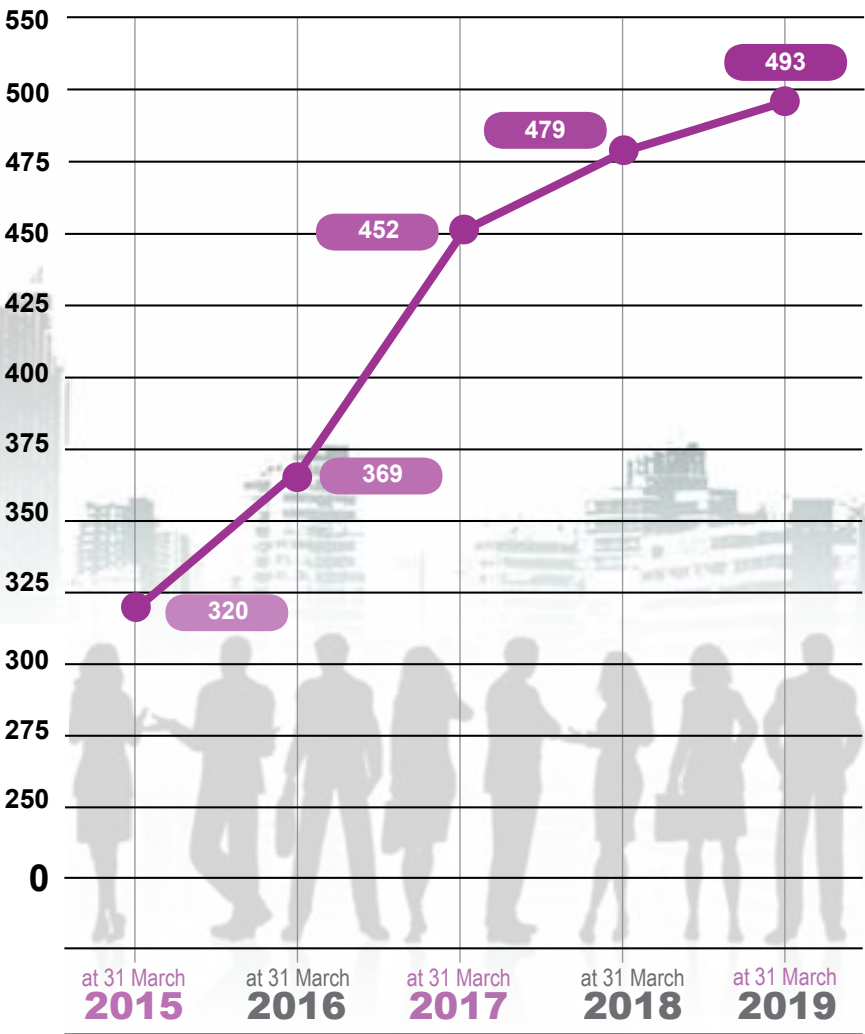
4.1

OUR PENSION FUND

Membership

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.



NUMBER OF EMPLOYERS AT 31 MARCH 2019

493

PENSIONS INCREASE

24%

OLDEST PENSIONER

105



4.2

OUR PENSION FUND

Employer admissions & contributions

The following new employers joined the Fund during the year

Date Admitted	Employer	Employer Type*
01/04/2018	Sodexo (Forest Primary Academy Wellspring)	Contractor (TAB)
01/04/2018	Sodexo (Oakwell Rise Academy Wellspring)	Contractor (TAB)
01/04/2018	Sodexo (Oakhill Academy Wellspring)	Contractor (TAB)
01/04/2018	Sodexo (Springwell Special Academy Wellspring)	Contractor (TAB)
01/04/2018	Sodexo (Greenacre Academy Wellspring)	Contractor (TAB)
01/04/2018	Hooton Pagnell All Saints School	Scheduled Body
01/04/2018	Kilnhurst Primary School	Scheduled Body
23/04/2018	Border to Coast Pensions Partnership Ltd	Community Admission Body
26/04/2018	Amey Community Ltd (Barnsley BSF Design & Building Schools)	Contractor (TAB)
26/04/2018	Amey Community Ltd SPV3 (Barnsley BSF/PFI)	Contractor (TAB)
26/04/2018	Amey Community Ltd SPV2 (Barnsley BSF/PFI)	Contractor (TAB)
26/04/2018	Amey Community Ltd SPV1 (Barnsley BSF/PFI)	Contractor (TAB)
01/05/2018	Holy Trinity Academy	Scheduled Body
01/05/2018	Brinsworth Manor Juniors	Scheduled Body
01/06/2018	Rockingham Junior & Infant School	Scheduled Body
01/06/2018	James Montgomery Trust	Scheduled Body
27/06/2018	Compass (St Pius X Catholic High School)	Contractor (TAB)
01/07/2018	Canon Popham C of E Primary & Nursery School	Scheduled Body
01/08/2018	Aspens Services Ltd - Netherwood Catering Contract	Contractor (TAB)
01/09/2018	Churchill Contract Services - Dinnington High School	Contractor (TAB)
01/09/2018	Churchills Contract Services - Brinsworth Academy (01/09/18)	Contractor (TAB)
01/09/2018	Astrea Academy-Sheffield	Scheduled Body

***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.

***Resolution Body:** These are bodies such as Parish and Town Councils which form part of local government but are able to choose through a resolution whether or not to participate in the Local Government Pension Scheme.

Date Admitted	Employer	Employer Type*
01/09/2018	Mercia School	Scheduled Body
01/09/2018	Interserve - SCC Catering Contract	Contractor (TAB)
01/09/2018	Wentworth CoE Junior & Infant School	Scheduled Body
01/10/2018	Darton Academy	Scheduled Body
01/10/2018	Laughton J & I School	Scheduled Body
01/11/2018	Wickersley Partnership Trust	Scheduled Body
05/11/2018	Dolce - Conisbrough Ivanhoe Primary Academy	Contractor (TAB)
01/12/2018	Owston Park Primary School	Scheduled Body
01/12/2018	Westfield School	Scheduled Body
01/12/2018	Kiveton Park Infant School	Scheduled Body
01/12/2018	Sandringham Primary School	Scheduled Body
01/02/2019	Astrea Academy Dearne	Scheduled Body
01/02/2019	Askern Moss Road Infant Academy	Scheduled Body
01/02/2019	Askern Littlemoor Infant Academy	Scheduled Body
01/03/2019	Maltby Learning Trust MAT HQ	Scheduled Body
01/03/2019	Wath Comprehensive School	Scheduled Body

The following employers ceased to participate in the Fund during the year largely due to the end of service contract

Date Terminated	Employer	Admission Cease Reason	Employer Type
08/04/2018	Compass (Armthorpe Academy)	Terminated	Contractor (TAB)
31/08/2018	Trustclean (Mexborough Highwoods)	Terminated	Contractor (TAB)
31/08/2018	Dolce Ltd (Thrybergh Fullerton)	Terminated	Contractor (TAB)



4.2

OUR PENSION FUND

Employer admissions & contributions

No penalties were levied in the year for late payment of contributions

Employers within the Fund paid over the following amounts to the Fund during the year

COMMUNITY ADMISSION BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Danvm Drainage Commissioners	1,458.38	3,545.08	0.00
National Childrens Bureau	80,633.81	136,822.82	176,000.00
Action Housing & Support Ltd	56,939.00	119,423.91	124,700.00
Northern Racing College	10,396.06	23,045.81	26,566.70
Leonard Cheshire Disability	1,191.52	4,601.52	0.00
South Yorkshire Housing Association	9,536.93	25,238.17	30,250.00
Northern College	61,098.82	147,745.30	0.00
Dial a Ride	850.45	3,900.67	20,208.30
Barnsley Premier Leisure	98,367.71	183,314.66	109,816.63
Doncaster Community Transport	2,499.34	8,704.69	-5,775.00
Roth Don and South Humber Mental Health NHS Foundation Trust	16,710.39	42,670.73	-12,100.00
Sheffield Community Transport	11,212.25	38,624.33	-14,850.00
Sheffield International Venues Ltd	30,014.89	66,528.11	283,050.00
Sheffield Students Union	5,796.34	12,997.94	-320.87
Sheffield Health & Social Care NHS Foundation Trust	75,193.66	204,108.07	170,316.63
Great Places Housing Association	10,703.95	24,833.38	15,399.96
Sheffield City Trust	88,660.79	196,018.95	-89,791.70
7 Hills Leisure Trust	52,847.37	134,445.21	-69,058.30
Voluntary Action Barnsley	3,805.32	10,993.20	10,083.37
Barnsley BIC Ltd	5,886.67	14,457.34	0.00
Independent Training Services Ltd	5,087.06	15,101.69	14,116.63

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

A **minus figure indicates that the funding requirement is in surplus.

A **nil figure indicates that no extra funding is required.

COMMUNITY ADMISSION BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Priory Campus Ltd	1,912.13	7,119.25	12,099.96
Forge Community Partnership	5,510.30	10,184.11	14,300.00
Doncaster Deaf Trust	93,240.82	208,446.94	140,066.74
Shaw Trust	2,387.70	10,115.96	0.00
Doncaster Culture & Leisure Trust	20,714.09	52,151.16	15,7300.00
Doncaster Childrens Services Trust Ltd	1,195,516.17	2,479,973.52	0.00
Voluntary Action Rotherham	1,464.70	5,727.14	0.00
Sheffield Mind Ltd	1,311.55	2,602.90	21,175.00
Community Action Halfway Home	1,108.03	4,566.07	11,183.34
Sheffield Industrial Museums Trust Ltd	22,294.66	57,903.91	8,800.00
Sheffield Galleries & Museums	7,447.67	14,064.69	53,450.00
Sheffcare Ltd	17,307.83	48,341.36	237,875.00
Sheffield Unison	3,418.57	7,057.93	13,100.00
Sheffield Futures	108,887.59	250,124.48	198,000.00
Learn Sheffield	21,013.80	38,688.98	0.00
Border to Coast Pensions Partnership Ltd	56,847.53	88,934.84	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Midshire Catering Ltd	560.40	2,088.77	0.00
KGB Cleaning (Doncaster College)	2,075.33	6,943.09	0.00
Compass (RCAT)	4,616.44	19,174.83	-250.00
ADS-Doncaster Substance Misuse Contract	2,257.47	5,979.08	0.00
SPS Security Ltd (Doncaster College)	921.14	3,621.09	0.00
Amey Community Ltd (Barnsley BSF Design & Building Schools)	5,378.58	20,677.57	0.00
Amey Community Ltd SPV1 (Barnsley BSF/PFI)	6,536.15	24,678.47	0.00
Amey Community Ltd SPV2 (Barnsley BSF/PFI)	4,634.81	12,477.08	0.00
Amey Community Ltd SPV3 (Barnsley BSF/PFI)	8,900.16	33,627.56	0.00
Kier (Barnsley Housing Stock Maintenance)	83,563.87	242,158.69	-111,375.00
NPS Barnsley Ltd	107,898.30	242,871.15	-13,566.63
Carillion (Barnsley Schools PFI)	2,350.11	8,372.00	366.66
Carillion (Barnsley Schools Non PFI)	659.64	2,359.52	366.67
Barnsley Norse Ltd	58,163.59	195,065.41	-26,858.37
Trustclean Ltd (Athersley North)	676.78	2,669.73	-641.63
Caterlink (Barnsley Academy)	2,967.76	9,518.64	0.00
RM Education Ltd (Dearne ALC)	1,072.13	3,715.43	-100.00
Dimensions (UK) Ltd	29,248.14	99,505.04	0.00
Turning Point	31,894.56	106,061.91	0.00
Compass (Kirk Balk Academy)	4,349.05	17,745.89	0.00
ISS Mediclean Ltd	4,991.82	18,242.57	0.00

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment*** (£)
Engie Services Ltd (Barnsley Schools)	2,380.59	10,719.10	0.00
Caterlink (Hunningley Primary)	1,768.66	6,545.11	0.00
Sodexo (Oakhill Academy Wellspring)	1,025.81	3,021.78	0.00
Sodexo (Greenacre Academy Wellspring)	4,074.77	11,777.10	0.00
Sodexo (Springwell Special Academy Wellspring)	2,333.67	9,177.15	0.00
Crispin & Borst	3,549.86	12,775.44	-5,775.00
Creative Support Ltd	1,558.25	5,528.59	-900.00
Compass (Grange Lane Infants)	550.78	1,712.48	0.00
Compass (Hatfield Woodhouse)	900.40	3,257.90	-83.30
Compass (Pheasant Bank)	752.40	3,530.10	-250.00
Compass (Rowena)	337.74	1,588.70	0.00
Compass (Hatfield Crookesbroom)	512.01	1,740.95	-500.00
Independent Cleaning Services Ltd (Danum Academy)	2,079.18	7,518.88	0.00
Carroll Cleaning Company (De Warenne Academy)	2,487.46	9,226.28	150.00
Aspens Services Ltd (McAuley Academy)	7,863.07	29,043.71	0.00
Compass (Don Valley Academy)	2,194.10	7,945.41	-1,166.70
Compass (Rossington All Saints Academy)	2,095.04	6,856.65	-666.70
Independent Cleaning Services Ltd (McAuley High)	1,286.93	7,253.71	0.00
Compass (The Hayfield School)	1,830.64	6,477.39	0.00
Engie Services Ltd (Rotherham Schools)	7,835.77	28,944.37	8,066.63
Go Plant Fleet Services Ltd	4,739.65	13,900.73	-4,675.00

4.2

OUR PENSION FUND

Employer admissions & contributions

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Fortem Solutions Ltd	151,812.04	393,746.78	-153,123.88
Morrison Facilities Service Ltd	160,791.91	470,459.94	-197,043.55
Mellors (Rawmarsh Comprehensive)	774.95	3,212.37	0.00
Trustclean (Wath CE School)	206.21	903.05	0.00
Places for People (RMBC)	46,785.29	136,832.01	-12,741.85
Churchill Contract Services (Brinsworth Academy)	296.70	1,051.90	0.00
Trustclean (Wath Victoria Primary)	220.86	469.83	0.00
Mellors (Brinsworth)	3,046.50	10,196.99	0.00
ABM Catering (Bramley Grange)	198.65	704.32	0.00
Capita (Outstanding Sheffield Programme)	22,362.24	64,352.53	-64,264.10
Taylor Woodrow Construction (Cleaning)	666.83	2,478.63	-2,000.00
Taylor Shaw (Sheffield Catering)	1,358.28	6,600.49	-3,750.00
Taylor Shaw (Sheff School Meals Central Contract)	31,490.08	118,875.94	-5,250.00
Mellors (Sheffield Schools)	319.43	1,637.92	-769.22
Amey LG Limited (Sheffield Highways)	571,447.66	1,591,561.52	-893,016.63
Interserve FM Ltd	1,435.50	4,151.90	27,133.37
Veolia Environmental Services PLC	120,323.36	378,517.52	-57,775.00
Mitie Ltd	1,199.48	2,735.65	833.30
Kier Managed Services	3,638.51	13,958.44	-13,723.78
Taylor Woodrow Construction (Sheffield Schools)	2,710.61	8,539.59	-7,150.00
Vinci Construction UK Ltd (Bradfield FM)	855.31	3,052.59	-550.00

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment*** (£)
Taylor Shaw (Bradfield School)	346.66	1,777.46	-333.28
Mellors (Hinde House/King Ecgbert)	3,048.79	11,114.82	-384.60
Caterlink (Sheffield Park Academy)	1,813.51	7,682.45	450.00
Places for People (SCC)	14,085.08	39,492.51	5,133.27
British Red Cross	936.10	4,244.79	0.00
Taylor Shaw (St John Fisher Academy)	764.84	2,586.50	0.00
Places for People (Wisewood Sports Centre)	1,789.01	5,238.75	0.00
Cordant Cleaning Ltd	28,637.88	108,498.18	0.00
Aspens Services Ltd (Parkwood Academy)	1,492.92	7,422.15	1,208.31
Aspens Services Ltd (E-ACT Pathways Academy)	578.81	2,531.35	0.00
Argent Catering Solutions Ltd	1,717.81	7,639.01	0.00
Dolce Ltd (Greengate Lane Academy)	582.07	2,963.29	0.00
Edwards Commercial Cleaning (NORTH) Ltd	765.82	2,854.50	0.00
Wates Living Space Maintenance Ltd	23,952.01	77,720.48	0.00
Dolce Ltd (Aston All Saints)	953.83	2,774.76	0.00
Dolce Ltd (Flanderwell Primary)	1,456.34	4,978.06	0.00
Dolce Ltd (Sitwell Juniors)	1,947.49	6,267.33	0.00
Dolce Ltd (Wickersley St Albans)	794.56	3,409.43	0.00
Dolce Ltd (Trinity Croft)	1,343.07	4,664.15	0.00
Dolce Ltd (Kilnhurst Junior & Infants)	1,649.50	5,338.39	0.00
Dolce Ltd (Swinton Fitzwilliam)	1,675.67	5,544.81	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Dolce Ltd (Whiston Junior & Infants)	573.78	2,034.54	0.00
Dolce Ltd (Whiston Worrygoose)	1,300.80	4,919.66	0.00
Dolce Ltd (Wickersley Northfield)	2,319.93	8,562.79	0.00
Dolce Ltd (Woodsetts)	1,046.91	3,845.08	0.00
Dolce Ltd (Intake Primary)	1,075.40	3,343.34	0.00
Mellors (Aston Hall Junior & Infants)	1,092.67	3,735.00	0.00
Mellors (Aston Lodge Primary)	1,237.86	3,511.11	0.00
Mellors (Brinsworth Whitehill)	1,061.31	4,032.97	0.00
Mellors (Monkwood Primary)	1,443.56	4,870.51	0.00
Mellors (Rawmarsh Ashwood Primary)	676.01	2,482.74	0.00
Mellors (Sandhill Primary)	962.30	3,236.85	0.00
Mellors (Thrybergh Primary)	1,817.51	7,104.98	0.00
Dolce Ltd (Blackburn Primary)	1,146.72	3,794.65	0.00
Dolce Ltd (Kiveton Park)	661.59	1,912.61	0.00
Dolce Ltd (Harthill Primary)	596.77	2,311.09	0.00
Dolce Ltd (Todwick)	2,455.27	9,002.38	0.00
Dolce Ltd (St Josephs - Handsworth)	470.35	2,057.35	0.00
Dolce Ltd (Dodworth St Johns)	1,124.39	5,225.80	0.00
Dolce Ltd (Rossington St Michaels)	1,928.57	7,069.35	0.00
Dolce Ltd (Wentworth C of E School)	314.08	1,073.49	0.00
Dolce Ltd (Elsecar Holy Trinity)	726.75	2,523.89	0.00

CONTRACTOR (TAB) Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Dolce Ltd (Swinton Queen Primary)	1,938.87	6,274.86	0.00
Dolce Ltd (St Marys Maltby)	578.56	1,819.79	0.00
Premiserv (Blackburn Primary)	966.45	4,052.61	0.00
Sodexo (Oakwell Rise Academy Wellspring)	1,326.06	5,931.91	0.00
Sodexo (Forest Primary Academy Wellspring)	1,154.17	3,966.63	0.00
TnS (DeWarenne Academy)	1,622.08	6,281.95	0.00
Affinity Trust - NHS Transfer (SCC)	2,841.48	12,706.38	0.00
Compass (St Pius X Catholic High School)	1,923.57	10,322.74	0.00
Interserve - SCC Catering Contract	902.34	3,981.43	0.00
Aspens Services Ltd - Netherwood Catering Contract	3,312.68	11,629.97	0.00
Churchill Contract Services - Dinnington High School	1,959.98	5,345.36	0.00
Churchills Contract Services - Brinsworth Academy (01/09/18)	341.74	1,211.26	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

RESOLUTION BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Brodsworth Parish Council	331.35	1,162.61	0.00
Shafton Parish Council	455.37	1,823.74	0.00
Penistone Town Council	3,273.90	8,871.91	4,650.00
Silkstone Parish Council	550.34	1,262.04	116.68
Askern Town Council	1,827.66	5,376.96	-458.40
Barnby Dun with Kirk Sandall Parish Council	1,158.80	3,581.30	-458.26
Edlington Town Council	6,174.11	16,602.07	0.00
Hatfield Town Council	3,394.63	10,770.33	3,000.00
Rossington Parish Council	2,992.34	10,167.12	2,016.66
Stainforth Town Council	1,035.35	3,651.92	8,983.37
Thorne Moored Town Council	5,558.69	17,623.35	13,900.00
Sprotbrough & Cusworth Parish Council	2,625.64	11,717.08	0.00
Armthorpe Parish Council	3,617.39	8,527.23	1,000.00
Barnburgh & Harlington Parish Council	383.32	989.86	0.00
Anston Parish Council	6,360.50	20,629.23	0.00
Thrybergh Parish Council	1,686.17	6,521.91	700.00
Aston-cum-Aughton Parish Council	4,076.18	15,365.41	91.63
Wickersley Parish Council	2,754.71	4,171.08	0.00
Bradfield Parish Council	5,841.06	20,706.91	-11,000.00
Ecclesfield Parish Council	2,317.06	10,263.22	-1,700.04
Stocksbridge Town Council	1,456.80	4,534.32	1,000.00

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
South Yorkshire Passenger Transport Executive	308,788.80	601,803.52	0.00
Barnsley College	397,999.93	797,502.11	345,583.37
DN Colleges Group	416,048.18	994,767.23	499,125.00
The Sheffield College	540,403.09	1,305,855.84	597,575.00
Sheffield Hallam University	3,079,486.85	5,963,875.01	2,771,165.14
The Hayfield School	41,312.35	117,533.64	22,600.00
R N N Group	503,763.20	1,161,306.02	450,358.00
Thomas Rotherham College	58,612.29	153,129.97	24,673.99
Longley Park Sixth Form College	50,199.04	93,795.39	18,837.50
University Technology College (Sheffield)	39,482.27	77,825.64	6,141.63
South Yorkshire Pensions Authority	154,227.93	344,440.51	185,537.00
Consilium Academies Trust	26,342.39	30,606.52	0.00
The Chief Constable	3,122,351.79	6,392,748.35	2,266,600.00
South Yorkshire Fire Authority	365,594.99	799,622.98	0.00
The Police and Crime Commissioner	56,946.25	98,716.88	38,000.00
Barnsley MBC	5,380,739.23	12,138,492.28	0.00
Berneslai Homes	756,356.17	1,726,409.03	-37,708.29
Barnsley Academy	34,444.58	65,579.88	18,150.00
St Marys Academy Trust	22,958.63	52,675.13	17,000.00
Oakhill Primary Academy	11,343.08	33,320.87	29,500.00
The Hill Academy	34,759.49	81,839.34	27,750.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Highgate Academy	14,914.77	41,500.73	22,833.30
Carrfield Academy	15,350.12	41,805.03	14,333.30
Gooseacre Academy	17,250.06	40,270.82	19,250.00
All Saints Academy (Darfield)	14,735.63	39,638.37	18,100.00
Upperwood Academy	18,466.59	51,940.47	20,300.00
Carlton Primary	17,539.53	46,754.92	16,999.92
Royston Parkside Academy	21,474.93	55,807.11	23,199.96
Royston Summer Fields Primary	12,038.89	29,891.09	18,199.92
Shafton Primary Academy	10,857.83	26,636.32	20,199.96
St Helens Primary Academy	9,405.76	24,240.01	24,100.00
The Forest Academy	116,626.56	173,642.40	22,400.00
Meadstead Primary Academy	16,952.89	43,890.24	29,000.00
Heather Garth Primary School	22,049.69	59,601.67	33,700.00
Queens Road Academy	12,353.23	32,935.26	19,200.00
Littleworth Academy	21,732.96	56,885.95	40,608.37
Darfield Valley School	10,324.77	25,853.30	18,425.00
Hoyland Common Primary School	26,053.82	53,960.63	41,158.34
West Meadows Primary School	15,622.13	41,811.41	25,700.00
Dodworth St John the Baptist CE Primary Academy	10,881.50	28,107.25	21,633.34
Darton Primary School	12,467.81	32,948.81	25,200.00
The Mill Academy	16,837.10	44,975.30	27,900.00

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Springwell Special Academy	35,848.20	68,946.23	63,800.04
Springwell Alternative Academy	35,216.62	66,914.76	70,100.04
Kirk Balk Community College	41,460.02	108,181.54	0.00
Outwood Academy Shafton	55,224.54	117,851.46	103,216.63
Sandhill Primary School	10,303.36	24,024.72	26,354.13
Greenacre Academy	159,811.41	321,556.07	0.00
Laithes Primary School	20,485.85	43,475.60	31,150.00
Elsecar Holy Trinity CE Primary Academy	7,072.76	19,342.25	12,283.34
High View Primary Learning Centre	35,721.12	90,215.35	60,300.00
Wombwell Park Street Primary School	18,773.16	40,933.12	28,500.00
Hoyland Springwood Primary School	14,401.53	39,296.71	25,400.00
Outwood Academy Carlton	55,398.00	144,095.10	109,083.37
Royston St John the Baptist School	15,869.06	42,675.27	32,700.00
Ward Green Academy	20,188.91	57,821.25	30,066.63
Wellgate Primary School	20,204.80	50,533.60	42,300.00
Kexborough Primary School	10,834.69	36,188.62	21,679.13
Oakwell Rise Primary Academy	11,481.26	30,483.61	16,096.70
Netherwood ALC	32,905.37	88,420.24	72,400.00
Worsbrough Bank End	11,870.76	26,988.09	24,750.00
Hunningley Primary School	18,777.84	47,418.36	33,247.50
Doncaster MBC	6,159,675.25	2,973,320.95	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Trinity Academy	66,402.84	165,829.80	12,100.00
St Leger Homes of Doncaster	1,203,566.79	2,464,555.83	0.00
De Warenne Academy	48,541.87	109,137.41	-15,950.00
Outwood Academy Adwick	59,922.74	166,530.28	-19,800.00
Rossington All Saints Academy	43,994.01	112,122.55	118,891.63
Ash Hill Academy	42,587.91	108,296.49	73,975.00
Auckley Junior & Infant Academy	16,783.69	47,650.17	17,800.00
Don Valley Academy & Performing Arts College	39,108.72	99,929.11	97,716.68
Grange Lane Infant Academy	14,979.80	40,464.50	14,116.63
Pheasant Bank Academy	15,009.82	41,719.09	16,683.37
Campsmount Academy	54,589.72	147,657.03	62,599.20
Outwood Academy Danum	50,451.51	133,071.77	131,266.63
Rowena Academy	15,029.75	39,144.79	19,341.63
The Academy at Ridgewood Trust	56,726.97	139,576.95	94,500.00
Conisbrough Ivanhoe Primary Academy	14,745.65	35,674.48	19,100.00
Highfields Primary Academy	7,284.95	19,590.38	9,258.37
Hall Cross Academy Trust	104,368.96	270,313.76	145,700.00
Hungerhill Academy Trust	65,586.07	167,039.12	87,400.00
Hatfield Woodhouse Primary	10,596.88	27,787.17	13,475.00
Crookesbroom Primary Academy	10,514.20	27,968.70	14,575.00
Willow Primary	18,525.88	48,217.81	14,208.33

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Armthorpe Academy	31,950.83	88,503.69	51,600.00
Barnby Dun Primary Academy	17,414.44	47,471.56	22,099.92
Castle Academy	8,811.95	27,335.62	10,166.70
St Oswalds C of E Academy	14,150.67	34,744.06	0.00
Armthorpe Shaw Wood Academy	25,290.69	59,211.01	30,341.63
Kirk Sandall Infant School	31,203.94	68,399.39	22,200.00
Dunsville Primary School	23,663.31	52,404.68	24,900.00
Sir Thomas Wharton Academy	38,166.64	94,101.89	75,600.00
Astrea Academy - Woodfields	63,032.50	153,284.99	137,333.30
St Josephs Catholic School (Rossington)	13,881.78	43,376.04	18,800.00
Richmond Hill Primary Academy	31,553.75	79,836.14	33,800.04
McAuley Catholic High School	65,162.92	164,140.65	110,700.00
Montagu Academy	24,690.72	65,083.85	41,066.64
Holy Family Catholic Primary	17,652.96	38,760.01	18,241.63
St Wilfrids Academy	21,035.30	54,367.72	1,191.63
Mexborough Academy	41,515.65	101,333.43	90,658.37
Kirk Sandall Junior School	17,723.60	48,118.62	23,400.00
XP School	14,095.30	24,448.28	100.00
Carr Lodge Academy	20,042.36	40,489.98	83.35
Waverley Academy	12,310.26	38,781.00	18,833.30
Morley Place Academy	14,275.16	37,486.19	18,425.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Hillside Academy	6,285.92	22,927.21	9,166.70
Edenthorpe Hall Academy	7,447.94	17,456.97	9,750.00
Hexthorpe Primary Academy	21,588.80	49,258.04	29,500.00
Denaby Main Primary Academy	11,721.27	29,767.33	18,000.00
Woodfield Primary School	18,849.40	43,784.16	36,700.00
Mexborough St John The Baptist C of E Primary	12,221.99	34,511.06	16,000.00
Balby Central Primary School	21,084.16	53,381.72	30,891.63
Kingfisher Primary School	24,064.37	72,682.15	34,666.70
Edlington Victoria Academy	16,928.96	56,117.46	27,300.00
Rotherham MBC	6,531,611.44	15,670,978.01	0.00
Maltby Academy	80,597.22	165,500.83	-44,366.63
Brinsworth Academy	68,613.98	146,888.67	18,900.00
Wales High School (Academy Trust)	91,685.62	224,292.11	0.00
Aston Academy	91,534.24	216,751.55	97,350.00
Thurcroft Junior Academy	15,216.67	38,611.98	14,300.00
St Bernards Catholic High School	39,970.43	84,814.69	92,891.63
Thrybergh Academy & Sports College	52,537.89	121,405.02	114,583.37
East Dene Primary	19,466.14	43,870.48	28,900.00
Coleridge Primary School	17,934.88	40,501.97	29,700.00
St Bedes Catholic Primary School	19,706.14	51,474.08	28,500.00
St Gerards Catholic Primary - Thrybergh	8,912.80	28,591.98	14,400.00

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
St Marys Catholic Primary School (Herringthorpe)	12,733.68	40,683.34	17,233.00
Wingfield Academy	46,712.49	105,336.17	78,500.00
St Marys Catholic Primary (Maltby)	11,871.74	35,714.29	15,719.30
Canklow Woods Primary Academy	25,357.81	64,594.37	29,400.00
Whiston Junior & Infant School	13,181.49	36,703.46	12,558.37
Whiston Worrygoose Junior & Infant School	23,906.56	66,747.56	21,700.00
Oakwood High School	58,698.61	139,826.46	88,600.00
Sandhill Primary Academy	12,331.00	27,758.32	14,799.34
Brookfield Primary Academy	16,291.63	41,369.63	20,500.00
St Josephs Catholic Primary (Dinnington)	12,927.32	31,987.46	20,300.04
Maltby Redwood Academy	16,548.65	40,272.49	16,900.00
Wickersley School and Sports College	143,691.95	321,072.41	197,816.63
Rawmarsh Ashwood Primary School	10,023.80	29,167.67	25,600.00
Sitwell Junior School	15,322.56	36,244.52	24,700.00
Thrybergh Primary School	10,432.08	27,150.08	20,300.00
Rawmarsh Community School	62,790.50	128,973.61	108,099.96
Wickersley St Albans C of E Primary School	13,608.73	38,549.43	18,700.00
Bramley Grange Primary	11,441.63	27,373.52	20,600.00
Monkwood Primary Academy	19,047.13	46,679.87	36,900.00
Anston Greenlands Primary School	12,792.44	33,662.05	18,600.00
Aston All Saints C of E School	10,648.50	32,841.52	17,100.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Dinnington High School	59,961.41	152,746.22	95,333.37
Trinity Croft C of E Primary Academy	8,726.13	17,717.86	8,599.92
Listerdale Primary School	13,966.40	37,402.08	26,950.00
Wickersley Northfield Primary	24,357.79	69,322.93	40,500.00
Thrybergh Fullerton Primary	8,359.18	20,747.06	12,300.00
Flanderwell Primary School	20,720.52	45,934.36	28,691.63
Maltby Manor Academy	24,045.32	59,086.04	37,600.00
Maltby Lilly Hall Academy	26,932.09	71,518.91	34,100.04
Ravenfield Primary Academy	9,864.36	30,266.93	18,000.00
Winterhill School	68,394.55	157,227.45	244,800.00
Herringthorpe Junior Academy	23,240.99	50,053.99	26,600.00
Springwood Junior Academy	18,405.06	43,162.75	17,900.00
Greasbrough Academy	14,217.69	37,355.40	15,336.00
Eastwood Village Primary School	16,526.28	30,560.29	100.00
Dinnington Community Primary School	21,646.68	47,419.73	25,900.00
Abbey School	30,304.85	86,424.08	9,266.72
Maltby Hilltop School	83,557.07	197,926.36	55,800.00
High Greave Infant School	10,794.39	26,574.78	15,900.00
High Greave Junior School	17,253.74	34,560.82	9,333.38
Kelford School	55,741.71	134,060.11	47,250.00
Brinsworth Whitehill Academy	14,953.63	38,192.52	19,999.92

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Aston Hall Junior & Infant School	9,112.21	22,991.76	11,575.00
Swinton Queen Primary School	17,566.84	55,445.94	15,400.00
Aston Lodge Primary School	10,666.75	33,105.57	13,700.00
Swinton Community School	65,067.11	166,653.73	63,799.92
Sheffield City Council	10,783,592.22	29,117,716.92	0.00
Notre Dame High School	75,144.22	178,750.82	30,800.00
St John Fisher Primary - A Catholic Voluntary Academy	11,439.32	35,827.06	4,600.00
All Saints Catholic High School	53,628.66	126,228.97	31,441.74
St Anns RC Primary School	4,683.08	13,326.11	0.00
St Josephs Primary School	11,675.80	39,716.52	2,200.00
Clifford C of E School	8,214.18	18,536.27	3,400.00
St Therasas RC School	13,505.85	35,750.12	0.00
St Patricks Catholic Academy Trust	17,808.11	55,511.97	12,100.00
Totley All Saints C of E School	9,766.52	29,436.01	5,400.00
Broomhill Infant School	7,220.73	20,620.40	3,000.00
Parkwood Academy	45,562.17	103,941.26	-9,958.32
Tapton School	70,483.28	136,438.67	97,808.37
Yewlands Academy	46,548.72	104,858.38	94,600.00
Hartley Brook Academy	40,424.44	79,211.36	47,666.70
Hatfield Academy	19,712.39	42,259.30	20,333.30
Meadowhead School Academy Trust	67,829.11	145,940.29	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Chaucer School	62,894.22	156,533.05	107,358.29
St Thomas of Canterbury Trust	15,856.80	44,600.48	21,600.00
King Ecgbert School	62,579.87	144,624.99	76,149.96
St Maries School Catholic Voluntary Academy	15,981.88	37,335.89	26,600.04
Sheffield Springs Academy	30,004.00	64,559.59	21,495.76
Sheffield Park Academy	52,030.94	110,174.33	24,200.00
St Wilfrids Catholic Primary School	13,895.70	39,798.51	22,200.00
Fir Vale School Academy Trust	53,292.88	106,159.59	81,050.04
Bradfield School	34,600.66	92,560.71	33,913.00
Southey Green Primary School & Nurseries	54,866.35	116,373.10	50,875.00
Silverdale School	58,910.09	129,258.53	74,600.00
Greengate Lane Academy	7,719.92	18,696.31	11,000.00
Meynell Primary School	33,340.80	77,805.15	43,266.63
Mansel Primary School	31,121.95	72,935.98	39,700.00
Monteney Primary School	42,019.15	82,751.50	63,150.00
Fox Hill Primary School	30,408.66	73,312.70	43,100.00
Hinde House 3-16 School	48,785.82	114,219.21	114,216.67
Lound Infant School	9,675.51	24,851.49	22,458.36
Lound Junior School	15,296.94	43,232.58	22,333.32
Firth Park Academy	58,263.51	134,282.96	140,500.08
Porter Croft C of E Primary Academy	16,408.05	39,486.61	23,141.67

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
E-ACT Pathways Academy	26,557.11	58,721.46	37,050.00
Hillsborough Primary School	22,753.79	60,835.85	39,875.00
St Marys Primary School (High Green)	9,814.50	26,328.14	19,800.00
Sacred Heart School A Voluntary Academy	11,491.02	32,225.99	24,450.00
Outwood Academy City	52,832.07	121,099.72	86,350.00
Totley Primary School	15,158.38	45,297.35	21,499.92
St Catherines Catholic Primary School	32,482.59	73,609.57	45,700.00
Concord Junior School	7,305.00	15,250.29	21,358.33
Ecclesfield School	69,654.47	161,375.76	121,500.00
Wincobank Nursery & Infant School	13,526.81	34,034.03	20,808.33
Newfield Secondary School	37,962.75	92,524.59	79,108.37
Emmaus Catholic & C of E Voluntary Academy	18,519.58	45,689.90	29,791.63
Forge Valley School	64,509.12	174,398.51	141,716.63
St Marys C of E Academy (Walkley)	12,215.79	28,679.84	28,200.00
Lowedges Junior Academy	16,124.45	34,853.73	20,500.08
Oasis Academy (Firvale)	16,252.14	26,568.38	1,100.00
Oasis Academy (Watermead)	16,566.44	33,099.57	1,250.00
Chapelton Academy	6,779.10	17,669.57	1,150.00
Handsworth Grange Community Sports College	53,955.41	130,471.87	95,333.35
Emmanuel Junior School	10,059.73	30,674.62	20,600.04
High Hazels Junior Academy	18,576.65	43,993.20	39,600.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Valley Park Community Primary	33,720.41	75,042.24	67,925.00
High Hazels Nursery Infants Academy	16,216.55	34,153.92	45,466.63
Nether Edge Primary Academy	19,021.41	43,435.78	45,900.00
Wisewood Community Primary	12,123.92	34,642.76	21,450.00
Hallam Primary Academy	23,620.47	61,006.52	20,716.63
Oasis Academy (Don Valley)	22,182.98	34,901.96	100.00
Beck Primary School	45,663.18	94,494.69	74,549.97
St Thomas More Catholic Primary Academy	11,318.71	25,163.46	24,000.00
Hucklow Primary School	29,299.54	64,408.19	26,100.00
Tinsley Meadows Primary School	49,097.44	93,801.97	54,600.00
Lower Meadow Primary Academy	18,076.31	39,740.01	23,291.70
Astrea Academy Trust	78,350.75	96,976.77	1,125.00
Byron Wood Academy	31,864.04	74,904.71	64,500.00
Abbeyfield Primary Academy	28,117.88	64,097.74	43,500.00
Manor Lodge Primary School	20,712.92	53,149.85	27,408.33
Acres Hill Community Primary Academy	17,387.16	45,370.72	44,000.00
Phillimore Community Academy	28,799.38	69,684.05	54,900.00
Wybourn Community Primary Academy	36,502.52	91,008.29	65,909.20
Birley Academy	55,642.75	161,938.36	124,850.00
Birley Primary Academy	27,188.44	72,235.50	50,600.00
Rainbow Forge Primary School	16,757.50	35,427.20	12,191.67

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Charnock Hall Primary Academy	15,694.40	43,348.49	36,133.26
Birley Spa Primary Academy	23,148.14	68,387.22	63,616.63
Catcliffe Primary School	20,435.92	47,150.98	17,333.30
Aughton Junior Academy	8,206.19	22,904.02	10,500.00
Swinton Fitzwilliam Primary Academy	16,391.54	43,598.00	18,975.00
Wath C of E Primary School	23,038.49	59,216.02	22,700.00
Hilltop Academy	27,707.39	73,592.36	33,200.04
Wath Central Primary School	23,233.34	68,190.51	29,760.00
Southfield Primary School	21,781.46	60,986.32	29,730.00
Bentley High Street Primary School	42,065.69	111,730.57	75,090.00
Scawsby Rosedale Primary School	14,350.77	38,271.44	23,750.04
Brampton Ellis C of E Primary	30,976.29	81,814.27	22,800.00
Armthorpe Tranmoor Primary School	26,861.52	79,525.36	45,136.63
Pennine View School	34,299.67	89,362.13	56,500.00
Our Lady of Sorrows Catholic Academy	11,176.42	36,881.51	14,041.70
Bessacarr Primary School	24,464.22	65,911.05	30,750.00
Highwoods Academy	15,522.37	41,237.29	21,879.96
Rossington St Michaels C of E Primary School	15,914.76	40,299.11	31,899.96
Wath Victoria Primary School	25,709.61	59,036.87	28,476.00
Brampton Cortonwood Infant School	13,540.29	33,757.48	13,576.63
National College for High Speed Rail	62,851.96	54,205.50	0.00

4.2

OUR PENSION FUND

Employer admissions & contributions

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Anston Brook Primary School	9,255.18	24,707.05	6,783.37
Woodsetts Primary School	11,106.16	28,505.11	16,408.37
Green Top Academy	20,956.51	51,071.47	38,070.90
Hatchell Wood Primary Academy	19,208.34	57,144.48	33,340.02
Treeton C of E Primary Academy	16,072.39	46,545.85	19,710.00
Intake Primary Academy	14,655.73	36,622.08	23,025.00
Atlas Academy	12,807.24	33,788.95	19,600.00
Roughwood Primary School	16,228.03	45,531.68	18,955.00
Kilnhurst St Thomas C of E Primary Academy	11,530.09	29,739.31	16,250.04
Stocksbridge High School	33,525.73	86,664.54	30,900.00
Clifton Community School	58,386.15	131,477.32	80,200.00
Diocese of Sheffield Academies Trust	4,764.79	5,486.32	0.00
Windmill Hill School Academy	19,318.46	55,278.15	35,490.00
Anston Park Infants School	12,842.98	37,782.69	16,580.04
Norfolk Community Primary School	30,324.48	81,424.31	54,871.63
Milton School Swinton	31,225.47	82,434.17	28,642.50
Greenhill Primary School	28,853.06	70,971.04	74,760.00
High Storrs School	48,016.46	127,666.16	78,140.00
Hooton Pagnell All Saints School	3,548.56	8,815.49	9,690.00
Holy Trinity Academy	62,389.13	174,269.57	99,319.99
Brinsworth Manor Juniors	10,849.12	25,291.30	14,309.10

SCHEDULED BODY Employer	Employees Contributions (£)	Employers Contributions (£)	Deficit Payment** (£)
Kilnhurst Primary School	12,062.58	32,279.77	13,784.88
Rockingham Junior & Infant School	18,484.43	43,455.60	19,832.00
Canon Popham C of E Primary & Nursery School	10,789.05	34,679.77	14,906.67
James Montgomery Trust	13,659.95	31,092.63	0.00
Wentworth CoE Junior & Infant School	1,966.48	4,569.96	2,120.00
Darton Academy	24,246.06	61,304.04	42,350.00
Laughton J & I School	5,667.79	20,868.55	2,740.00
Kiveton Park Infant School	2,814.01	7,682.87	4,890.00
Westfield School	14,423.92	35,045.31	33,250.00
Sandringham Primary School	7,725.96	23,769.94	12,690.00
Owston Park Primary School	8,872.28	27,734.72	12,791.00
Wickersley Partnership Trust	11,398.90	21,733.28	0.00
Askern Moss Road Infant Academy	1,137.73	3,268.26	0.00
Astrea Academy Dearne	5,895.99	13,781.47	10,195.00
Mercia School	2,567.67	5,822.00	900.00
Astrea Academy-Sheffield	4,584.87	7,674.31	0.00
Askern Littlemoor Infant Academy	2,180.68	6,952.27	0.00
TERMINATED			
Trustclean (Mexborough Highwoods)	302.29	1,099.29	-125.00
Compass (Armthorpe Academy)	58.22	201.56	89.86
Dolce Ltd (Thrybergh Fullerton)	114.95	409.65	0.00

4.3

OUR PENSION FUND

Local Pension Board Annual Report

This section presents the Annual Report of the South Yorkshire Local Pension Board which exists to assist the Pensions Authority to maintain the effective and efficient administration of the scheme.

Foreword

Welcome to the 4th annual report of the South Yorkshire Joint Local Pension Board (LPB).

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. The LPB comprises in equal numbers, scheme members, which includes the three recognised trade unions, and employer representatives.

We have seen a number of changes this year with some long standing members retiring from our Board, Sue Ross, our Vice-Chair and Geoff Berrett one of our Employer representatives and also Nicola Simpson one of our Academy representatives. I would like to thank them all for their commitment and service on our Board which has contributed to its evolvment within the governance structure of the Authority as it stands today. I took over as Chair last year following the retirement from office of Glyn Boyington and would like to take this opportunity to thank him also for his diligence and leadership over the previous three years. I would also like to welcome our new employer representative Rob Fennessey to our Board.

The establishment of the Border to Coast Pensions Partnership has brought with it the opportunity this year for all the Chairpersons from the 12 authorities to come together to share best practice and collectively assist each other in achieving the purpose of why the Boards were set up, which is 'to contribute to the governance of the pension scheme and make recommendations where appropriate'.

In November last year I was invited to attend the Employers Forum and was given the opportunity to raise awareness of the LPB amongst our Employers. This was well received by all enabling a platform for our Board to showcase some of the good work that it has done and plans to do.

A key focus from the Pensions Regulator is on good record keeping and data quality and to this end one of the main focuses this year has been a full scale review of both the data held on our Scheme members and also the quality of that data. A data improvement plan has also been produced and is being reviewed on a regular basis by our Board.

This year has also seen a change in the leadership of the officers of the Authority. I would like to take this opportunity to thank all officers, both past and present, for their efforts on our behalf.

Finally, without the commitment of all the members of our Board we would not be where we are today so a huge thank you to you all for your continued diligence and support.

Jill Thompson, Chair



Membership

Employee Representatives

- Jill Thompson
LGPS Member (Acting Chair)
- Garry Warwick (GMB)
Trades Union
- Kevin Morgan (UNITE)
Trades Union
- Nicola Doolan-Hamer (Unison)
Trades Union
- Vacancy
LGPS Member

Employer Representatives

- Vacancy
(Admitted Body)
- Rob Fennessey (South Yorkshire Police) 'Other Large Employer'
- Nicola Gregory
(Academy)
- Councillor Phillip Lofts
Local Authority Member (Barnsley)
- Vacancy
Local Authority Member (Rotherham)

Member attendance

Attendance at the LPB meetings has been positive with members and employer representatives freely giving their time and commitment. Indeed 4 members have achieved 100% attendance over the year.

	7 June 2018	4 Oct 2018	17 Jan 2019	18 Apr 2019
N Doolan-Hamer	✓	x	✓	x
Geoff Berrett	x	✓		
Rob Fennessey				✓
Nicola Gregory	✓	✓	✓	✓
Cllr Phillip Lofts	x	x	✓	✓
Kevin Morgan	✓	x	✓	✓
Sue Ross	✓	✓	✓	
Nicola Simpson	x			
Jill Thompson	✓	✓	✓	✓
Garry Warwick	✓	✓	✓	✓
HR Officer				✓

4.3

OUR PENSION FUND

Local Pension Board Annual Report

Role of the LPB

The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to:

- Secure the effective and efficient governance and administration of the LGPS for the South Yorkshire Pension Fund;
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest;
- Ensure the South Yorkshire Pension Fund effectively complies with the Code of Practice on the Governance and Administration of Public Service Pensions Schemes issued by the Pensions Regulator and is effectively managed and administered in compliance with the Code.

Work of the Board 2018/19

The Board held four meetings during the year.

The Board continued to develop their **Work Programme**. This is a fluid document and one which evolves as Members' knowledge and understanding of their roles evolve and also as situations arise within the Authority that require the Board's attention/consideration. Agreement has been reached to ensure specific issues set out in Government Guidance were cross referenced and gaps included in the Work Programme, for the avoidance of doubt. Members of the Board receive all **agenda papers** issued to Members of the Pensions Authority.

During the year the Board has considered:

- **Annual Fund Member Event**
 - Members of the Board were invited to the Annual Fund Member Event in Rotherham.
- **Guaranteed Minimum Pension Reconciliation**
 - The Board have been kept informed on the progress of this exercise.
- **Internal Audit**
 - The Board received Internal Audit progress reports.
- **Investment Pooling**
 - The Board were regularly updated on the progress of the Border to Coast Pensions Partnership.
- **Budget**
 - the Board regularly reviewed their budget.
- **External Audit Arrangements**
 - The Board, through the receipt of all Authority papers, was kept fully briefed on the work of the Authority's External Auditors Deloitte.
- **Review of Breaches and Complaints**
 - The Board received regular reports on breaches and Scheme Member complaints.
- **The Pensions Regulator**
 - The Board received a presentation from the Pensions Regulator.
- **Employer Survey**
 - The Board reviewed the outcome of the Employer survey.
- **Administration and Employer Performance**
 - The Board regularly considered Administration and Employer performance.
- **Data Quality Improvement**
 - The Board monitored the Data Quality Improvement Plan.

4.3

OUR PENSION FUND

Local Pension Board Annual Report

Training and Development

The Board has in place a Training and Development Strategy similar to that of the Authority and both bodies have acknowledged the requirement to undertake training and development in tandem for mutual benefit and to provide value for money in training delivery.

During the year, Board Members have received the following training/development support:

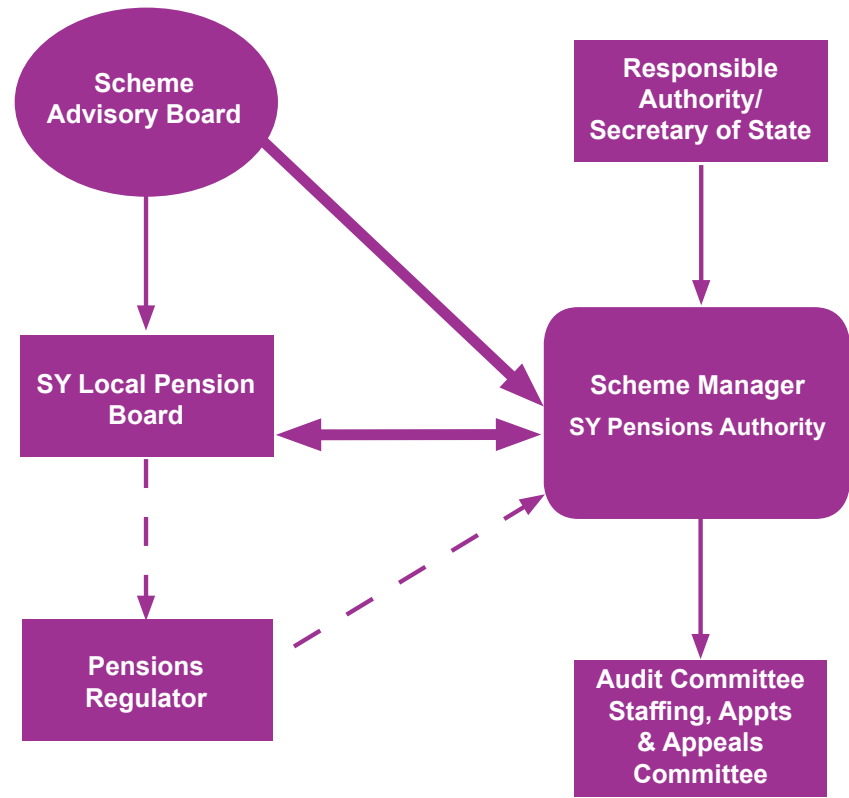
- LGA Fundamentals Training
- BCPP Conference
- Authority Seminar - Corporate Strategy and Beliefs
- CIPFA LPB Members Annual Event

Future Plans

We aim to:

- Monitor governance arrangements both within the Authority and the Border to Coast Pensions Partnership.
- Receive and make recommendations on data improvements through the newly designed data scoring model.
- Introduce mandatory training for all members of the LPB.
- Work closely with the other Local Pension Boards within our Pensions Partnership to share best practice.

Governance Structure



LPB Expenditure to 31/03/19

	Original Outturn	Revised Outturn	Actual Outturn	2018/19 Variance	Note
	£	£	£	£	
Travel, Accommodation and Subsistence	3,500	1,000	189	(811)	1
Training/Conferences	8,000	6,000	2,653	(3,347)	1
Professional Advice/ Other	3,500	3,000	1,222	(1,778)	2
Totals	15,000	10,000	4,064	(5,936)	

1. Expenditure has been minimal against this budget as the Local Pension Board has only incurred travel expense claims, subsistence and training expenses at 31 March 2019.

2. Professional Indemnity Insurance expenditure plus LPB meeting costs.

4.4

OUR PENSION FUND

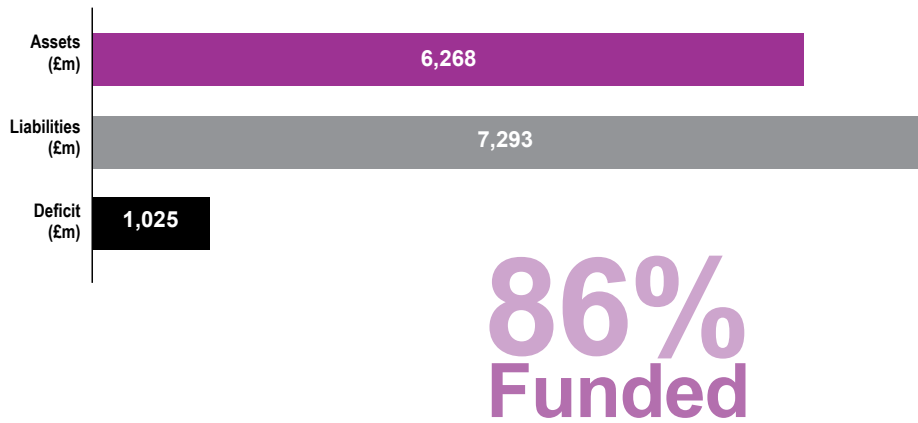
Actuarial Report

Accounts for the year ended 31 March 2019 - Statement by the Consulting Actuary

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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,268* million represented 86% of the Fund's past service liabilities of £7,293* million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,025 million.



*the assets and liability values included allowance for a bulk transfer that took place prior to the valuation date but for which the transfer payment hadn't been finalised by 31 March 2016.

The valuation also showed that a Primary contribution rate of 15.0% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place

which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the most recent actuarial valuation the average deficit recovery period was 19 years, and the total initial recovery payment (the "Secondary rate") for 2019/20 is approximately £18 million. With the agreement of the Administering Authority employers could also opt to pay some of their employer contributions early (after suitably agreed reductions), with either

all three years being paid in April 2017 or payment being made in the April of the year in question. The Secondary rate quoted above for 2019/20 makes allowance for some employers to phase in any increases or to prepay their contributions in April 2018.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report.

For those employers in the ill-health captive arrangement payments to cover additional liabilities arising from non ill-health early retirements will be made to the Fund.

For those employers not in the ill-health captive arrangement, the certified contribution rates normally included specific allowances to meet the additional liabilities arising from ill-health and voluntary early retirements. For these employers, payments to cover any further liabilities arising from early retirements will also be made to the Fund.

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 >>](#)

4.4

OUR PENSION FUND

Actuarial Report

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

	For past service liabilities (Funding Target)	For future service liabilities (Primary Rate of Contribution)
Rate of return on investments (discount rate)	4.20% per annum	4.95% per annum
Rate of pay increases (long term)*	3.45% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value	The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the	contribution rates payable by the individual employers will be revised with effect from 1 April 2020.
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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 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.60% per annum	2.40% per annum
Rate of pay increases*	3.35% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) /deferred revaluation	2.20% per annum	2.30% per annum
Rate of CPI Inflation / benefit revaluation / CARE	2.10% per annum	2.20% per annum

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

continues overleaf >>

4.4

OUR PENSION FUND

Actuarial Report

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 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £10,514 million. Interest over the year increased the liabilities by c£274 million, and net benefits accrued/paid over the period also increased the liabilities by c£97 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then an increase in liabilities of £614 million due to "actuarial gains" (i.e. the effect of the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £11,499 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required.

There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is

uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

Following a request from the LGPS Scheme Advisory Board, the Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole, which are set out in their paper dated 10 June 2019. For the LGPS as a whole, GAD's calculations indicate a potential balance sheet effect of additional liabilities of about 3.2% of active member liabilities (around 1% of overall liabilities), when measured on IAS26 actuarial assumptions as at 31 March 2019 assuming real pay growth of 1.5% p.a. above CPI. For the South Yorkshire Pension Fund, the default real pay growth assumption at the last valuation was 1.25% p.a. above CPI. We have adjusted GAD's calculation to allow for this, resulting in an adjustment of around 2.7% of active liabilities (or 0.8% of total liabilities). Applying the same 0.8% of overall liabilities to the South Yorkshire Pension Fund, the increase in the estimated total value of the Fund's promised retirement benefits at 31 March 2019 would be approximately £90 million.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to

be included for the effect of the Lloyds Bank judgement, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.



Paul Middleman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
July 2019



Clive Lewis
Fellow of the Institute and
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July 2019



5
ADMINISTERING THE PENSION FUND



5.1

ADMINISTERING THE PENSION FUND

Administration performance

Last year's annual report marked the retirement of Gary Chapman as Head of Pensions Administration after 40 years of loyal service to the Fund and the Pensions Authority during which a strong foundation was built for the longer term, initiating amongst many other developments the move to monthly collection of individual scheme member data from employers. This new innovation went live from 1 April 2018 (previously we had only collected information at member level on a yearly basis) and marks an important step in our improvement journey.

This development has had very strong buy-in from our employers and by the end of the 2018/19 year we had achieved success rates for receipt of monthly files across our whole employer database of around 99%. The success of this move to monthly data is a key driver for a number of longer term improvements we are seeking to make and these are explained later in this summary.

A key area of focus for the Pensions Regulator, who increasingly has the performance of public sector pension scheme administrators in his sights, has been the requirement to ensure we issue annual benefit statements to all our active and deferred scheme members by 31 August each year. Following some system driven production issues in previous years which resulted in intervention from the Regulator, we were able to issue statements to 99% of our scheme members for 2017/18 by the target date, a considerable improvement on the 83% achieved in the previous years. The move to monthly data collection will allow us to start production of the annual statements even earlier in the year ahead which will hopefully allow us to reach the optimum level of 100% compliance.

As we mirror developments in the wider world and move towards a 'digital by default' approach we are making the annual statements available online only for future years. This coincides with the launch of our refreshed

online 'mypension' portal which is now live after many months of development. The upgrade to a more intuitive and comprehensive portal enhances our online service to our scheme members and we hope that, over time, the whole membership will be signed up to utilise it. The ability to improve the way we communicate with all our members is a key focus of our new Corporate Strategy which is discussed elsewhere in this report and we will fully utilise the enhanced communication channels that the new portal gives us.

The importance of maintaining accurate data on all our members has long been part of our focus at SYPA and, over the years, we have developed bespoke software systems to analyse and report on data quality. Such is the success of these tools that they have been purchased by other local authority pension funds. This foresight has been beneficial for us as the focus on data quality is another area which has piqued the Regulator's interest and 2018/19 saw the launch of our

Data Quality Improvement Plan. Our progress against this plan is now reported regularly to the Local Pension Board and to the Regulator. The move to monthly data collection allows us to identify missing or incorrect data much sooner than was previously possible and serves to ensure our members' records are as up to date as possible at any point in time.

May 2018 brought the introduction of the General Data Protection Regulations (GDPR) - a piece of legislation that everyone will be familiar with and one that pension funds must pay particular attention to given the sensitive and personal nature of the data we hold. All staff across the organisation have received training on the importance of secure handling of our members' data and our systems are externally accredited as being highly secure.

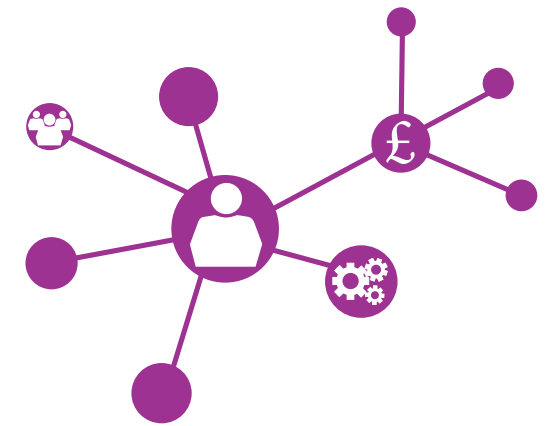
In terms of administration performance, the team continues to recover from the systems issues that have caused us

difficulties in past years and the overall performance level for work involving payment of benefits for 2018/19 was 90%, an improvement of 7% on previous years. This may seem a modest improvement but SYPA have always set ourselves exacting standards of performance with timescales tighter than those found in comparable organisations. Page 99 provides more information about our performance against our service standards.

During 2018/19, we were finally able to introduce the sophisticated software we have developed jointly with our systems provider (Civica) and that has enabled us to work on resolving the aggregation of member records with multiple/successive employments that had hung over us since the complexities introduced by the move from a final salary to a career average scheme in 2014. Since the project team was set up in October 2018, we have dealt with more than 6,000 cases which is around three quarters of the total that required review.

We are also investing further in available new technologies, including the increased use of process automation tools, to further improve our performance over the year ahead and to ensure we continue to provide a cost-effective administration service, that can compare favourably with the best performing pension funds.

Whilst it is pleasing to reflect on successes during 2018/19, we recognise that we have to develop more quickly than has, perhaps, been the case in the past so that we can meet the changing demands of our membership as well as the financial constraints in which we operate as a public body. We have an ambitious agenda for continuous improvement set out over the next three years. We have also recognised that, whilst we have rightly focused on our scheme members, we need to do more to support the increasing number and variety of employers in the Fund and this will be a key focus for the year ahead.



5.1

ADMINISTERING THE PENSION FUND

Administration performance

Retirement Analysis

During 2018/19 we processed and paid 3,676 retirements. A breakdown showing the types of retirements processed are listed below. Of the 52 ill health retirements processed, 38 were awarded enhanced membership under the ill health provisions of the scheme.

Type of Retirement	2017/18	2018/19
Normal Pension Age	628	682
Late Retirement	232	255
Early Retirement with reductions	1,680	2,244
Flexible Retirement	106	147
Ill Health Retirement	77	52
Redundancy/Efficiency Retirement	203	296
Total	2,926	3,676

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.





5.1

ADMINISTERING THE PENSION FUND

Administration performance

Service Delivery

Our performance in terms of meeting our published service standards over the year ending 31 March 2019 are given in the table on page 99. As indicated in the table, our performance response times have improved in nine of the twelve key performance targets and this includes an improvement in all areas involving the payment of benefits to members. These improvements are a reflection of the recovery from the systems issues that had previously overshadowed our ability to deliver improvements in previous years. We do recognise that response times are only one measure of performance and will be looking to increase our focus on wider service quality indicators going forward.

In addition to the key service standards, shown on the next page, we have processed around 43,600 other items of casework during the year. These include changes to key membership data when scheme members have variations to their contracts of employment or leave to work with other scheme employers within the Fund. Aside from the performance standards we continue to provide regular newsletters to our members as well as information booklets and other web based content. Annual Forecasts were issued to active and deferred members during the year and we held our Annual Fund Meeting in October which was well supported and appreciated by those who attended. We also have Facebook and Twitter accounts to encourage members of all ages to engage with the Fund. Paying our 50,000 plus pensioners remains our top priority and we continue to do so without fail.

Service Delivery continued

Key Service Standard	Target Days	Number Processed	In Time	Previous Year 2017 - 2018	Performance 2018 - 2019	
Retirement Benefits	5	3543	3179	74.80%	89.73%	▲
Death Benefits	4	1528	1372	76.39%	89.79%	▲
Retirement Estimates	5	1146	914	75.72%	79.76%	▲
Pension Rights on Divorce	5	330	272	73.35%	82.73%	▲
Preserved Benefits	20	6399	4923	64.11%	76.93%	▲
Transfers Out	5	326	178	50.31%	54.60%	▲
Refund of Contributions	9	620	577	86.94%	93.06%	▲
Transfers In	7	356	112	43.81%	31.46%	▼
Additional Benefits	12	682	614	82.39%	90.03%	▲
General Enquiries	5	2820	2514	89.53%	89.15%	◀▶
Setting Up a Record	5	8751	6793	86.53%	77.63%	▼
All Key Tasks	-	26,501	21,448	77.86%	80.93%	▲

5.1

ADMINISTERING THE PENSION FUND

Administration performance

Service Delivery continued

Our performance rating against satisfaction levels given by employers and members for 2017/2018 and 2018/2019

The ratings shown are derived from responses to our consultation questionnaires. Each questionnaire ends with a specific question about overall satisfaction with SYPA.

The significant improvement in scheme member satisfaction reflects both the improvement in overall processing time and the progress we have made in addressing the large number of outstanding aggregation cases.

	VERY SATISFIED		SATISFIED	
	2017/2018	2018/2019	2017/2018	2018/2019
EMPLOYERS	43%	33%	57%	65%
MEMBERS	35%	49%	15%	41%

	DISSATISFIED		VERY DISSATISFIED	
	2017/2018	2018/2019	2017/2018	2018/2019
EMPLOYERS	0%	2%	0%	0%
MEMBERS	45%	5%	5%	5%

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. 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 at the beginning of November 2018. 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 show an increase in the cost per member when compared with previous years – see table opposite. The principal cause of the increase relates to staffing costs and is explained by two main factors. Firstly, a restructure of the administration function resulting in an increase in staffing numbers was agreed by the Authority in 2017. Secondly, the 2018 data included the cost of the teams based in the four District

offices for the first time - these teams had previously been excluded on the basis that they had historically focused on carrying out functions for the District Councils but this is no longer the case.

Although explainable, the increase in staffing costs risks placing SYPA as a potential outlier in terms of the overall costs per scheme member which is not a desirable position in the longer term. The Corporate Strategy identifies a series of measures to be developed

which aim to ensure the costs of administration remain within the range of comparator funds.

Whilst the results do not give an indication of the quality of service that members can expect to receive from us we know from our external verification (Customer Service Excellence) and our member feedback that this is highly rated. We hope to see the measure of quality reflected in benchmarking exercises in future to provide a more complete picture.

Year	Cost per member		
	SYPA	LGPS Funds Average	Participating Funds
2018	£18.67	£21.16	32
2017	£15.40	£20.14	32
2016	£15.87	£18.58	34
2015	£17.86	£19.17	42
2014	£19.62	£20.75	49
2013	£20.03	£21.42	52
2012	£20.05	£21.54	62



5.1

ADMINISTERING THE PENSION FUND

Administration performance

Employer Performance

One of the key factors influencing the level of service we are able to provide to our scheme members is of course the timeliness and accuracy of the data we require from employers to allow us to fulfill our statutory duties.

An updated administration strategy was introduced in March 2018 and is provided on pages 287 to 323. This coincided with a move to monthly collection of data from employers which commenced on 1 April 2018. Preparations for the move to Monthly Data Collection (MDC) commenced 12 months prior to the go live date.

We are pleased to report that, since going live with MDC in

April 2018, we have had really strong buy-in from our various employers and monthly submission rates have been around 98-99% on time. For the 2018/19 year, we have received all 12 monthly submissions from all employers in the Fund. This is an impressive achievement considering this was a significant process change and the co-operation of employers and their payroll providers is acknowledged in this regard.

The administration strategy does provide us with the ability to fine employers for non-compliance which is very much a last resort mechanism. In 2018/19, only one payroll provider was fined on

behalf of the multiple employers they provide services for and SYPA has worked collaboratively with that payroll provider to ensure the administrative difficulties were resolved going forward.

The provision of a monthly data file is a significant part of the employer's responsibilities but there are routine member transactions where we also require timely data from the employer. Although we have been able anecdotally to target and support specific employers who have been experiencing difficulties with meeting their statutory requirements, we recognise that we have not had a

consistent and efficient process for measuring the timeliness of individual member data from all employers in the fund. For 2019/20 we are developing a new automated reporting mechanism using our employer online portal to measure the effectiveness of employer response times which will allow us to identify any individual employers who may require support.

6 MANAGING THE PENSION FUND'S INVESTMENTS



6.1

MANAGING THE PENSION FUND'S INVESTMENTS

Investment review



Volatility over the year was a feature of the stock markets. The financial year started with strong momentum in equity markets with a rise in bond yields resulting from an end to quantitative easing. As the year progressed a number of risks emerged and 2018 ended tumultuously as investors panicked. Fears over slowing growth, trade wars, Brexit and tightening monetary policy dominated. Just a quarter on and equity markets have rebounded sharply from the oversold levels seen at the end of December. A key driver of this move has been the shift in monetary policy led by the US Federal Reserve which signalled an end to interest rate hikes. This boosted investor confidence and also led to a rally in sovereign bond markets with yields falling as investors priced in a looser monetary policy. The fall in yields combined with the increase in risk appetite supported a strong rally in credit markets and underpinned the recovery in equity markets. Another positive for markets can be attributed to easing concerns over the China-US trade dispute.

Although prices have rallied sharply since the beginning of 2019 we have seen little improvement in the key fundamental drivers of markets. The macro backdrop is slower economic growth across the major economies with inflation expectations falling, especially in the Eurozone. Over the last three months the major central banks have put more weight to the downside risks and have shifted to a more dovish stance. Having raised US rates once a quarter throughout 2018 the Federal Reserve has signalled a pause and concerns that they might over-tighten have diminished significantly. Other Central Banks have also softened their stance on actual or expected policy tightening over the next few years, with most citing downside risks, either to their own or the global economy, as the justification. The removal of the extreme levels of monetary accommodation will now take place at an even more gradual pace as a result and should provide support for markets.

Trade tensions, primarily focused on the US and China was an important focus for investors during 2018. The fear of additional tariffs which would negatively impact global trade and thus the economy was a major concern. This prevailed throughout the year until there were signs of an improvement in discussions during the first quarter of 2019. The postponement of the planned increase in tariffs proved helpful and would help to improve trade growth which slowed sharply last year. Another concern for investors has been the slowing Chinese economy and softer domestic demand although towards the end of the year the Chinese authorities acted to stimulate domestic demand by a package of tax cuts, infrastructure investment and measures designed to support bank credit growth. This helped improve investor confidence and the Chinese market had a strong rebound at the beginning of 2019.

On the economic front, the US government trimmed its estimate

of fourth quarter 2018 GDP growth to 2.2% which was down from 3.4% the previous quarter and reflected decelerating private inventory investment and consumer spending. The data for the first quarter of 2019 is also expected to be weak because it was impacted by the US government shutdown. This is significant because although China is the key driver of global economic growth the next most significant feature is the US consumer. It accounts for around 70% of the US economy and 15% of the global economy. Retail sales recently have fallen short of expectations with the US personal saving rate edging up to 7.5% from 6.8% in 2018. On a more positive note the labour market remained strong, with an average 211,000 new jobs a month pushing the unemployment rate down to 3.8% from 4.1% and the average hourly earnings in March increasing 3.2% compared to the same period in 2018. Mindful of this background the Federal

6.1

MANAGING THE PENSION FUND'S INVESTMENTS

Investment review

Reserve took the markets by surprise by becoming more dovish and taking interest rate hikes off the agenda for the time being and this was the main reason for the turnaround in equity markets.

In the UK, the economy continued to slow showing full year growth of 1.4% which is the lowest rate for several years. Prolonged Brexit uncertainty and lower than expected global growth has negatively impacted the UK economy. Business investment has fallen over the last four consecutive quarters and consumer spending has softened as consumer confidence measures have hit a six year low. The deadline for Brexit of 29 March came and went with no agreement on how or when we will leave the EU, the only positive being that a no-deal Brexit was ruled out. The deadline has now been extended to October of this year. One of the benefits of the uncertainty around Brexit has been an increase in production to build up inventories in order to manage risk which was evidenced in the March Manufacturing PMI survey. However, the Services PMI dropped below 50 which

signals a contraction. Despite this slowdown the labour market remains strong with unemployment at a low and wage growth picking up. Given this backdrop and the fact that it cut its forecast for GDP growth in 2019 to 1.2% it was not unexpected that the Bank of England put the decision on raising interest rates on hold.

The Japanese equity return was flat over the year in sterling terms and was muted compared to other developed markets. Fourth quarter GDP of 1.9% was up from 1.6% a year earlier as capital investment bounced back from a string of natural disasters. However, tepid data on exports and factory output was negative. Core machinery orders, a leading signal of capital spending, fell in January as US-China tariffs hit global trade. Confidence among large manufacturers fell to its lowest in two years and the Bank of Japan held its policy rate steady as inflation, although edging higher to 0.5%, remained below forecasts.

In the Eurozone there have been successive growth disappointments with annual GDP growth slowing to 1.2%

from 2.4% a year earlier. Recent PMI data in Germany and France edged up but are still below last year's levels and the overall Eurozone data fell, indicating that economic conditions were falling in the peripheral economies. The weaker growth was almost entirely due to a big fall in trade flows because domestic demand has held up relatively well. The slowdown has led to the European Central Bank pushing out rate hikes until 2020. Quantitative easing is due to end in 2019 but already there are announcements of offsetting fiscal policy in France and Italy which could well be followed by announcements elsewhere if growth slows further. The European Central Bank appears to be acting less aggressively on its budget deficit target as both France and Italy will probably breach their 2% of GDP targets this year.

Emerging markets have had a mixed performance over the year but have lagged developed markets mainly due to the fears of slowing growth in China and the subsequent impact this has for global markets. The Chinese authorities have moved from trying to slow credit growth to

an emphasis of encouraging growth. Both fiscal and monetary stimulus are being applied after quarterly growth came in at just 1.5% at the end of 2018. The impact of tariffs has been felt and will continue although further increases have now been deferred.

Commodity prices have fluctuated but improved towards the end of the year. Crude oil prices rebounded from a sell off at the end of 2018. Production cuts from OPEC and other oil producers, together with the implementation of US sanctions on Venezuela, resulted in tight supply. Industrial metal prices also improved amid improved US-China relations.

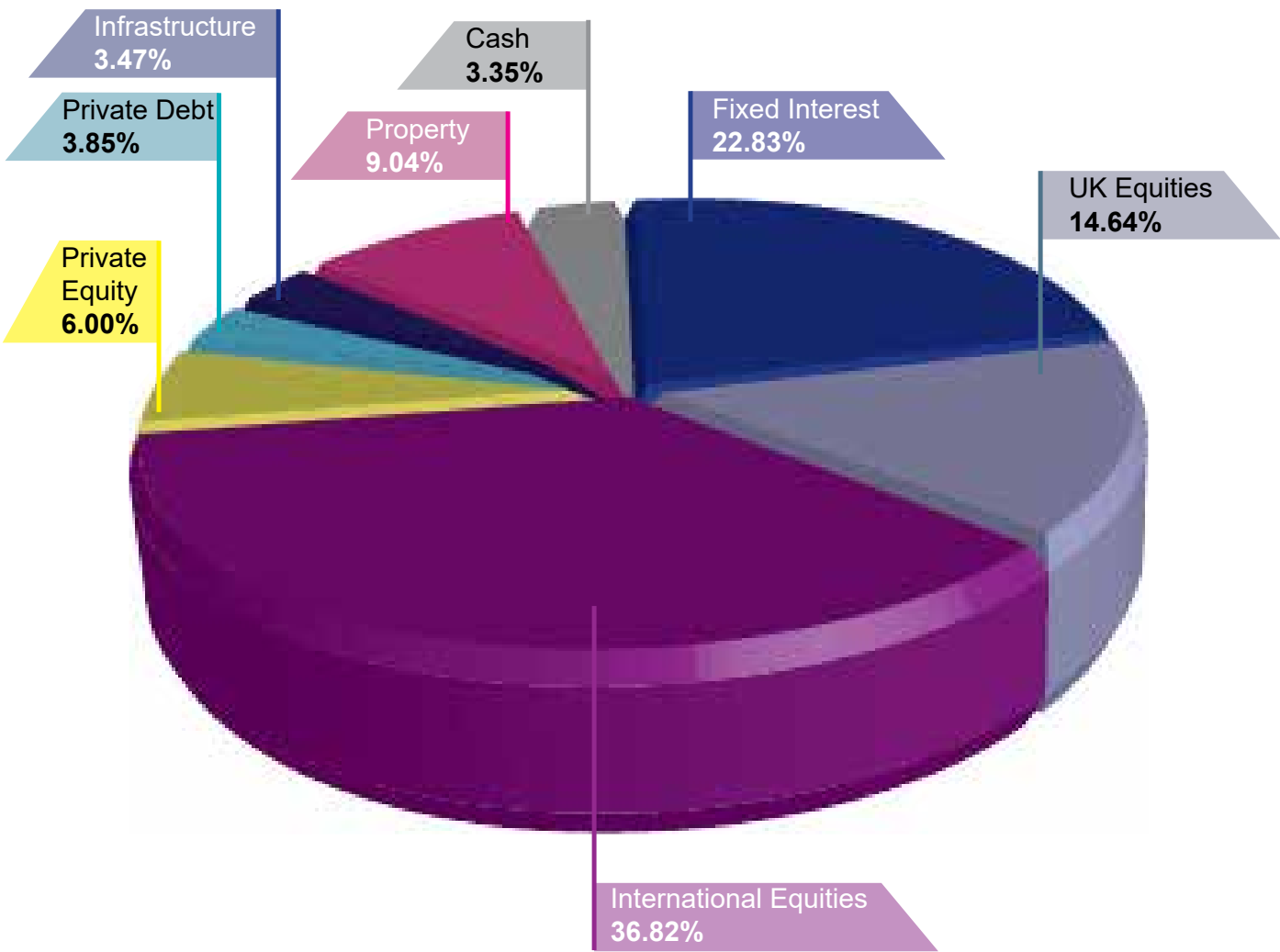
6.2

MANAGING THE PENSION FUND’S INVESTMENTS

Investment strategy

Asset allocation by asset class at 31 March 2019

The investment strategy of the Fund is carried out in accordance with the Investment Strategy Statement with a core objective being to achieve the best financial return, commensurate with the appropriate levels of risk, to ensure the Fund can meet both its immediate and long term liabilities. This is done within the context of a responsible and sustainable investment strategy which gives due regard to Environmental, Social and Governance issues.



Asset Category

Since the last investment review in 2017 the Fund has been reducing its exposure to listed equities and increasing the allocations to the alternative asset classes of private equity, private debt and infrastructure with the aim of improving diversification and the risk-adjusted return.

The following table shows how the asset allocation has changed over the year versus the benchmark.

The changes are a result of investment transactions and the performance achieved within each investment category. The notable changes in the Fund’s asset allocation compared to the previous year include a reduction in the overall cash exposure to fund new investments within our alternative asset classes of private equity, private debt and infrastructure. This has brought these allocations closer to their strategic targets.



6.3

MANAGING THE PENSION FUND’S INVESTMENTS

Investment pooling

SYPA is one of twelve partner funds within the Border to Coast Pensions Partnership which is one of eight LGPS pools. Border to Coast is an FCA regulated investment company and investment staff from SYPA, Teeside and East Riding became employees of Border to Coast at the end of June 2018. As at 31 March 2019 Border to Coast had launched four equity sub-funds. SYPA have investments in three of these funds and these products broadly mirrored the mandates that were run internally by SYPA. UK and developed overseas equities were transferred “in-specie” in July and emerging market assets were transferred in October. Assets were also transferred from the other two internally run funds, Teeside and East Riding and a specialist transition manager was hired to trade the combined portfolio to deliver the target portfolio required by Border to Coast. The performance achieved includes the cost of the transition of £4bn of assets.

Five largest holdings in externally managed investments by market value as at 31 March 2019

31 March 2019	£m
Border To Coast - Overseas Developed Markets Equity	2,251.57
Border To Coast - UK Listed Equity	1,231.47
Schroders Equity Protection Fund	811.50
Border To Coast Emerging Markets Equity	670.23
Coronation All Africa	10.39



6.4

MANAGING THE PENSION FUND’S INVESTMENTS

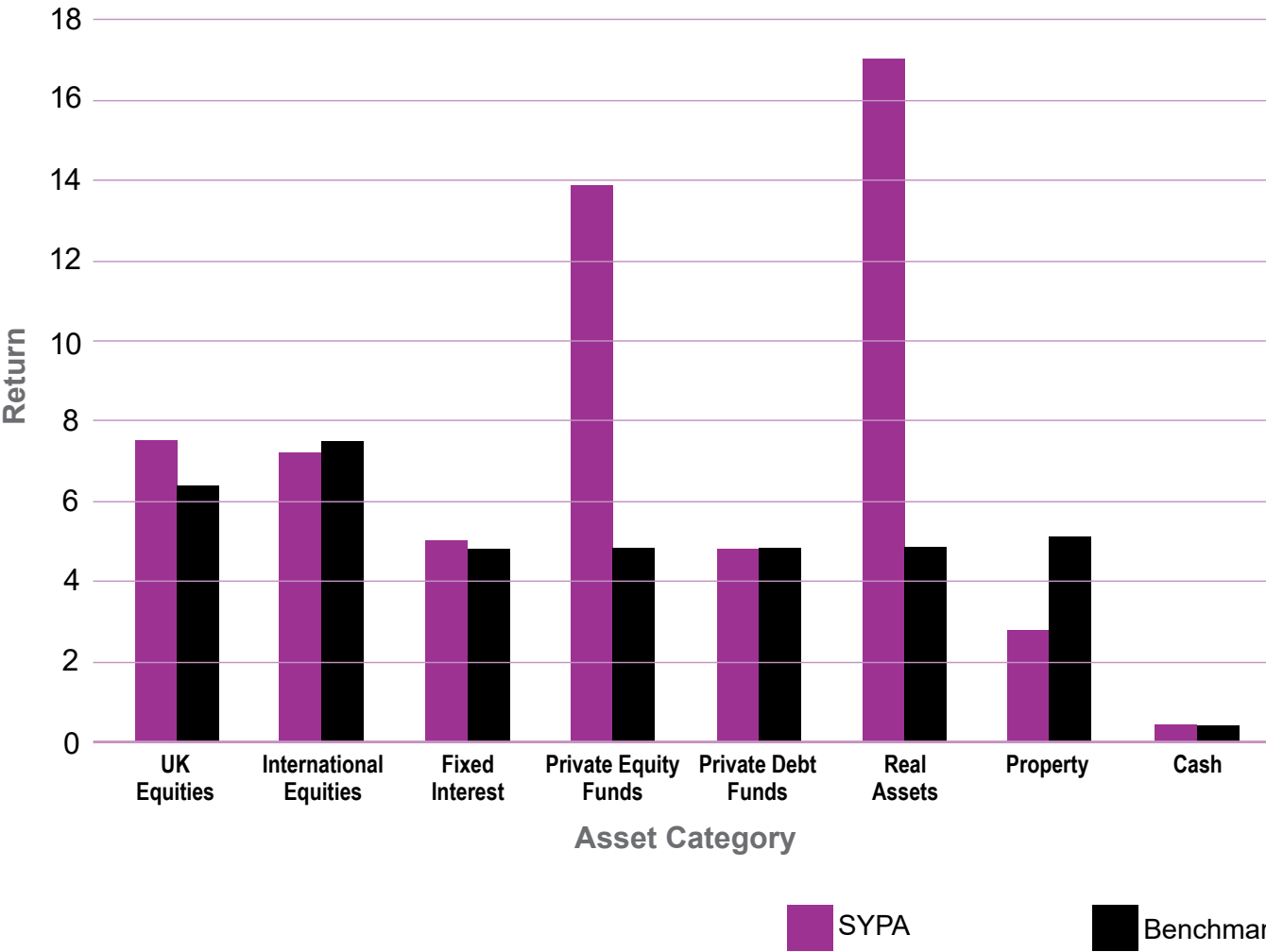
Investment performance

Fund Level

In the year to March 2019, the Fund delivered a return of 5.9%; underperforming SYPA's strategic benchmark by 0.3%. However, the return was above the triennial discount rate assumption set by the Scheme's actuary at the 2016 actuarial valuation. This is an inflation-linked measure, CPI+2% p.a. which at the current time is 3.9%. The value of the Fund's investment assets at 31 March 2019 was just under £8,431m (not including current net assets).

The graph below compares the return achieved by the Fund in each of the main investment categories during the year.

SYPA Investment Returns (%) year ended 31 March 2019



6.4

MANAGING THE PENSION FUND’S INVESTMENTS

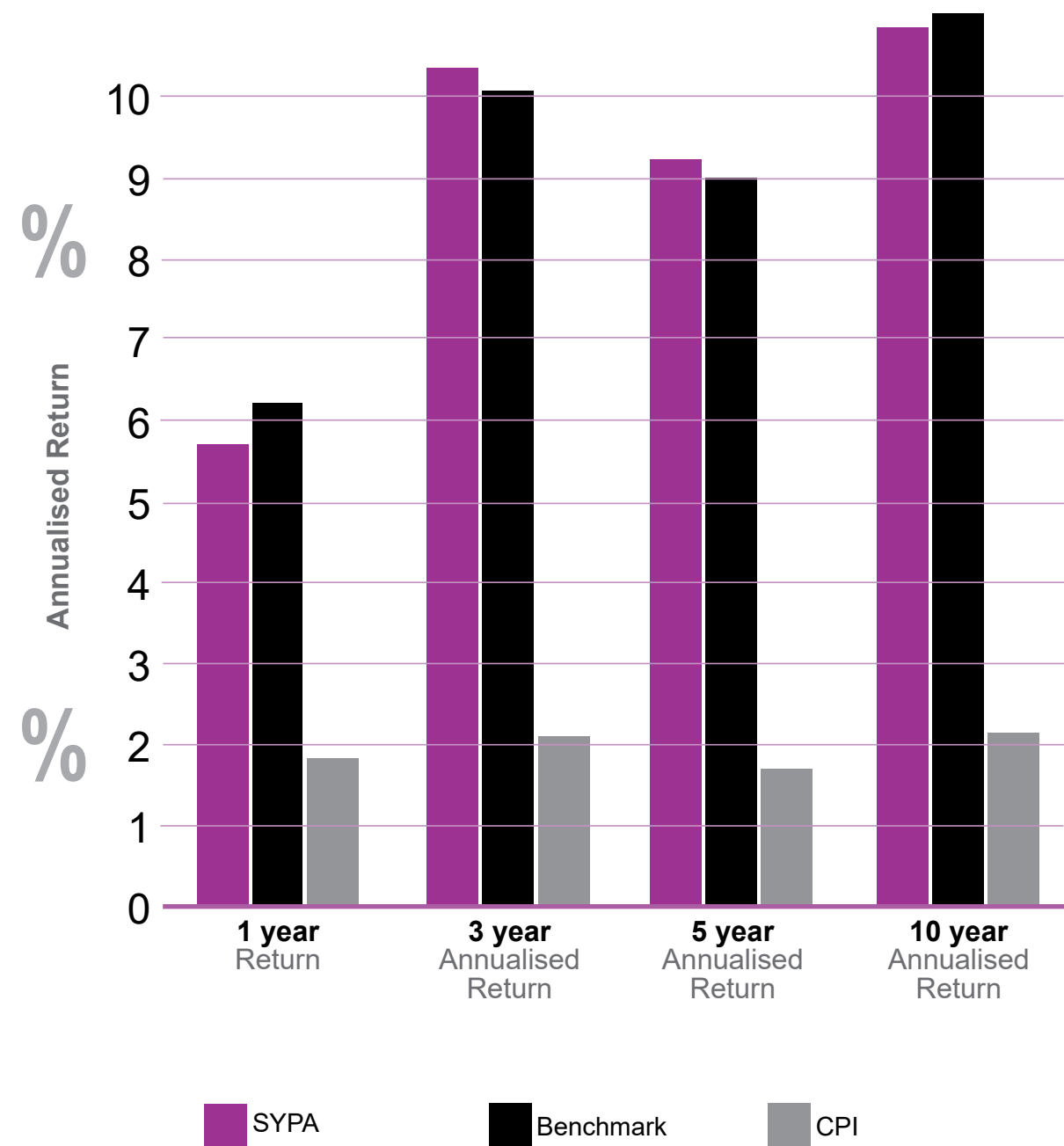
Investment performance

The Fund outperformed the benchmark index in most categories with the performance of Private Equity and Infrastructure being the most significant asset class performances. Property was the most significant underperforming category and was impacted by the flat performance of the agricultural property portfolio and the underperformance of the retail Property Unit Trusts that we hold.

The portfolios together would have given an out-performance of the benchmark of 0.3% but we had an equity protection strategy in place which has a key objective to reduce equity downside risks. The protection is a “nil-premium put-spread collar” structure which means that the downside protection is fully funded by selling equity upside. The Fund put in place protection against two thirds of its equity exposure and insured against losses between 5 and 30% in the relevant markets by giving up returns on average above 14.3%. This was implemented at a time when the Fund was estimated to have a surplus against its liabilities and was a measure taken to protect this position. The value of the strategy has fluctuated over the year and has fulfilled expectations. At the year end with equity markets having performed strongly the value of the options detracted marginally from the Fund’s overall value.

The longer term performance of the Fund is shown opposite.

Fund Performance



The funding level which at the last actuarial valuation was 86% is now circa 102%.

6.5

MANAGING THE PENSION FUND’S INVESTMENTS

Asset Class performance

Comparison with Benchmark (Annualised Figures)

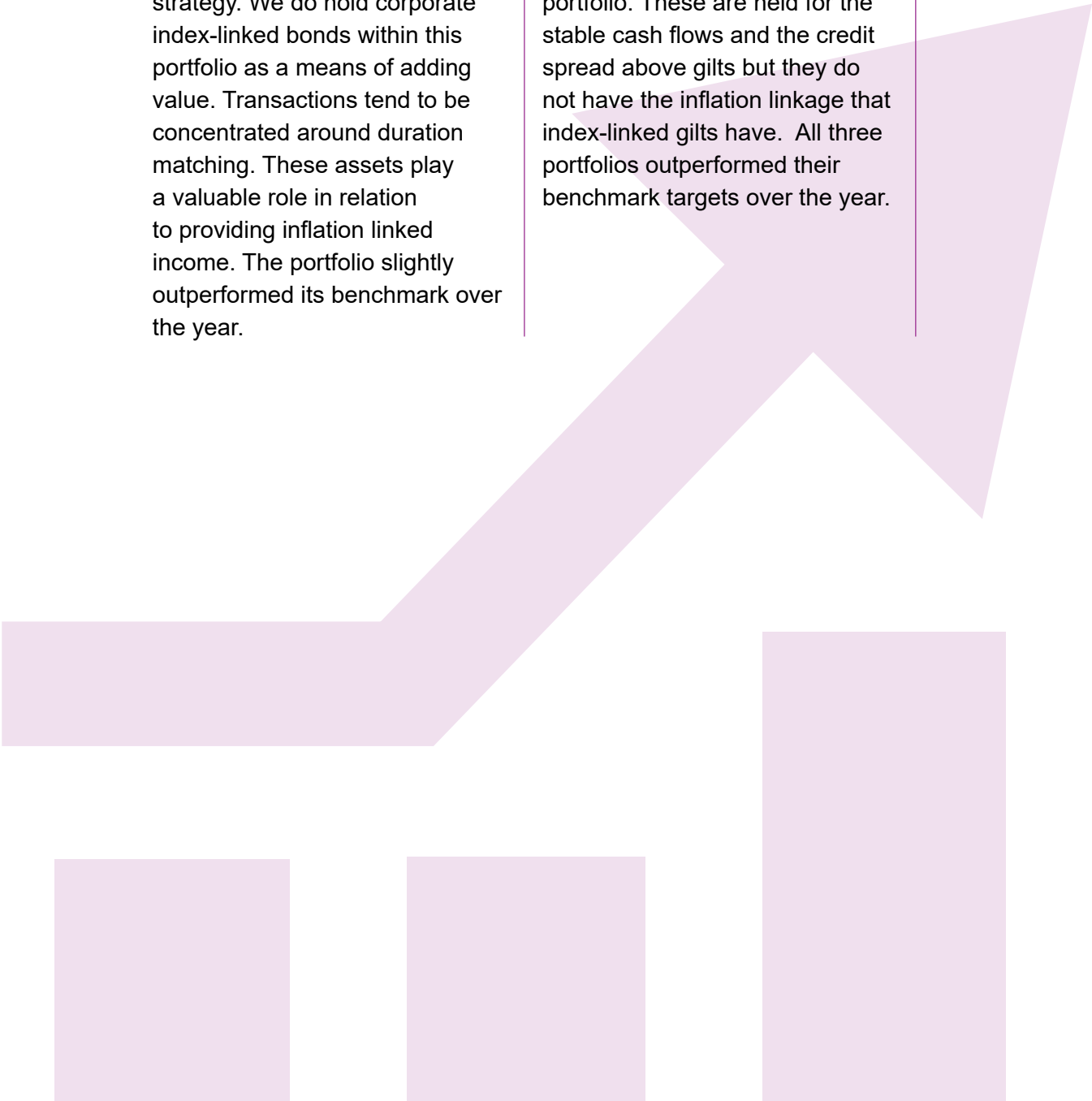
CATEGORY	1 Year		3 Year		5 Year		10 Year	
	Return		Annualised Return		Annualised Return		Annualised Return	
	Fund	% Benchmark	Fund	% Benchmark	Fund	% Benchmark	Fund	% Benchmark
UK EQUITIES	7.5	6.4	9.9	9.5	6.6	6.1	11.5	11.1
OVERSEAS EQUITIES	7.2	7.5	14.8	14.5	11.5	11.3	13.0	12.7
FIXED INTEREST								
Index-Linked Gilts	6.1	5.7	10.3	10.5	11.3	12.0	10.4	10.2
Corporate Bonds	4.1	3.7	5.2	4.7	6	5.4	n/a	
High Yield Bonds	4.0	3.7	7.1	4.7	5.9	4.5	n/a	
Emerging Market Bonds	2.3	1.5	6.2	4.1	6.4	4.5	n/a	
PRIVATE EQUITY	13.9	4.8	12.8	5.2	13.7	4.5	8.8	10.3
ALTERNATIVE INCOME	4.8	4.8	6.6	5.2	6.6	4.8	6.1	4.7
INFRASTRUCTURE	17.0	4.8						
PROPERTY	2.8	5.1	4.7	6.7	7.0	9.8	9.7	9.9
CASH	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.4
EQUITY PROTECTION	-10.6							
TOTAL RETURN	5.9	6.2	10.7	10.6	9.3	9.2	11.0	11.2

Index-Linked Gilts

The Fund has a significant exposure to index-linked gilts which although not managed passively is very much a buy and hold for the long term strategy. We do hold corporate index-linked bonds within this portfolio as a means of adding value. Transactions tend to be concentrated around duration matching. These assets play a valuable role in relation to providing inflation linked income. The portfolio slightly outperformed its benchmark over the year.

Corporate Bonds

SYPA has three separate portfolios within this category, an investment grade credit portfolio, an emerging market bond portfolio and a high yield bond portfolio. These are held for the stable cash flows and the credit spread above gilts but they do not have the inflation linkage that index-linked gilts have. All three portfolios outperformed their benchmark targets over the year.



6.5

MANAGING THE PENSION FUND'S INVESTMENTS

Ten largest publicly quoted bond holdings by market value at 31 March 2019

NetworkRail
Index Linked 2037
£64.63m


Index Linked 2065
£22.99m


NetworkRail
Index Linked 2027
£17.53m


Index Linked 2048
£16.46m

Artesian Finance
Index Linked 2032
£12.60m

TESCO
Index Linked 2036
£11.14m


Index Linked 2024
£10.94m


Index Linked 2054
£9.82m

BT
Index Linked 2025
£8.86m

NetworkRail
Index Linked 2047
£7.91m

UK Equities

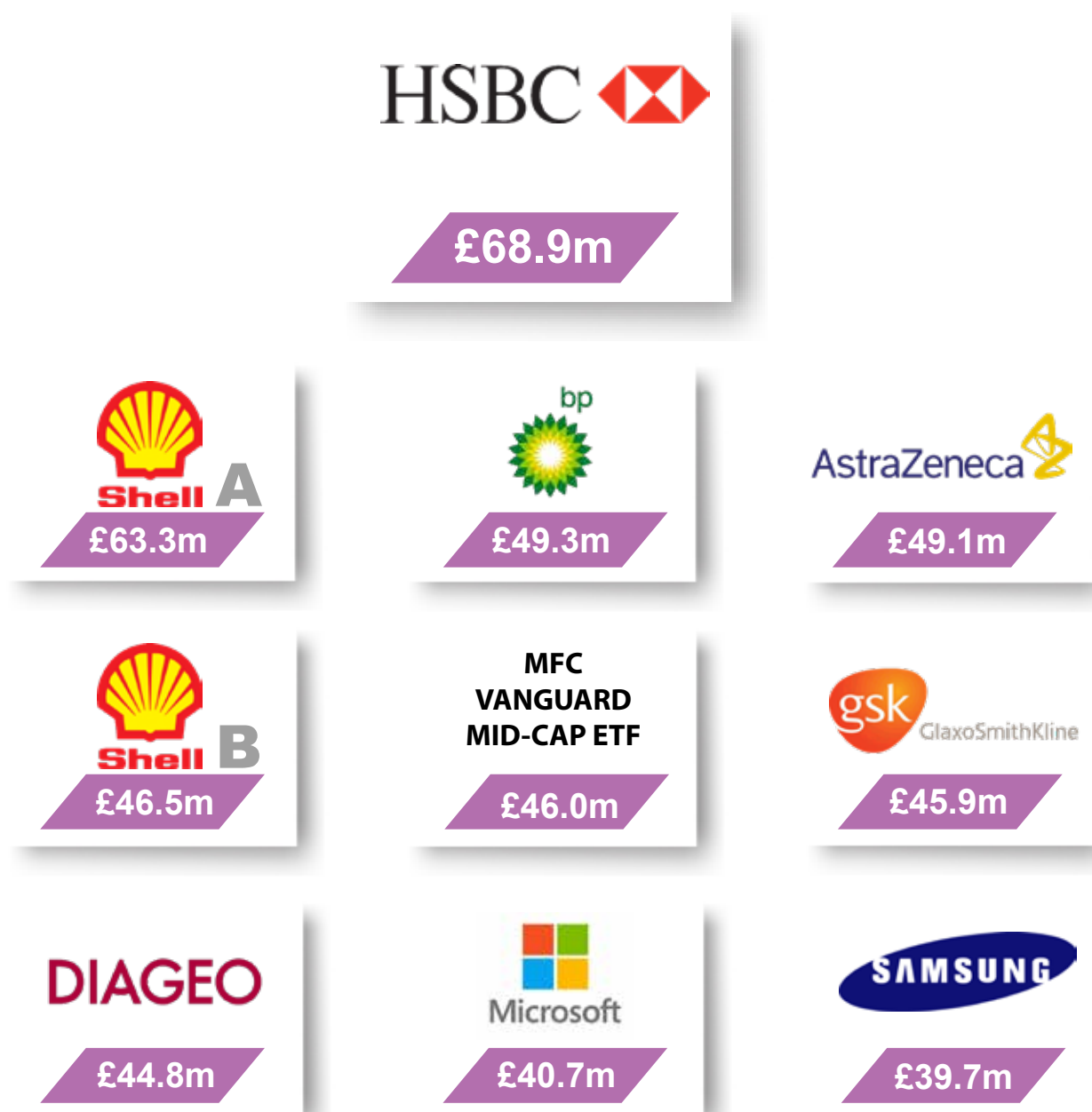
SYPA has an investment in the Border to Coast UK Listed Equity fund which is an internally managed UK portfolio which has a moderate target to provide a total return which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3 year periods. This was the same target that SYPA previously had and this was achieved during 2018/19 although the return is a combination of SYPA and Border to Coast performance. The index return of 6.4% for the year came after a period of underperformance against other developed markets but was justified given the relative valuations of stocks within the UK index.

Global Equities

SYPA used to operate five regional portfolios but we now have holdings in the Border to Coast Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Fund. These are both internally managed funds. The benchmark for the overseas developed markets fund is a composite of; 40% S&P 500 Index: 30% FTSE Developed Europe ex-UK: 20% FTSE Developed Asia pacific ex-Japan: 10% FTSE Japan, which is comparable to the exposure that SYPA had within its benchmark previously. The performance of the developed market portfolio has been in line with the benchmark index whilst the emerging market portfolio underperformed its benchmark. The performance of global equities overall was strong but was greatly influenced by the outperformance of the US market which achieved a return of almost 18% in sterling terms whilst Japan was flat and the other regions gave low single digit returns.

6.5 MANAGING THE PENSION FUND'S INVESTMENTS

Ten largest publicly quoted equity holdings by market value held via Border to Coast Equity ACS at March 2019



6.6 MANAGING THE PENSION FUND'S INVESTMENTS

Alternative portfolios

The Fund runs three alternative portfolios which are intended to access different parts of companies' capital structure and which generate a different series of cash flows to listed investments. The following sections set out the performance of these portfolios together with some case studies on specific investments.

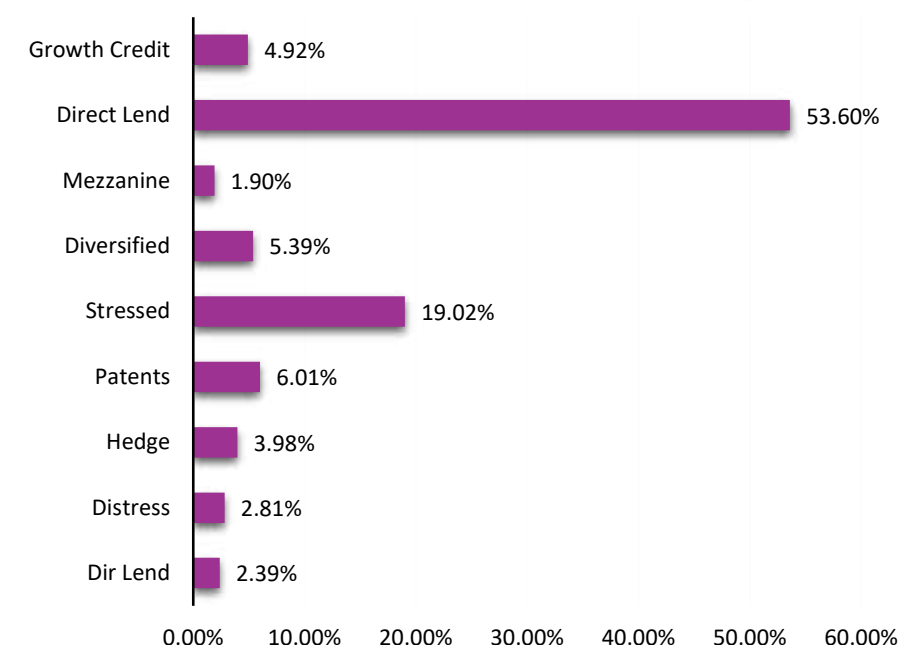
Our investments are made by limited partnerships managed by various managers. Examples of the underlying investments that showcase this are shown throughout this report.

Private Debt

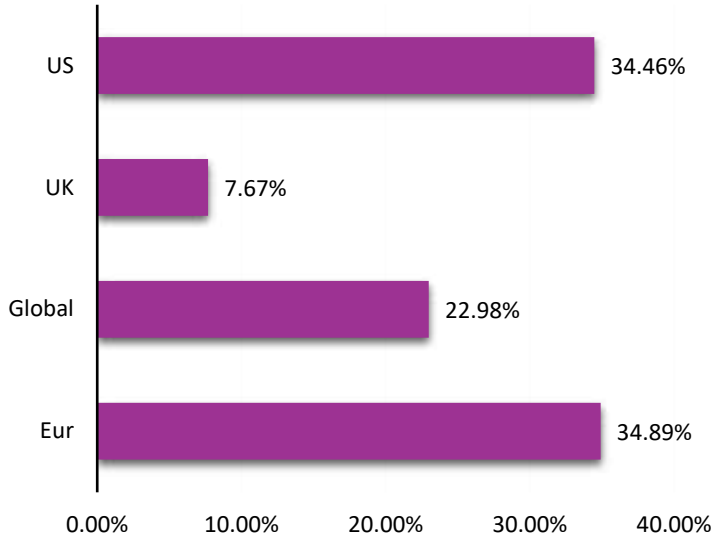
Global bank deleveraging has been an important feature of the debt market since the financial crisis. Credit funds have emerged to fill the corporate financing gap. With banks being less supportive, companies are diversifying their funding away from an over reliance on a small number of banks and consider direct lending funds good long term financing partners. Private debt is a sub-set of the broader leveraged credit too specialised to be financed by the larger public markets. Private debt encompasses a broad range of strategies which provide

financing across all elements of the capital structure including direct lending, mezzanine, unitranche, distressed debt and special situations. One new fund commitment and six follow-on commitments, totalling £92m were made by SYPA during 2018/19. The portfolio of 40 funds is diversified by strategy and geographic location and the current value of assets in this category is £324m. The performance of the portfolio was in line with its benchmark.

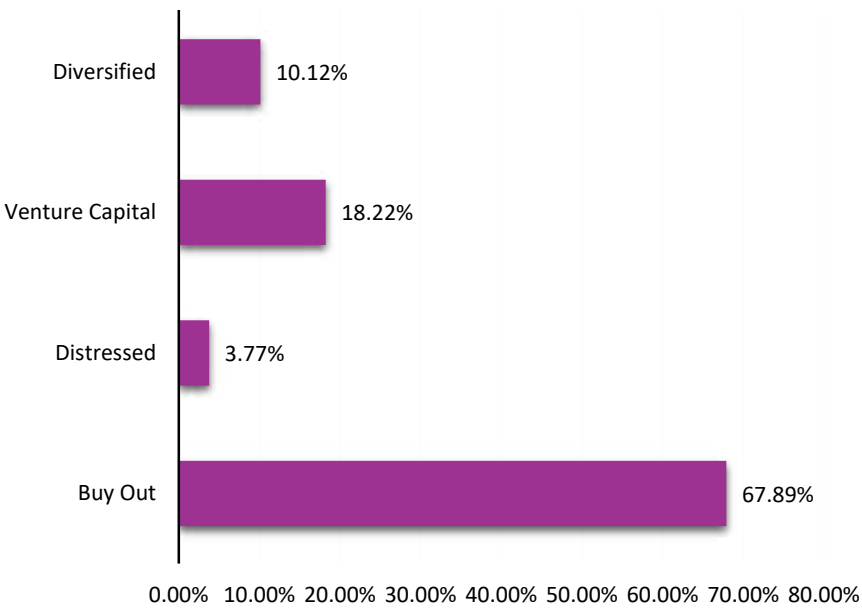
Total NAV by Strategy



Total NAV by Geography



Total NAV by Strategy

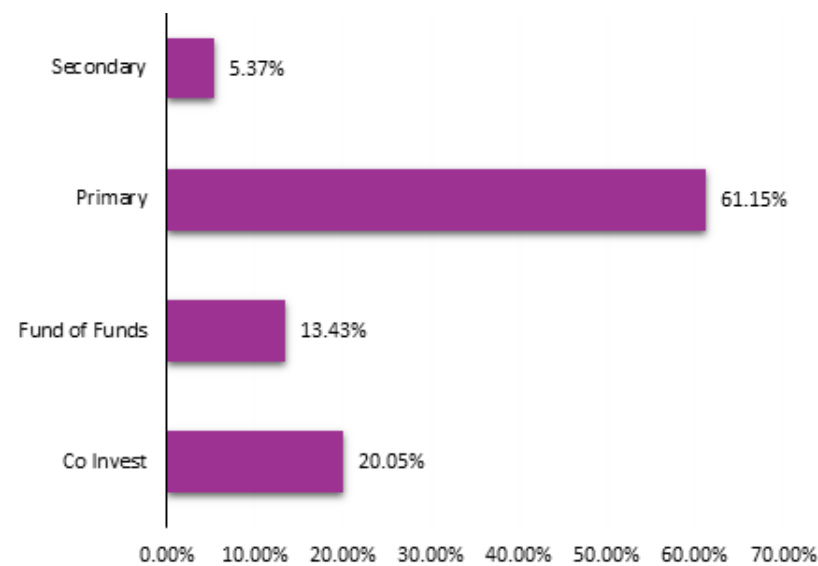


Bioenergy Infrastructure Group (BIG)

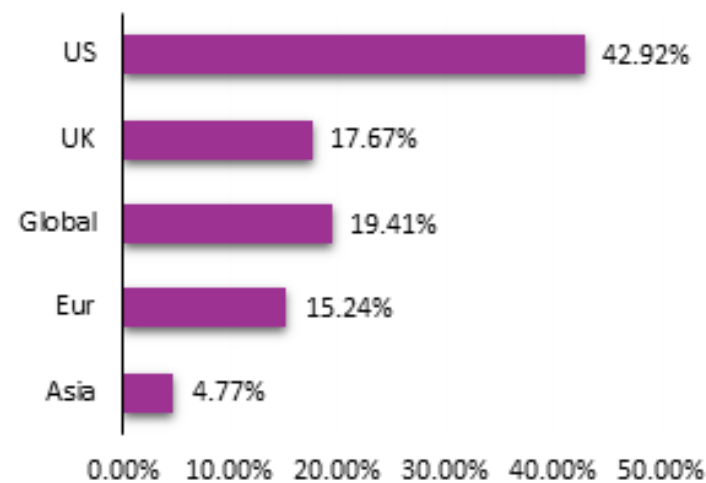
A leading UK energy company in the biomass and waste-to-energy sector with a significant contribution to the development of the UK's low-carbon economy by diverting over 1 million tonnes of waste per annum from landfill and generating enough electricity for around 250,000 homes in the UK. BIG is helping to meet the increasing demand for energy from renewable and sustainable sources from industry and households across the UK and contributing to regional job creation and growth. The investment approach is on the long term with a focus on mid-cycle plants throughout the development cycle, from new Greenfield sites to facilities already in operation.



Total NAV by Type



Total NAV by Geography



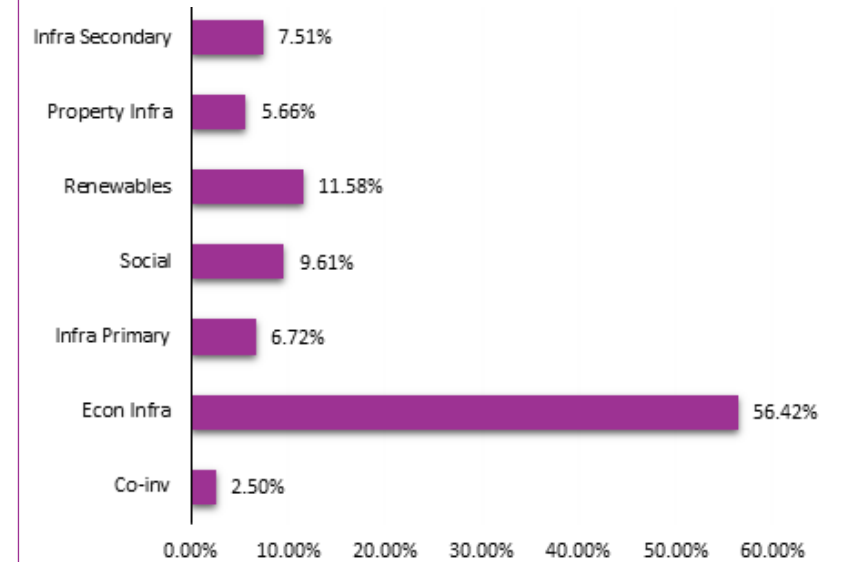
Private Equity

Since 2004 SYPA has invested in private companies through pooled vehicles managed by specialist management teams. Private equity investments provide returns linked to quoted equities but with the expectation of better long term returns because of the higher risk profile and illiquid nature of the investments. The typical life of a fund is between seven and ten years with the drawdown of commitments being typically up to five years. Six new fund commitments and six follow-on commitments, together totalling £260m, were made by SYPA during 2018/19. The portfolio of 108 funds is diversified by investment type, strategy and geographic location. The value of assets currently invested in private equity is £505m and will increase as commitments are drawn down. The performance of the portfolio showed significant outperformance over the year as significant uplift of valuation was seen from existing investments.

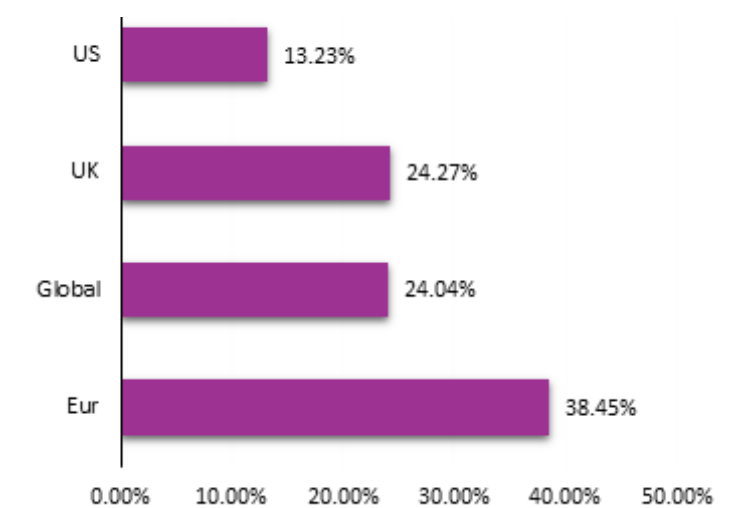
Infrastructure

Infrastructure investments offer long-term returns which have a close match to the objectives of the Fund; preservation of value over the long term, inflation linkage and a cash flow focus as well as providing a good means of diversification for the Fund. Although SYPA has made a number of infrastructure investments over the years a separate allocation to infrastructure was added in 2016. This allocation has been made via a number of global and regional investment funds but the portfolio is still immature and it will take a number of years to achieve the target allocation of 5% of Fund assets. The exposure includes investments in renewable projects, UK Social Housing, seven new fund commitments totalling £150m were made during 2018/19 and the portfolio grew to 30 investment funds. The current value of these investments is £292m but the value should increase as commitments are drawn down. The performance during 2018/19 was strong as the portfolio benefited from uplifts of valuations from existing funds.

Total NAV by Strategy



Total NAV by Geography



In both the above portfolios the aim is to create a diversified portfolio investing in global and regional investments to produce strong financial returns without taking undue levels of risk and which incorporate environmental, social and governance (ESG) issues as part of their process. This aligns with our view that businesses that incorporate ESG as part of their mission statement and overall ethos, tend to achieve better returns and are able to manage risk sensibly especially over the long term.

Mater Private Hospital

Mater is Ireland's largest specialist private hospital group, based on its revenue, with a strong reputation for medical innovation and the provision of high acuity care. Mater is a market leader in the fields of cardiology, oncology and ophthalmology. It is consistently rated as one of the "best private hospitals in Ireland" by patients.

Around 82.5% of waste generated by the hospital was recycled in 2017. The hospital has strong ethical principles which are adhered to by employees, the board of directors and partners.



Honkajoki Wind Farm

The 21.6MW wind farm with nine turbines is a brown field investment situated near the west coast of Finland. The region has a population of just under 2,000. A renewable energy company that contributes to the decarbonisation of energy production and promotes phasing out of fossil fuels, as well as supporting employment through long-term maintenance and commercial management agreements.

Honkajoki Wind Farm qualifies for and benefits from the support of Feed-in-Tariffs granted for the first 12 years.



World of Books

A UK based company situated in Sussex, the firm is dedicated to sustainable living in that it sells quality used books at competitive prices. The company was founded to do good, help charities and make a positive impact. World of books is a circular economy that helps the planet by enabling more books to be re-used and re-cycled for less through innovation and technology.

Their values are aligned to those of the UN Sustainable Development goals, i.e. quality education, decent work and economic growth, responsible consumption and production and climate action.



6.7

MANAGING THE PENSION FUND’S INVESTMENTS

Property

SYPA has a 10% allocation to property as an asset class. It acts as a good diversification of risk for the Fund and has good cash flow characteristics with the rental stream tending to rise in line with the rate of inflation. Property is obviously less liquid than equities or bonds and is more expensive to trade and thus tends to be held for the long term. SYPA has three elements to its property exposure. At 31 March 2019 it comprised 41 directly held commercial properties valued at £510m, eight indirectly held specialist holdings valued at £73m, and an agricultural portfolio valued at £177m. The performance overall was below that of the benchmark index primarily due to the agricultural holdings whose values were again impacted by the issue of Brexit and also by the indirect retail funds whose values were impacted by the well-publicised stress within the sector as rents generally continue to be under pressure.

At the end of March 2019 the five largest direct commercial property holdings by market value were:

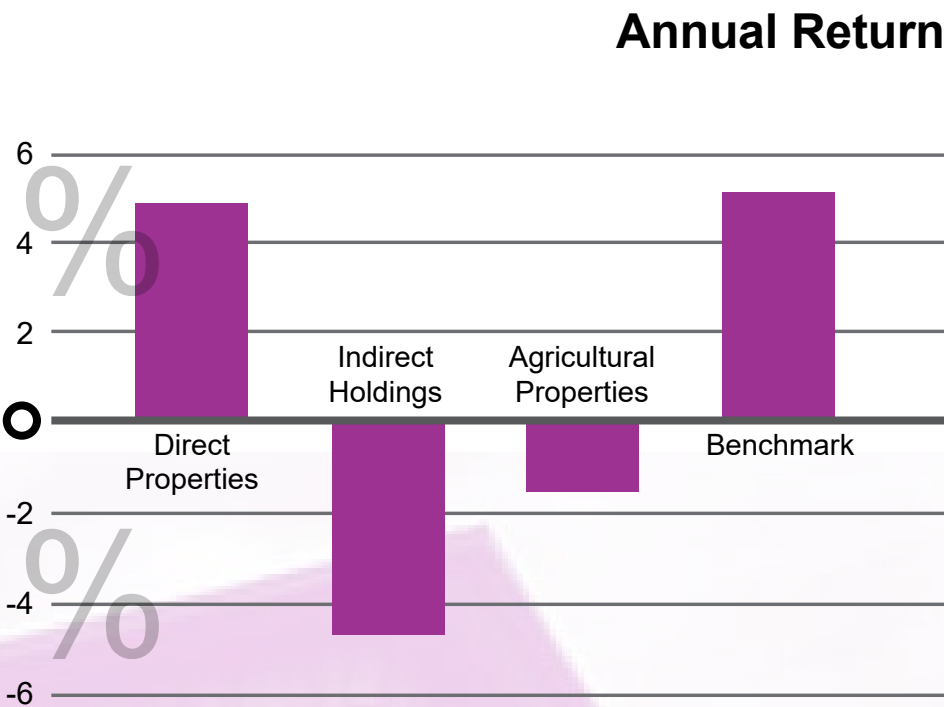
- 1. Stockbridge Road, Chichester.
Student accommodation
£35.69m
- 2. Fradley Park, Lichfield.
Industrial Estate
£27.38m
- 3. Oxgate Centre, London NW2.
Industrial estate
£25.23m
- 4. Langley Park, Slough.
Industrial estate
£24.28m
- 5. Upper Dean Street, Birmingham
Hotel
£24.25m



6.7

MANAGING THE PENSION FUND'S INVESTMENTS

Property






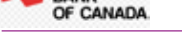



6.8

MANAGING THE PENSION FUND'S INVESTMENTS

Cash

Cash is only held pending investment and last year as we switched out of equities the cash level was at £450m which was around 5% of the Fund. During the year cash has been drawn down to the alternative sectors and at 31 March 2019 was only £282m. £50m of this was held within a sterling liquidity fund, £177m held with seven F1 rated banks and £55m held as short term deposits with four different local authorities.

Treasury Management Deposits with Institutions		Balances as at 31 March 2019
Bank Deposit Accounts		
		£
	DBS Bank Ltd	40,000,000
	HSBC Call A/C	34,500,000
	Lloyds Bank Capital A/C	6,557,000
	Lloyds Bank Fixed Term Deposit to 21/02/20	20,000,000
	National Bank of Canada	40,000,000
	Royal Bank of Canada	15,000,000
	Sumitomo Mitsui BKG Corp Europe Ltd	20,000,000

6.9

MANAGING THE PENSION FUND'S INVESTMENTS

Responsible investment

The Authority is fully committed both to investing responsibly and to the good stewardship of its investments across all asset classes. It seeks to act at all times in the best long term interests of all its members and protect and enhance the value of the companies in which it invests on their behalf. Responsible Investment is an approach which considers how environmental social and governance (ESG) factors may pose a financial risk to a company and subsequently to the Pension Fund as an investor. This approach takes into account both an investor's financial needs and the impact an investment has on society and the environment. It is driven by financial not ethical or moral implications, with its main purpose being to reduce risk and improve returns. ESG factors can affect the performance of companies and therefore of investment portfolios.

The Authority believes that incorporating ESG considerations into the investment decision making process along with encouraging companies to improve their practices in these areas should enhance long term profitability, leading to superior returns.

As a shareholder the Fund is also a "share owner" and must assume the responsibilities that go along with ownership; this involves stewardship and being an active rather than a passive holder of any investment. Therefore, along with integrating ESG factors into investment decision making the Authority also looks to its investment managers to engage with companies and works with others to do so in relation to specific issues while also exercising its voting rights in order to use its influence as an investor to promote and support good ESG practices.

While the pooling of investment assets across the Local Government Pension Scheme changes who directly manages investments and holds shares the Authority remains responsible for determining its policies in relation to Responsible Investment.

In order that we can arrive at policies capable of being implemented by the Pool we do these in conjunction with the other 11 partner funds.

The Authority believes in being transparent about its stewardship and ESG activities. It reports quarterly to elected members in respect of engagement activities undertaken on its behalf by Border to Coast and their engagement partner Robeco and of collaborative activity undertaken by the Local Authority Pension Fund Forum. Voting activity is also disclosed quarterly.

As equity investments transitioned during the year, into pooled funds operated by Border to Coast, direct voting rights are now exercised by them with full disclosure of engagement activity and voting through their website with quarterly reporting to the members of the Authority. Border to Coast vote in line with a policy jointly developed by the 12 partner funds.

Voting

Active ownership involves using shareholder rights to improve the long term value of a company and includes both voting and engagement strategies. The Authority regards its voting rights as an asset and uses them carefully. Until July we voted where practicable on UK, Europe and North American holdings through PIRC as our proxy voting adviser. Since the transition of assets to the Border to Coast pooled vehicles, voting is being undertaken in all markets through Robeco who are the company's proxy voting adviser. Until July voting was conducted in line with the Authority's own voting guidelines for the UK and PIRC's recommended standard for other markets. Since the transition of assets Border to Coast are voting shares in line with their own guidelines which apply to all markets and have been developed and agreed by the 12 partner funds.

We will aim to support management where possible. As can be seen in the graphs below, in the last year the Fund has exercised its voting rights at 800 meetings. Consistently

with previous years, 62% of resolutions were supported and 25% opposed with the composition of Boards, auditor independence and capital management issues being the largest areas of concern.

The key reasons we voted against in relation to the composition of Boards were:

- A combination of the Chair and Chief Executive roles
- Individual Non-Executive Directors being in place for more than 9 years a length of tenure which is viewed as compromising their independence
- Concern over the potential time commitment for Non-Executive Directors with multiple roles
- Concerns over the gender balance and skill mix within the Board

We voted against proposals to change the capital structure of companies where we felt that this was detrimental to the interests of existing shareholders such as:

- Cases where there was no rationale or compelling case demonstrating that share buybacks are in the best interests of the investor
- Cases where approval is being sought to issue additional share capital in addition to already approved limits to fund acquisitions.

We voted against the reappointment of auditors in cases where we feel the length of their tenure has compromised their independence in the same way as for Non-Executive Directors and where accounting issues have emerged which should have been identified in the audit process.

While less prominent in numerical terms this year we have continued to vote against pay proposals which:

- Deliver excessive increases or a pay quantum that is excessive
- Where the ratio between the pay of the Chief Executive and the workforce is excessive.
- Where there is a weak relationship between pay and the underlying economic performance of the business

6.9

MANAGING THE PENSION FUND'S INVESTMENTS

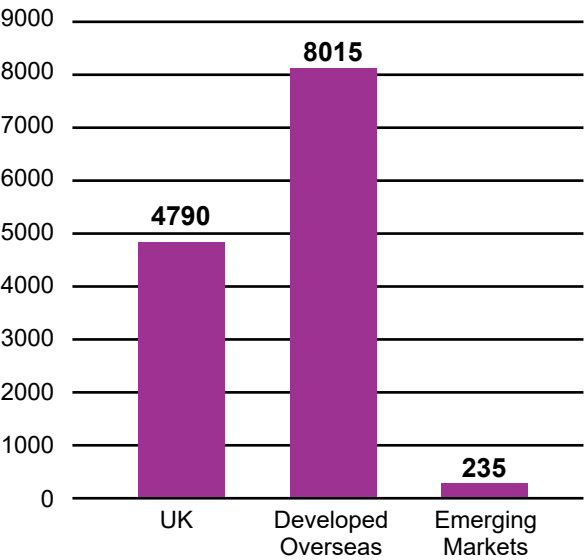
Responsible investment

During the year either directly or working through Border to Coast we supported resolutions at the annual meetings of a number of companies. These particularly focussed on climate change and the need for businesses to adapt themselves for a low carbon economy, but also governance issues such as the separation of

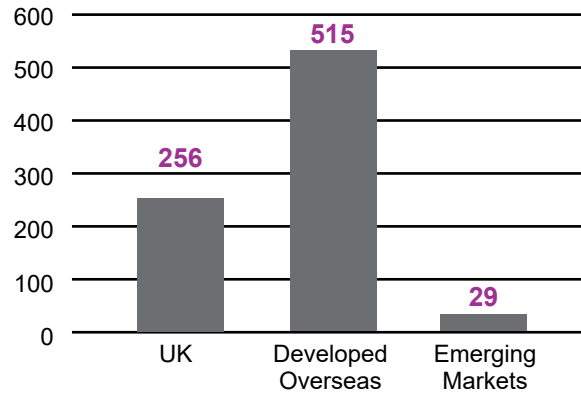
the Chair and Chief Executive Roles and membership of industry associations and lobby groups which in some cases advocate positions diametrically opposed to the company's public position.

This voting activity is summarised in the graphs below:

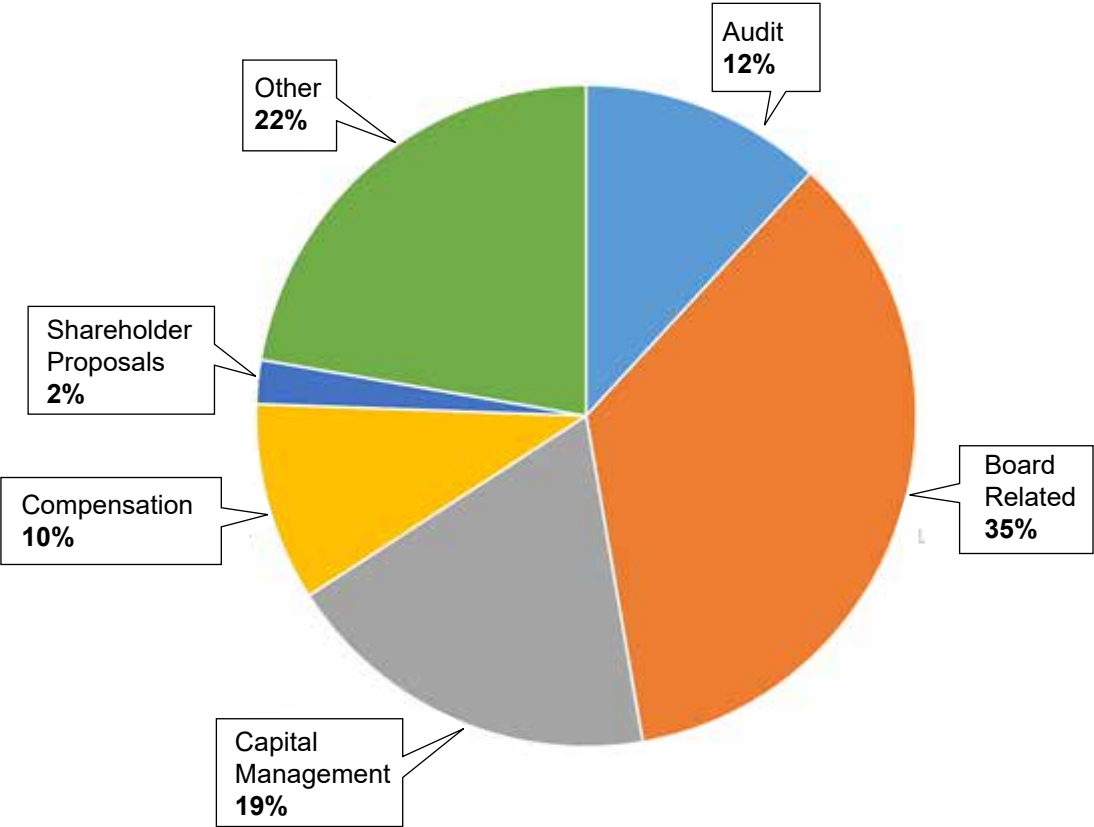
Votes cast by market 2018/19



Number of voted meetings by market 2018/19



Major topics for oppose votes 2018/19



6.9

MANAGING THE PENSION FUND'S INVESTMENTS

Responsible investment

Engagement

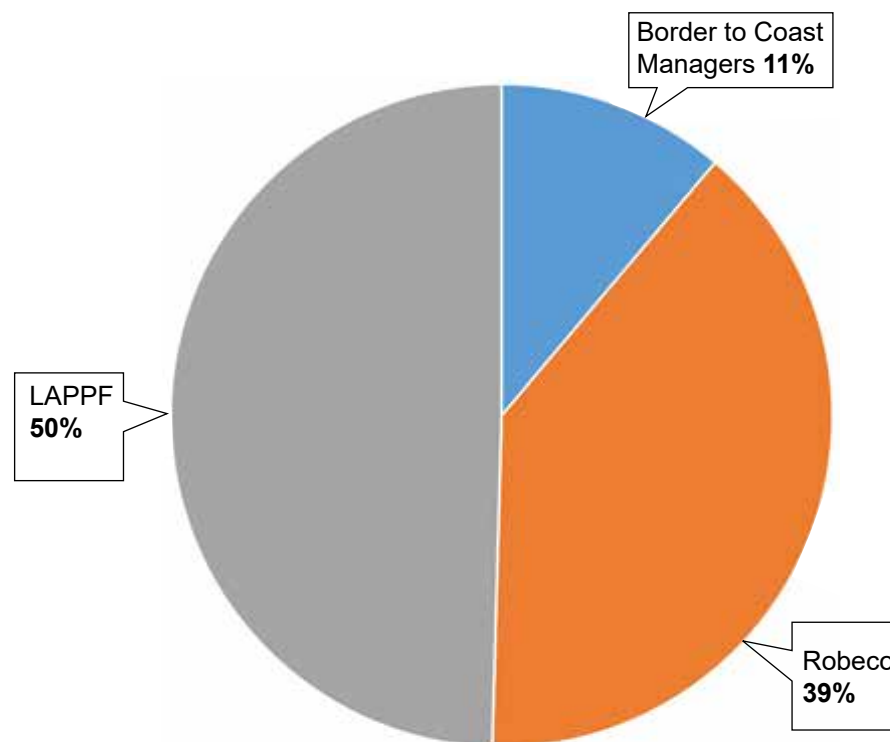
Engagement is the process by which investors use their influence to encourage companies to improve their behaviour and management of ESG issues which may improve the companies' financial performance. Following the pooling of our equity assets, the Authority now engages with companies in relation to these issues in three ways:

- Direct engagement with companies by Fund Managers at Border to Coast Pensions Partnership
- Engagement with companies by Robeco, Border to Coast's voting and engagement partner
- Engagement through the work of the Local Authority Pension Fund Forum (LAPFF) which is a collaborative group of UK local authority pension funds which seeks to use the collective scale of shareholdings in companies to influence behaviour.

This is a significant change from previous years where most direct engagement with companies was undertaken through LAPFF. The additional resource that this change has made available allows for an increased depth of engagement with individual companies as well as a more global approach. As the graph

below shows, as the new arrangements with Border to Coast only came in part way through the year LAPFF has still delivered most of the 555 specific pieces of engagement activity undertaken during the year. It is expected that this balance will continue to change in future years.

Company engagements undertaken 2018/19

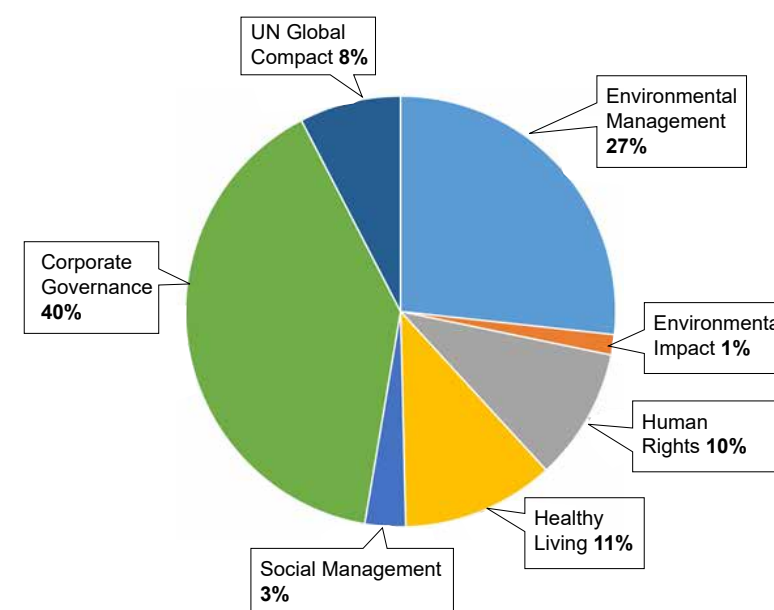


Due to inconsistencies in the data between the different engagement partners it is not possible to provide an overall analysis of the topics on which engagement with companies took place. However, the most common topics were:

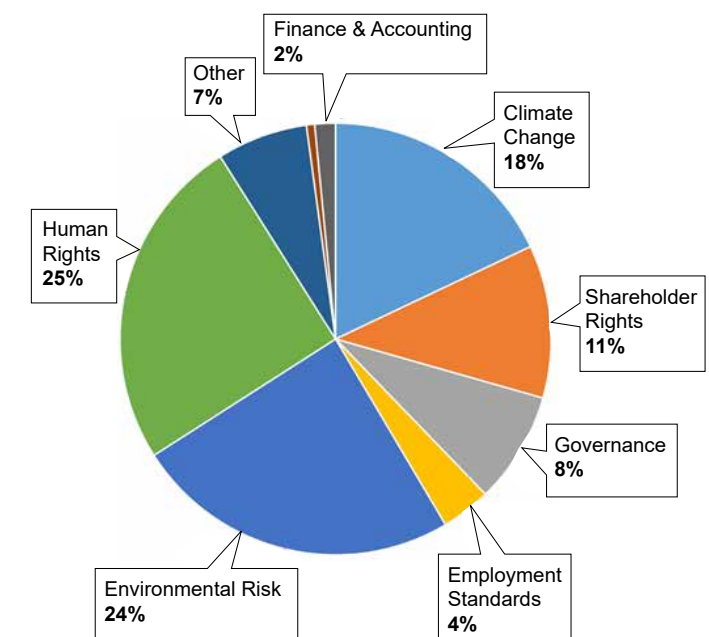
- Climate Change and Environmental Risk where efforts here in concert with other investor groups resulted in significant steps being taken by both Shell and BP (see below)
- Human Rights and employment practices
- Corporate Governance including Board composition but also issues such as tax transparency and membership of industry associations
- Remuneration

The graphs below give an idea of the topics which Robeco and LAPFF engaged with companies on during the year:

Robeco engagements topics 2018/19



LAPFF engagements topics 2018/19



6.9

MANAGING THE PENSION FUND'S INVESTMENTS

Responsible investment

Forms of engagement can range from correspondence with a company to face to face meetings with senior members of the Board.

The Authority and Border to Coast also support a number of specific investor groups aiming to deliver change in company practices in specific areas.

These are:



These groups focus on areas we regard as important to our work in relation to ESG and by bringing larger coalitions of investors together are better able to influence the behaviour of companies.

Impact

The cumulative impact of engagement activity through all these routes has been seen over the last year with the issuing of a joint statement between Royal Dutch Shell and an investor coalition on behalf of Climate Action 100+. The Joint Statement issued in December sets out a number of detailed commitments from Shell regarding how it will translate its Net Carbon Footprint (NCF) as part of its corporate strategy. The statement commits the Company to:

- Set climate targets with the aim of reducing the Net Carbon Footprint of its energy products by around half by 2050, and by around 20% by 2035.
- Link these targets to the executive remuneration policy which will be voted on at the 2020 AGM.
- Frequently review progress
- Align with the recommendations of the Task Force on Climate Related Financial Disclosure
- Review the Company's lobbying positions.

Subsequently BP's Board have agreed to support a shareholder resolution supported by Climate Action 100+ committing the Company to produce a business strategy consistent with the goals of the Paris agreement.

Work through Climate Action 100+ has also resulted in the mining company Glencore making 7 specific climate related commitments including one to cap production of thermal and coking coal at around the 2019 level.

Similar work with Rio Tinto has also led the company, following its decision to exit coal mining, to produce a report showing how it plans to contribute to and leverage the transition to a low carbon future.

Following the collapse of a tailings dam at a mine in Brumandinho in Brazil, owned by Vale, during January Border to Coast with the support of the Authority became part of a worldwide investor coalition (which now speaks for investors with over £12 trillion of assets under management) to call for a new independent mine safety system to be implemented on a global basis.

Our engagement with companies through various routes is beginning to have an impact and we will be working with Border to Coast over the coming year on developing processes to enable us to report more clearly and consistently on these impacts.

6.9

MANAGING THE PENSION FUND'S INVESTMENTS

Responsible investment

Governance

In accordance with LGPS Regulations administering authorities are required to state compliance with the Myners' Principles on a 'comply or explain' basis, within their Investment Strategy Statement. The six Principles provide a basis for monitoring good investment governance. The Authority believes it is fully compliant and has reviewed both its Investment Strategy Statement and its compliance with the principles during the year.

Stewardship

The integration of ESG risks and a robust approach to stewardship is strongly supported in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which govern how the Authority should manage its investments. Guidance made under the regulations states that funds should become signatories to the UK Stewardship Code. Following the transfer of assets to Border to Coast, the Authority has submitted a Stewardship Code compliance statement to the Financial Reporting Council (FRC) and been granted Tier 1 Signatory status (as has Border to Coast). Tiering distinguishes between signatories who report well and demonstrate their commitment to stewardship, and those where reporting improvements are necessary with Tier 1 being the highest status. The Fund's Stewardship Code Statement can be found on the Authority's website.

6.10

MANAGING THE PENSION FUND'S INVESTMENTS

Climate change

The Authority recognises that Climate Change poses possibly the greatest risk external to the Authority to the value of its investment portfolios. The risks and opportunities associated with climate change may have a material impact across all asset classes. The inter-connected nature of climate change has the potential to reduce returns across all asset classes and will have a macro-economic impact that could affect the entire Fund, including factors such as the life expectancy of scheme members rather than just the value of investment assets. Risks and opportunities can be presented in a number of ways and include: physical impacts, technological changes, regulatory and policy impacts, transitional risk and litigation risk.

In December 2015 the G20 finance ministers and Central Bank governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate related issues.

Such information is needed by investors, lenders and insurance underwriters in order to be able to assess climate related risks and opportunities. This led to the Task Force on Climate-related Financial Disclosures (TCFD) being established. Its remit was to develop a set of voluntary climate-related disclosures, which would assist in understanding the associated material risks of climate change. The final report with recommendations was published in June 2017; it considers that asset managers and asset owners, including public and private-sector pension funds, should implement the recommendations. The reporting framework recommended by the Task Force is structured around four themes; Governance, Strategy, Risk Management and Metrics.



6.10

MANAGING THE PENSION FUND'S INVESTMENTS

Climate change



Source – TCFD Final Report June 2017

Governance

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks.

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The Authority is supportive of the TCFD recommendations and this section of the Annual Report aims to fulfil its commitments to reporting on progress in line with the recommendations using the four pillars.

Governance

The Authority's first Climate Change Policy was published in 2016, and it was substantially reworked in 2018 to reflect the TCFD recommendations. The Climate Change Policy is owned and approved by the Authority with implementation and oversight of the Policy being by the Fund Director. Climate Change is also referenced in the Authority's Responsible Investment Policy as a risk factor with the potential to cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. Both policies are reviewed on a regular basis and a review of the Climate Change Policy will be undertaken in the coming year to reflect collaborative work being undertaken with other LGPS Funds through Border to Coast and the increased risk in this area indicated by the Inter-Governmental Panel on Climate Change's most recent report.

Strategy

The Authority actively considers how climate change, the shifting regulatory environment and potential macroeconomic impact will affect its investments. It encourages companies to improve disclosure in relation to climate change and to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

The Authority will look to consider climate change and how this will impact future asset allocation decisions when reviewing investment strategy, a fundamental review of which will take place over the coming year. It will not actively divest from companies solely or principally because of social, ethical or environmental reasons. However, in light of the significant potential financial impacts of climate change, carbon risk and stranded assets, it has made the decision not to invest in pure coal and tar sand companies.

The current investment strategy which is being put in place to provide greater diversification and reduce the volatility of expected future returns, has led to a reduction in investment in listed equities and a move into alternatives, although given movements in markets the cash value of these investments has increased over time. This has therefore increased exposure to assets that may be less sensitive to climate change risks. Movement into alternative asset classes such as private equity and infrastructure also allows the Authority to increase exposure to climate-related opportunities such as renewable energy and other technologies associated with the move to a low carbon economy which tend to raise finance through these routes rather than listed markets. Climate change, and the associated risks and opportunities, is integrated into the investment process by Border to Coast's portfolio managers and other external managers used by the Authority.

6.10

MANAGING THE PENSION FUND'S INVESTMENTS

Climate change

Risk Management

The Authority periodically measures and aims to manage climate risk across portfolios by monitoring carbon intensity (where possible). It commissioned the second carbon audit of its four main equity portfolios in December 2017; it has committed to a carbon audit of its investments on a biennial basis, and is working with Border to Coast to develop more comprehensive and regularly available information of this sort.

Collaboration with other likeminded investors leads to greater shareholder power to influence companies and achieve behaviour change. The Authority utilises its membership of LAPFF and Border to Coast's arrangements with Robeco to constructively engage with companies on climate related issues, including business sustainability and disclosure of climate risk, in line with TCFD recommendations. The Authority is a member of the Climate Action 100+ initiative, a five-year programme led by investors to engage with the world's largest corporate greenhouse gas emitters. The aim is to improve governance on climate change,

curb emissions and strengthen the climate related financial disclosures of the companies targeted. The Authority supports and has previously co-filed climate related shareholder resolutions at company AGMs where appropriate, and looks to Border to Coast to continue to do so now that its equity investments are held in pooled funds. It encourages greater levels of disclosure from companies through voting, and direct and collaborative engagement. The Authority is also a signatory to the CDP (previously known as the Carbon Disclosure Project) and took the lead in engaging with some UK based companies on the disclosure of environmental information. Governments' climate change policies are unpredictable which leads to public policy uncertainty. The Authority, through its membership of the Institutional Investors Group on Climate Change (IIGCC), actively engages with policy makers to accelerate the development of a realistic carbon price. Carbon pricing is vital for businesses and investors to properly incorporate climate related risk into investment decision-making.

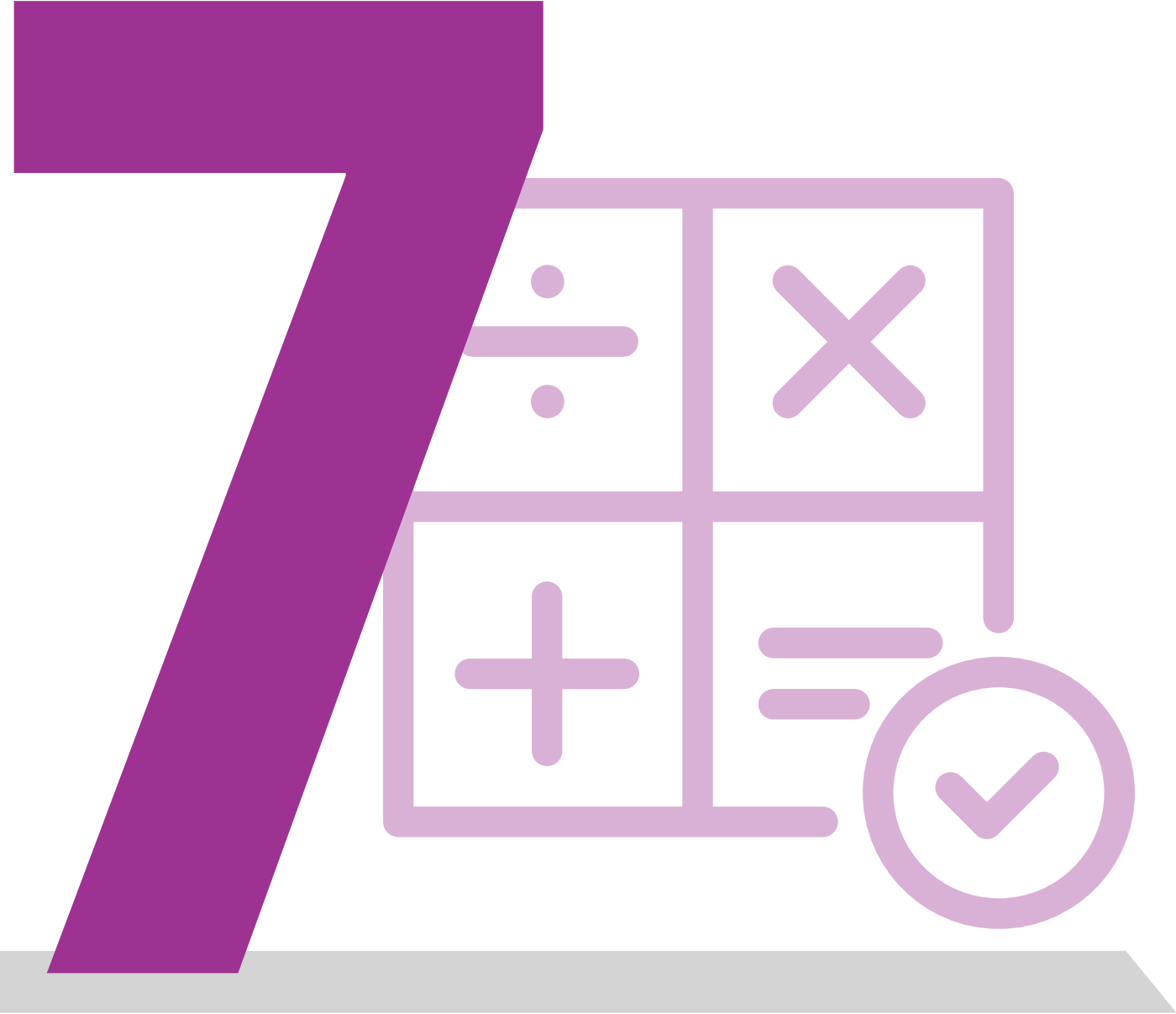
Metrics and Targets

The Authority will measure its portfolios' exposure to carbon intensive companies, where it is able to do so, by conducting a biennial carbon audit expressed in tons CO₂e/\$M Revenue. This is the metric recommended by the Task Force. This information will be used to highlight specific risks and inform company and fund manager engagement. It is widely acknowledged that carbon foot printing such as this still has limitations and weaknesses, but any process of change has to start from an imperfect place and make use of such data as is available. However, data cannot be used in isolation to measure risk to an investor's portfolio. Although data is improving as companies provide better climate-related financial disclosures, investors still need to be aware that data is patchy; for example emerging markets have the highest carbon intensity but the lowest levels of disclosure and lowest quality disclosure. The Authority will also report on additional metrics which will include company engagement meetings undertaken by Border to Coast and through collaborative routes as part of the regular reporting of Responsible Investment matters to the elected members.

In September 2015 the Authority's Investment Board made the decision to engage a specialist contractor to measure the carbon footprint of the Fund's four main equity portfolios. Subsequent carbon audits would then be undertaken on a biennial basis. As reported last year the second audit identified a 21% reduction in the carbon intensity of the portfolios over the two years, reflecting a conscious decision by the Authority to "tilt" these portfolios in a lower carbon direction. We are now working with Border to Coast on introducing an ongoing process of carbon measurement which will be introduced during 2019 and will compare the carbon intensity of the current portfolios both with the relevant benchmark index and the "legacy" portfolio which the Authority transferred. This process will be extended to the full range of ESG issues to allow the Authority and Border to Coast as its fund manager to demonstrate that the investment process fully takes these issues into account and give an indication as to the effectiveness of engagement with companies.



7
FINANCIAL STATEMENTS



7.1

FINANCIAL STATEMENTS

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; and
- approve the Statement of Accounts.

I confirm that these Accounts were approved at the Audit Committee meeting held on the 18th July 2019.

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

Councillor A Atkin

Date: 18 July 2019

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 2018/19 ("the Code"), is required to present fairly the financial position of the Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

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 9(1) of the Accounts and Audit Regulations 2015, 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 2019 and its income and expenditure for the year then ended.

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

N. Copley
Treasurer

Date: 18 July 2019

7.1

FINANCIAL STATEMENTS

Fund Account

2017/18 £'000		2018/19 £'000	£'000	Note
	Dealings with members, employers and others directly involved in the Fund			
304,424	Contributions receivable	206,446		7
20,044	Transfers in from other pension funds	61,767		8
324,468			268,213	
(270,322)	Benefits payable	(293,301)		9
(28,979)	Payments to and on account of leavers	(17,329)		10
(299,301)			(310,630)	
25,167	Net additions/(withdrawals) from dealings with members		(42,417)	
(28,544)	Management expenses		(53,237)	11
	Returns on investments			
196,772	Investment income	132,099		12
190,228	Profit and losses on disposal of investments and changes in value of investments	375,784		13a
(3,117)	Taxes on income	(2,617)		12
383,883	Net return on investments		505,266	
380,506	Net increase / (decrease) in the net assets available for benefits during the year		409,612	
7,649,847	Net assets of the Fund at 1 April		8,030,353	
8,030,353	Net assets of the Fund at 31 March		8,439,965	

Net Assets Statement

31/3/2018 £'000		31/3/2019 £'000	£'000	Note
0	Long-term investments	833		
	Equities			
789,113	Investment assets	826,373		
4,153,447	Fixed Interest Securities	176,008		
220,964	Equities	267,475		
1,657,903	Index-Linked Securities	6,131,698		
657,110	Pooled Investment Vehicles	687,245		13d
9,153	Property	184		14
50,345	Forward currency contracts	42,298		
455,934	Cash - Foreign currency	283,476		
28,917	Cash - Sterling	15,161		
8,022,886	Other investment balances		8,430,751	
	Investment liabilities			
(-)	Forward currency contracts	(665)		14
(1,000)	Other investment liabilities	(94)		
(1,000)			(759)	
8,021,886	Net investment assets		8,429,992	13
16,967	Current assets		19,715	20
609	Long Term Debtors		1,014	20a
(9,109)	Current liabilities		(10,756)	21
8,030,353	Net assets of the Fund available to fund benefits at 31 March		8,439,965	

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

7.1

FINANCIAL STATEMENTS

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 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 2013 (as amended).

As a result of the government policy on pooling of investments most of the Fund’s equity investments have been managed by Border to Coast Pensions Partnership since July 2018. This partnership was created in response to the government policy and this Fund is one of 12 funds that make it up. Some assets remain under internal management however these will transition to Border to Coast as new funds are set up to manage the more complex asset types. Asset allocation remains the responsibility of the Authority.

Other investments are managed internally, albeit with the assistance of advisors on real estate matters, in accordance with the LGPS (Management and Investment of Funds) regulations 2016. 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.

In accordance with sections 5(1) and (2) of the Public Service Pensions Act 2013 the Authority also has a Local Pension Board.

The Authority’s Investment Strategy Statement (ISS) was reviewed during the year and is available, along with more detail of the activities of the Fund, on the Fund’s website (www.sypensions.org.uk).

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

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 490 employer organisations contributing to the Fund as at 31 March 2019.

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

	31 March 2019	31 March 2018
Active Contributors	49,145	53,471
Pensioners & Dependants	52,582	49,982
Deferred Pensions <i>(includes 6,175 unprocessed leavers)</i>	58,052	53,427
Totals	159,779	156,880

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 2019.

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 2016. As a result of the 2016 actuarial valuation, contribution rates for 1 April 2017 to 31 March 2020 will range from 8.8% to 28.2% of pensionable pay (common rate 15%).

d) Benefits

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

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.

A range of other benefits are

7.1

FINANCIAL STATEMENTS

also provided under the scheme including early retirement, disability pensions and death benefits. For more details please refer to the LGPS website.

e) Investment Performance

The Fund's market value (not including current net assets) increased over the year and closed at just under £8,431m (£8,023m in 2017/18) producing an overall return of 5.9% (4.7% in 2017/18). The Fund's benchmark return was 6.2% (3.8% in 2017/18).

The financial year started with strong momentum in equity markets with a rise in bond yields resulting from an end to quantitative easing. As the year progressed a number of risks emerged and 2018 ended tumultuously as investors panicked. Fears over slowing growth, trade wars, Brexit and tightening monetary policy dominated. Equity markets have since rebounded sharply from the oversold levels seen at the end of December. A key driver of this move has been the shift in monetary policy led by the US Federal Reserve which signalled an end to interest rate hikes. This boosted investor confidence and also led to a rally in sovereign bond markets with yields falling

as investors priced in a looser monetary policy. The fall in yields combined with the increase in risk appetite supported a strong rally in credit markets and underpinned the recovery in equity markets. Another positive for markets can be attributed to easing concerns over the China-US trade dispute.

The notable changes in the Fund's asset allocation compared to the previous year include a reduction in the overall cash exposure to fund new investments within our alternative asset classes of private equity, private debt and infrastructure. This has brought these allocations closer to their strategic targets.

Equity protection strategy

The Fund has an equity protection strategy in place against two thirds of its equity exposure. The underlying equity markets have been volatile and although the value of the strategy has fluctuated during the year it has fulfilled expectations against these movements. As equity markets fell there was a positive benefit to the Fund but as equity markets rose again the value of the strategy fell and at the end of March 2019 it had a negative value of £5.49m.

2. Basis of preparataion

The Statement of Accounts summarises the Fund's transactions for 2018/19 and its position at the year end of 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018/19.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in

the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19.

The accounts have been prepared on a going concern basis.

3. Summary of significant 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 2013 (see notes 8 and 10).

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

Bulk (group) transfers are accounted for 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

7.1

FINANCIAL STATEMENTS

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 paid during the financial year.

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 Expenses (2016).

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 charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where

fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments. 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. 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.

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

Net assets statement

g) Financial assets

Investments in Border to Coast Pensions Partnership asset pool are valued at transaction price i.e. cost, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2019 as the pool has been established for less than a year.

There is no market in the shares held and cost would be a reasonable and appropriate estimate of fair value.

All other 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 at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund

has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and leasehold properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 15 for more details.

i) 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.

7.1

FINANCIAL STATEMENTS

j) 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. (see Note 14).

k) 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.

l) 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.

m) 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 2016) 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 19).

n) Additional Voluntary Contributions (AVCs)

In accordance with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 as a note (Note 22).

o) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of a note (Notes 24 and 25).

4. Critical judgements in applying accounting policies

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 18 and 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Investment in Border to Coast

This Investment has been valued at transaction price i.e. cost, as an appropriate estimate of fair value. Management have made this judgement because a fair value cannot be otherwise established for these assets as at 31 March 2019, as the pool has been established for less than a year. There is no market in the shares held and cost would be a reasonable and appropriate estimate of fair value.

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

The preparation of the Pension Fund Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

7.1

FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability (Note 18)	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 2016 actuarial valuation was 86% (a deficit of £1,025m). The effects on the deficit of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the real investment return would increase the deficit by £333m. A 0.25% increase in salary growth would increase the deficit by £54m. A 1 year increase in life expectancy would increase the deficit by £168m.
Private equity investments (Note 15)	Private equity funds are valued at fair value in accordance with International Private Equity and Venture Capital Valuation 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 £952.7m. There is a risk that this investment may be under or overstated in the accounts by £66.69m.
Hedge fund of funds (Note 15)	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 £5.94m. There is a risk that this investment may be under or overstated in the accounts by £0.42m.
Freehold and leasehold property Pooled property funds (Note 15)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property of £25m, on a fair value of £675.5m.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 18 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2019 as it provides information that is relevant to an understanding of the Pension Fund's financial position but does not relate to conditions at that date.

The United Kingdom is currently due to leave the European Union on 31 October 2019. There remains significant uncertainty around the detailed arrangements of how the withdrawal will take effect. The Authority is continuing to review issues as they arise and seeking assurance from its service

providers as necessary. The following sets out the potential areas for impact and any mitigating actions in place in respect of the Pension Fund:

- **Payment of pensions**
Arrangements are in place with Western Union that will enable payments to continue to be made overseas to pensioners residing in the EU.
- **Investment Operations**
The Government has stated that steps have been taken to ensure that trades will continue to be possible. Border to Coast Pensions Partnership, as our most significant investment manager, have made an assessment of potential impacts and this has not identified any significant issues for the Fund.
- **Fund Value** The clearest risk here would be that in the event of a "disorderly exit", there is likely to be a fall in the value of sterling. However, a significant proportion of the Fund's investments are US Dollar or Euro denominated, which means if such a fall in value were to take place, it would actually lead to an increase in the value of the Fund.

It is considered that this would likely outweigh any negative impact on UK share prices.

It is important to note that the potential impacts outlined above may be short term in nature, and as the Pension Fund is a long term investment institution, such effects would smooth out over time. A more orderly exit would likely have similar impacts, although to a lesser degree and at an earlier point in time. In both cases, historical market behaviour would tend to imply some sort of post-event bounce; although the timescale for such is not possible to judge at this point in time.

7.1

FINANCIAL STATEMENTS

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.

	2018/19 £'000	2017/18 £'000
Employers' contributions		
Normal Contributions	121,593	142,847
Deficit Funding Lump Sums	19,100	100,175
Augmentation	87	139
Additional Capital Contributions	74	275
Additional Cost of Early Retirement	8,006	5,796
	148,860	249,232
Employees' contributions	57,586	55,192
	206,446	304,424

	2018/19 £'000	2017/18 £'000
Administering Authority		
South Yorkshire Pensions Auth	796	766
Scheduled Bodies		
Barnsley MBC	21,683	46,328
Doncaster MBC	12,005	67,015
Rotherham MBC	23,646	45,901
Sheffield CC	45,135	42,209
Other Scheduled Bodies	87,884	86,046
Admitted Bodies	15,297	16,159
Totals	206,446	304,424

8. Transfers In from other pension funds

	2018/19 £'000	2017/18 £'000
Group transfers (North Linsey College and North Nottinghamshire College)	47,027	0
Individual transfers	14,740	20,044
Totals	61,767	20,044

9. Benefits payable

Analysis of benefits payable	2018/19 £'000	2017/18 £'000
Retirement Pensions	226,681	213,384
Commutation of benefits and lump sum retirement benefits	60,477	50,050
Lump sum death benefits	6,143	6,888
Totals	293,301	270,322

Analysis by employer type	2018/19 £'000	2017/18 £'000
Administering Authority		
South Yorkshire Pensions Auth	677	696
Scheduled Bodies		
Barnsley MBC	39,288	37,273
Doncaster MBC	43,593	39,440
Rotherham MBC	41,455	39,246
Sheffield CC	89,572	83,436
Other Scheduled Bodies	51,513	46,335
Admitted Bodies	27,203	23,896
Totals	293,301	270,322

10. Payments to and on account of leavers

	2018/19 £'000	2017/18 £'000
Individual transfers out	16,844	28,375
Group transfers out	0	0
Refunds of contributions to members	491	554
Payments for members joining state scheme	(6)	50
Totals	17,329	28,979

11. Management expenses

	2018/19 £'000	2017/18 £'000
Administrative costs	3,358	3,095
Investment management expenses	48,712	24,140
Oversight and governance costs	1,167	1,309
Totals	53,237	28,544

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 £614,720 (£407,608 in 2017/18). Oversight and governance costs include audit fees (Deloitte) of £31,833 (£41,342 (KPMG) in 2017/18).

7.1

FINANCIAL STATEMENTS

11a. Investment management expenses

	2018/19 £'000	2017/18 £'000
Internal management costs	672	974
Pooling implementation costs	1,935	406
Bond manager	494	488
Property advisor fees	1,196	1,067
Equity Protection manager	470	33
Custody	159	289
Research fees	156	149
Transaction costs	2,860	1,738
Management fees deducted at source	40,254	18,741
VAT liability	516	255
Totals	48,712	24,140

In accordance with CIPFA guidance management fees deducted at source and transaction costs are now shown gross. Wherever possible these figures are based on actual costs disclosed by the manager; where this is not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in the Fund's resources available to pay pension benefits.

Management fees deducted at source also includes transition costs of £2.37m in respect of UK and overseas equities transitioned to pooled funds within Border to Coast during the year.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

12. Investment income

	2018/19 £'000	2017/18 £'000
Interest from fixed interest securities	36,624	34,639
Dividends from equities	55,485	125,856
Income from index-linked securities	3,249	4,436
Income from pooled investment vehicles	6,900	5,363
Net property income	26,100	22,737
Interest on cash deposits	2,923	903
Stock lending	724	1,968
Other	94	870
	132,099	196,772
Irrecoverable withholding tax - equities	(2,617)	(3,117)
Net Investment income	129,482	193,655

As the bulk of both UK and overseas equities are now managed within the Border to Coast pooled funds there is no direct income from those funds and the value of that income is reflected within the valuation of the Fund holdings. However there was an amount of £69.7m of income within the funds in 2018/19 and also £0.27m in respect of stock lending. Again, direct stock lending income decreased during the year as assets were transferred to the pool and the direct stock lending activity was reduced to just bonds (see note 13c).

12a. Property income

	2018/19 £'000	2017/18 £'000
Rental income	26,702	23,765
Other dividends and interest	56	57
Direct operating expenses	(658)	(1,085)
Net income	26,100	22,737

No contingent rents have been recognised as income during the period.

7.1

FINANCIAL STATEMENTS

13. Net Investment Assets

Investment Assets	31/03/19 £'000	31/03/18 £'000
Long Term Investments		
UK Equities unquoted	833	0
	833	0
Fixed Interest Securities		
UK corporate bonds	398,042	378,422
Overseas public sector quoted	138,945	123,819
Overseas other quoted	289,386	286,872
	826,373	789,113
Equities		
UK quoted	0	1,138,595
Overseas quoted	176,008	3,014,852
	176,008	4,153,447
Index Linked Securities		
UK public sector quoted	166,140	123,983
UK corporate bonds	101,335	96,981
	267,475	220,964
Pooled Investment Vehicles		
UK		
Equities	1,231,466	0
Private Equity	79,781	73,262
Credit	43,524	43,928
Infrastructure	76,688	56,487
Other managed funds	874,954	859,650
Overseas		
Equities	2,921,807	0
Private Equity	374,864	273,402
Credit	247,376	138,392
Infrastructure	130,480	54,302
Hedge fund of funds	5,940	7,320
Other managed funds	71,191	61,720
Indirect Property		
UK Property	60,165	68,799
Overseas Property	13,462	20,641
	6,131,698	1,657,903
Direct Property		
UK Freehold	563,262	530,878
UK Leasehold	112,230	113,225
UK Other	11,753	13,007
	687,245	657,110
Derivative Contracts		
Forward currency contracts	184	9,153
	184	9,153
Cash - Foreign currency	42,298	50,345
Cash - Sterling	283,476	455,934
Investment income due	14,754	25,910
Amounts receivable from sales	407	3,007
Total Investment assets	8,430,751	8,022,886
Investment liabilities		
Forward currency contracts	(665)	(0)
Amounts payable for purchases	(94)	(1,000)
Total Investment liabilities	(759)	(1,000)
Net Investment Assets	8,429,992	8,021,886

The Fund has four investments that represent more than 5% of the net investment assets of the Scheme (one in 2017/18).

2018/19 Security	Holding	Valuation £'000	% of Net Investment Assets
Schroder Matching Plus Inv Fund <i>This fund is held for the equity protection strategy (see note 1e).</i>	744,567.79	811,497	9.63
Border to Coast UK	1,241,147,380	1,231,466	14.61
Border to Coast Overseas	2,224,874,095	2,251,573	26.71
Border to Coast Emerging Markets	645,076,159	670,234	7.95

2017/18 Security	Holding	Valuation £'000	% of Net Investment Assets
Schroder Matching Plus Inv Fund <i>This fund is held for the equity protection strategy (see note 1e).</i>	744,567.79	809,725	10.09



7.1

FINANCIAL STATEMENTS

13a. 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.

Indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the Fund.

	Mkt Value at 1/4/18	Purchases and derivative payments	Sales and derivative receipts	Change in Mkt Value	Mkt Value at 31/3/19
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	789,113	106,454	(84,986)	15,791	826,372
Equities	4,153,447	271,044	(4,455,374)	207,725	176,842
Index-Linked Securities	220,964	74,646	(42,329)	14,194	267,475
Pooled Investment Vehicles	1,657,903	4,513,481	(200,315)	160,629	6,131,698
Property	657,110	63,814	(29,699)	(3,980)	687,245
Foreign currency contracts	9,153	36,614	(22,662)	(23,586)	(481)
	7,487,690	5,066,053	(4,835,365)	370,773	8,089,151
Cash - Foreign currency	50,345			5,011	42,298
Cash - Sterling	455,934			0	283,476
				375,784	
Other investment assets	28,917				15,161
Other investment liabilities	(1,000)				(94)
NET INVESTMENT ASSETS	8,021,886				8,429,992

Previous year comparative

	Mkt Value at 1/4/17	Purchases and derivative payments	Sales and derivative receipts	Change in Mkt Value	Mkt Value at 31/3/18
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	662,999	276,037	(108,118)	(41,805)	789,113
Equities	4,688,952	318,363	(947,279)	93,411	4,153,447
Index-Linked Securities	901,148	872,232	(790,499)	(761,917)	220,964
Pooled Investment Vehicles	631,136	412,835	(226,569)	840,501	1,657,903
Property	605,123	17,768	(129)	34,348	657,110
Foreign currency contracts	8,551	2,386	(24,960)	23,176	9,153
	7,497,909	1,899,621	(2,097,554)	187,714	7,487,690
Cash - Foreign currency	31,782			2,514	50,345
Cash - Sterling	83,925			0	455,934
				190,228	
Other investment assets	27,340				28,917
Other investment liabilities	(187)				(1,000)
NET INVESTMENT ASSETS	7,640,769				8,021,886

7.1

FINANCIAL STATEMENTS

13b. Investments analysed by Fund Manager

	Market Value at 31/3/19		Market Value at 31/3/18	
	£'000	%	£'000	%
South Yorkshire Pensions Authority	3,874,998	45.96	7,636,104	95.19
Border to Coast Pensions Partnership	4,153,273	49.27	0	0
Royal London (Corporate bonds)	401,721	4.77	385,782	4.81
	8,429,992	100.00	8,021,886	100.00

13c. Stock lending

The value of stock lending as at 31 March was as follows:

	31/03/19	31/03/18
	£'000	£'000
UK Index-linked securities	0	0
UK Corporate bonds	18,476	21,447
UK Equities	0	357,747
Overseas Corporate bonds	20,104	31,983
Overseas Bonds	27,096	37,230
Overseas Equities	0	505,713
Value of stock on loan	65,676	954,120
Value of collateral held	70,313	1,032,114

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

The income generated from stock lending was £0.724m (2017/18 £1.97m). As stated in Note 11 the reduction in stock lending income is due to the transition of UK and Overseas equities into the Border to Coast pool. The pooled funds do generate some stock lending income and this is explained in Note 11.

13d. Property holdings

The Fund has investment in pooled property funds and directly owned properties. The direct property is both freehold and leasehold and amounts to £675.492m (£644.103m in 2017/18).

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

	2018/19	2017/18
	£'000	£'000
Balance at start of the year	644,103	591,581
Additions		
Purchase	57,040	11,626
Construction	2,015	5,136
Subsequent Expenditure	3,759	1,006
	62,814	17,768
Disposals	(28,699)	(0)
Net gains/(losses) from fair value adjustments	(2,726)	34,754
Balance at end of the year	675,492	644,103

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 2019 with outstanding commitments of £5.1m (3 Development Funding Agreements with £5.4m outstanding at 31 March 2018).

7.1

FINANCIAL STATEMENTS

14. Derivative contracts

The Fund uses currency hedging to manage risk and the foreign currency exposure and volatility in the bond and property fund portfolio. This exposure is US dollar and Euro denominated assets 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.

Open forward currency contracts at 31 March 2019

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		£'000	£'000	£'000
Up to three months	GBP	6,946	EUR	8,000	35	
Up to three months	GBP	66,350	USD	87,000		(171)
Up to three months	GBP	16,498	EUR	19,000	83	
Up to three months	GBP	192,186	USD	252,000		(494)
Up to three months	GBP	13,024	EUR	15,000	66	
					184	(665)
Net forward currency contracts at 31 March 2019						(481)

Prior year comparative

Open forward currency contracts at 31 March 2018

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		£'000	£'000	£'000
Up to three months	GBP	8,881	EUR	10,000	110	
Up to three months	GBP	88,288	USD	120,000	2,803	
Up to three months	GBP	22,202	EUR	30,000	274	
Up to three months	GBP	180,256	USD	205,000	5,724	
Up to three months	GBP	19,537	EUR	26,000	242	
					9,153	
Net forward currency contracts at 31 March 2018						9,153

7.1

FINANCIAL STATEMENTS

15. Fair Value - basis of valuation

Unquoted equities in Border to Coast asset pool are valued at cost i.e. transaction price, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2019 as the pool has been established for less than a year. There is no market in the shares held and cost would be a reasonable estimate of fair value.

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid market price ruling on the final day of the accounting period	Not required	Not required
Bonds	Level 2	Average of broker prices valued on a "clean" basis (not including accrued interest)	Composite prices/ Evaluated price feeds	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments - listed debt funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required
Pooled investments - Limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Jones Lang LaSalle in accordance with the <i>RICS Valuation - Professional Standards January 2014</i> and Fisher German for the agricultural portfolio.	Existing lease terms and rentals. Independent market research. Assumed vacancy levels. Estimated rental growth. Discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

7.1

FINANCIAL STATEMENTS

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held as 31 March 2019.

Asset type	Assessed valuation range (+/-)	Value as at 31 March 2019	Value on increase	Value on decrease
2019		£'000	£'000	£'000
UK Unquoted Equity	-	833	833	833
Pooled investment funds	7%	967,305	1,035,016	899,594
Pooled property funds	4%	54,795	56,987	52,603
Freehold and leasehold property	4%	675,492	702,512	648,472
Other property (wholly owned subsidiaries)	4%	11,753	12,223	11,283
Total		1,710,178	1,807,571	1,612,785

15a. 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. Transfers between levels are recognised in the year in which they occur.

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.

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 judgement 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.

7.1

FINANCIAL STATEMENTS

2019	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	4,466,888	1,927,246	1,034,686	7,428,820
Non-financial assets at fair value through profit and loss (see Note 13d)	0	0	675,492	675,492
Financial liabilities at fair value through profit and loss	(94)	(0)	(0)	(94)
Net investment assets	4,466,794	1,927,246	1,710,178	8,104,218

2018	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	4,279,327	1,850,717	742,460	6,872,504
Non-financial assets at fair value through profit and loss (see Note 13d)	0	0	644,103	644,103
Financial liabilities at fair value through profit and loss	(1,000)	(0)	(0)	(1,000)
Net investment assets	4,278,327	1,850,717	1,386,563	7,515,607

7.1

FINANCIAL STATEMENTS

16. Financial instruments

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 13d).

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:

	2018/19 £'000	2017/18 £'000
Fair value through profit or loss		
Financial Assets		
Fixed Interest Securities	826,372	789,113
Equities	176,842	4,153,447
Index-Linked Securities	267,475	220,964
Pooled Investment Vehicles	6,131,698	1,657,903
Other property (wholly owned subsidiaries)	11,753	13,007
Forward currency contracts	184	9,153
Other investment balances	15,161	28,917
Total	7,429,485	6,872,504
Financial Liabilities		
Forward currency contracts	(665)	(0)
Other investment balances	(94)	(1,000)
Total	(759)	(1,000)
Assets at amortised cost		
Financial Assets		
Cash – Foreign currency	42,298	50,345
Cash – Sterling	283,476	455,934
Current assets	19,715	16,967
Long Term Debtors	1,014	609
Total	346,503	523,855
Financial Liabilities at amortised cost		
Financial Liabilities		
Current liabilities – creditors	(10,756)	(9,109)
Total	(10,756)	(9,109)

See note 15 re method of valuation of asset classes. Debtors and creditors are included at cost.

b) Net gains and losses on Financial Instruments

	2018/19 £'000	2017/18 £'000
Financial assets		
Fair value through profit and loss	398,339	130,190
Assets at amortised cost	5,011	2,514
Financial liabilities		
Fair value through profit and loss	(23,586)	23,176
Financial liabilities measured at amortised cost	-	-
Total	379,764	155,880

17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

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

7.1

FINANCIAL STATEMENTS

The management of risk is described within the Fund's Investment Strategy Statement (ISS) 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 2018.

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 ISS 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 2018/19 reporting period.

Asset Type	Potential market movements (+/-) 31 March 2019
Bonds	4.45%
UK Equities	9.23%
Overseas Equities	10.07%
Index Linked securities	14.43%
Private Equity	6.69%
Credit	6.57%
Infrastructure	6.36%
Property	3.70%

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

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 2019	Potential Market Movement	Value on increase	Value on decrease
2019	£'000	£'000	£'000	£'000
Bonds	826,373	36,774	863,147	789,599
UK Equities	1,231,466	113,664	1,345,130	1,117,802
Overseas equities	3,097,815	311,950	3,409,765	2,785,865
Index linked securities	267,475	38,597	306,072	228,878
Private equity	454,645	30,416	485,061	424,229
Credit	290,900	19,112	310,012	271,788
Infrastructure	207,168	13,176	220,344	193,992
Property (unit trusts)	73,627	2,724	76,351	70,903
UK Unquoted Equities	833	0	833	833
Other managed funds	140,588	0	140,588	140,588
Equity Protection Fund	811,497	0	811,497	811,497
Forward currency contracts	184	0	184	184
Cash – Foreign currency	42,298	0	42,298	42,298
Cash – Sterling	283,476	0	283,476	283,476
Other investment assets	15,161	0	15,161	15,161
Forward Currency contracts	(665)	0	(665)	(665)
Other investment liabilities	(94)	0	(94)	(94)
Net investment assets	7,742,747	566,413	8,309,160	7,176,334

7.1

FINANCIAL STATEMENTS

Asset type	Value as at 31 March 2018	Potential Market Movement	Value on increase	Value on decrease
2018	£'000	£'000	£'000	£'000
Bonds	789,113	35,116	824,229	753,998
UK Equities	1,138,595	105,092	1,243,687	1,033,502
Overseas equities	3,014,852	303,596	3,318,448	2,711,256
Index linked securities	220,964	31,885	252,849	189,079
Private equity	381,596	25,529	407,125	356,067
Absolute return	217,515	14,291	231,806	203,224
Infrastructure	159,627	10,152	169,779	149,475
Property (unit trusts)	89,440	3,309	92,749	86,131
Equity Protection Fund	809,725	0	809,725	809,725
Forward currency contracts	9,153	0	9,153	9,153
Cash – Foreign currency	50,345	0	50,345	50,345
Cash – Sterling	455,934	0	455,934	455,934
Other investment assets	28,917	0	28,917	28,917
Forward Currency contracts	(0)	0	(0)	(0)
Other investment liabilities	(1,000)	0	(1,000)	(1,000)
Net investment assets	7,364,776	528,970	7,893,746	6,835,806

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 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31/3/19 £'000	31/3/18 £'000
Cash - Sterling	283,476	455,934
Total	283,476	455,934

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 0.73%.

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 +/- 0.73% change in interest rates:

Asset type	Carrying amount as at 31 March 2019	Potential movement on 0.73% change in interest rates	Value on increase	Value on decrease
2019	£'000	£'000	£'000	£'000
Cash - Sterling	283,476	2,069	285,545	281,407
Total change in assets available	283,476	2,069	285,545	281,407

Asset type	Carrying amount as at 31 March 2018	Potential movement on 0.73% change in interest rates	Value on increase	Value on decrease
2018	£'000	£'000	£'000	£'000
Cash - Sterling	455,934	3,328	459,262	452,606
Total change available	455,934	3,328	459,262	452,606

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.

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 8.01%.

7.1

FINANCIAL STATEMENTS

An 8.01% 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 2019	Potential Market Movement	Value on increase	Value on decrease
2019	£'000	£'000	£'000	£'000
Overseas fixed interest securities	428,331	34,309	462,640	394,022
Overseas quoted securities	3,097,815	248,135	3,345,950	2,849,680
Overseas Private equity	374,864	30,027	404,891	344,837
Overseas Credit	247,376	19,815	267,191	227,561
Overseas Infrastructure	130,479	10,451	140,930	120,028
Overseas hedge fund of funds	5,940	476	6,416	5,464
Overseas other managed funds	71,192	5,702	76,894	65,490
Overseas property funds	13,462	1,078	14,540	12,384
Forward currency contracts	184	15	199	169
Cash - Foreign currency	42,298	3,388	45,686	38,910
Total change in assets available	4,411,941	353,396	4,765,337	4,058,545

Currency exposure Asset type	Asset value as at 31 March 2018	Potential Market Movement	Value on increase	Value on decrease
2018	£'000	£'000	£'000	£'000
Overseas fixed interest securities	410,691	32,896	443,587	377,795
Overseas quoted securities	3,014,852	241,490	3,256,342	2,773,362
Overseas limited partnerships	466,096	37,334	503,430	428,762
Overseas hedge fund of funds	7,320	586	7,906	6,734
Overseas other managed funds	61,720	4,944	66,664	56,776
Overseas property funds	20,641	1,653	22,294	18,988
Forward currency contracts	9,153	733	9,886	8,420
Cash - Foreign currency	50,345	4,033	54,378	46,312
Total change in assets available	4,040,818	323,669	4,364,487	3,717,149

7.1

FINANCIAL STATEMENTS

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 £40m with any counterparty and counterparties must have a short term debt credit rating of F1 or better.

The Fund's benchmark allowance for cash at 31 March 2019 was a maximum of 10% of the Fund (10% at 31 March 2018). The actual cash holdings were 3.36% (5.68% at 31 March 2018).

Interest received on advances during 2018/19 was just under £2.29m (£0.632m in 2017/18) at an average rate of 0.57% (0.28% in 2017/18) (as the Fund maintains short term deposits only, the rate of interest is closely aligned to the Bank of England base rate which increased to 0.75% in August 2018, previously the rate had been 0.5%).

Rates have been slow to increase in line with the base rate increase but are moving upwards. For illustration purposes an increase of 0.25% in interest rates achieved would have resulted in an increase of £1m (£0.564m in 2017/18) 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 substantial amount of cash being deposited for no longer than a week. Whilst cash balances are high some cash deposits are placed for up to 6 months with nothing being invested for more than 364 days. Also the Fund holds Government bonds amounting to £138.9m (£123.9m at 31 March 2018) 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.

18. 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 2016. The market value of the Fund's assets at the date of the valuation was £6,268m. The previous valuation had been completed as at 31 March 2013 (market value £5,288m). The valuation was conducted in accordance with the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended). The next valuation will be as at 31 March 2019.

The actuary has taken a long term view when setting the future service basis. The assumptions adopted are:-

	31 March 2016	31 March 2013
Discount Rate	4.2%	4.6%
Price inflation (CPI)	2.2%	2.6%
Salary increases (short term)	1.25% for 4 yrs	1.00%pa for 3 yrs
Salary increases (long term)	3.45% pa	4.35% pa
Pension increases in payment	2.2% pa	2.6% pa

Mortality assumptions	31 March 2016	31 March 2013
Retired members' mortality – future improvements	CMI 2015 model methodology with 1.5%p.a. long term trend	CMI 2012 model methodology with 1.5%p.a. long term trend

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

The mortality assumptions used for the 31 March 2016 valuation result in the following life expectancies.

Life expectancy for a male aged 65 now	22.8 years
Life expectancy at 65 for a male aged 45 now	25.0 years
Life expectancy for a female aged 65 now	25.6 years
Life expectancy at 65 for a female aged 45 now	27.9 years

7.1
FINANCIAL STATEMENTS

Commutation assumption

It has been 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 19 years (22 years at 2013 valuation). The notional funding deficit revealed by the valuation was £1,025m at 31 March 2016 (£1,709m deficit at 31 March 2013). This represents a funding level of 86%

at 31 March 2016 (76% at 31 March 2013).	
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 2018/19 was 14.9% with an additional payment of £202,400 and the rate for 2019/20 is 14.9% with an additional payment of £206,900.	
The contribution rates for the four district councils for 2019/20 are (no additional deficit payments are due for this period):-	
Employer	%
Barnsley MBC	14.7
Doncaster MBC	15.5
Rotherham MBC	14.9
Sheffield City Council	15.2

Although a full actuarial valuation has not been undertaken the funding level at 31st March 2019 is calculated at around 100% and the Fund has a protection strategy in place to de-risk this position as far as possible (see note 1e).

IAS26 requires the calculation in note 19 to be undertaken using IAS19 assumptions and not funding assumptions hence the variation between the two values produced.

19. 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:

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 31 March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31

March 2018 was estimated as £10,514 million. Interest over the year increased the liabilities by c£274 million, and net benefits accrued/paid over the period also increased the liabilities by c£97 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then an increase in liabilities of £614 million due to "actuarial gains" (i.e. the effect of the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £11,499 million.

	31 March 2019	31 March 2018
Rate of return on investments (discount rate)	2.40% p.a.	2.60% p.a.
Rate of pay increases	3.45% p.a.	3.35% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.30% p.a.	2.20% p.a.
Rate of CPI Inflation/benefit revaluation/CARE	2.20% p.a.	2.10%p.a.

7.1

FINANCIAL STATEMENTS

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required.

On 15 July, the Chief Secretary to the Treasury announced in a written statement that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes. At this stage it is uncertain what remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

Following a request from the LGPS Scheme Advisory Board, the Government Actuary’s Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole, which are set out in their paper dated 10 June 2019. For the LGPS as a whole, GAD’s calculations indicate a potential balance sheet effect of additional liabilities of about 3.2% of active member liabilities (around 1% of overall liabilities), when measured on IAS26 actuarial assumptions as at 31 March 2019 assuming real pay growth of 1.5% p.a. above CPI. For the South Yorkshire Pension Fund, the default real pay growth assumption at the last valuation was 1.25% p.a. above CPI. The Actuary has adjusted GAD’s calculation to allow for this, resulting in an adjustment of around 2.7% of active liabilities (or 0.8% of total liabilities).

Applying the same 0.8% of overall liabilities to the South Yorkshire Pension Fund, the increase in the estimated total value of the Fund’s promised retirement benefits at 31 March 2019 would be approximately £90 million.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement”, clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgement, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

20. Current assets

Debtors:	31/3/19 £'000	31/3/18 £'000
Contributions due - employers	8,697	7,618
Contributions due - employees	3,937	3,736
Additional strain costs of early retirement	1,538	1,395
Sundry debtors	5,543	4,218
Total	19,715	16,967

20a.

Long Term Debtors:	31/3/19 £'000	31/3/18 £'000
Additional strain costs of early retirement	1,014	609
Total	1,014	609

Long term debtors of £1.014m are all additional strain costs of early retirement due later than 2019/20.

7.1

FINANCIAL STATEMENTS

21. Current liabilities

The cash balance is held by the Authority and the Fund Net Assets Statement includes a creditor of £1.507m (creditor of £1.151m in 2017/18) for sums due to the Authority at the year end.

Creditors:	31/3/19	31/3/18
	<i>£'000</i>	<i>£'000</i>
Sundry creditors	(2,361)	(1,460)
Payroll deductions	(2,103)	(2,024)
Advance property rents	(5,141)	(4,594)
Property rental deposits	(1,084)	(914)
Other miscellaneous balances	(67)	(117)
Total	(10,756)	(9,109)

22. 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 contributions received during the year are shown below:

	Fund Value		Contributions received	
	31/3/19	31/3/18	2018/19	2017/18
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Equitable Life	1,783	1,919	6	7
Scottish Widows	5,992	5,591	1,091	240
Prudential	8,457	7,438	2,129	2,134
Totals	16,232	14,948	3,226	2,381

23. 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 27).

Border to Coast Pensions Partnership (BCCP)(Registered Office: 5th Floor, Toronto Square, Leeds LS1 2HJ), the investment pool in which the Fund participates is a related party to the Fund as the Fund is a shareholder, along with 11 other LGPS Funds, and holds shares amounting to £0.833m. During the year direct costs of £1.935m were paid to BCCP. The Fund had also issued a loan to BCCP and this was repaid in full with interest in March 2019. The loan was for £1.8m and the interest received was £21,540.82.

All contributing employers 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 11a).

7.1

FINANCIAL STATEMENTS

24. Contingent liabilities and contractual commitments

Outstanding investment commitments at 31 March 2019 were £1,009m (£1,035m at 31 March 2018).

The figures are based on commitments made to private equity limited partnerships and infrastructure funds (some of which are designated in Euros and US Dollars) which have not yet been drawn down. The amounts "called" by these funds are irregular in both size and timing over a period of a number of years from the date of the original commitment.

31/3/19		31/3/18	
Currency '000	£ equivalent £'000	Currency '000	£ equivalent £'000
£169,420	169,420	£195,172	195,172
€265,282	228,593	€287,187	251,777
US\$796,151	610,991	US\$824,863	588,012
	1,009,004		1,034,961

25. Contingent assets

Fourteen 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.

26. 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 2018/19, the Fund made payments in respect of non-statutory pension benefits of £13.868m (£14.085m in 2017/18).

Analysis of compensation payments	2018/19 £'000	2017/18 £'000
Administering Authority		
South Yorkshire Pensions Authority	15	15
Scheduled Bodies		
Barnsley MBC	2,545	2,529
Doncaster MBC	1,885	1,884
Rotherham MBC	1,313	1,318
Sheffield CC	6,270	6,324
Other Scheduled Bodies	1,777	1,949
Admitted Bodies	63	66
Total	13,868	14,085

7.1

FINANCIAL STATEMENTS

27. Subsidiary companies

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

Waldersey Farms 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.

	2018/19	2017/18
	£	£
Pension Fund investment at book cost at 31 March	5,508,112	5,508,112
(Debenture loan included within above)	4,143,100	4,143,100
Pension Fund investment value at 31 March (included in Net Asset Statement)	5,508,100	5,508,100
	31/12/18	31/12/17
	£	£
Profit on ordinary activities before taxation	258,888	265,149
Profit after taxation	214,582	189,849
Rent paid to SYPA	2,282,238	2,212,775
Dividend paid to SYPA	-	-
Retained profit	4,075,203	3,860,621
Net assets	5,940,203	5,725,621

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 (£4.143m in 2017/18) has been drawn down.

F H Bowser Limited

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.

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at Floor 8 Gateway Plaza, Sackville Street, Barnsley.

The company had a loan from the Authority which was paid off in full during 2018, (£68,856 was outstanding at 31 December 2017, the date of the company's accounts).

	2018/19	2017/18
	£	£
Pension Fund investment at book cost at 31 March	10,497,338	10,512,194
Pension Fund investment value at 31 March (included in Net Asset Statement)	6,245,000	7,498,856
	31/12/18	31/12/17
	£	£
Fixed Assets	7,080,600	8,050,600
Current Assets	102,309	52,453
Current Liabilities	(52,088)	(117,627)
Net assets	7,130,821	7,985,426
Profit/(Loss) on Ordinary Activities	(563,043)	152,567

7.2

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Statement

to the members of South Yorkshire Pensions Authority on the Pension Fund financial statements

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27.

Respective responsibilities of the Treasurer and the auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of South Yorkshire Pensions Authority, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

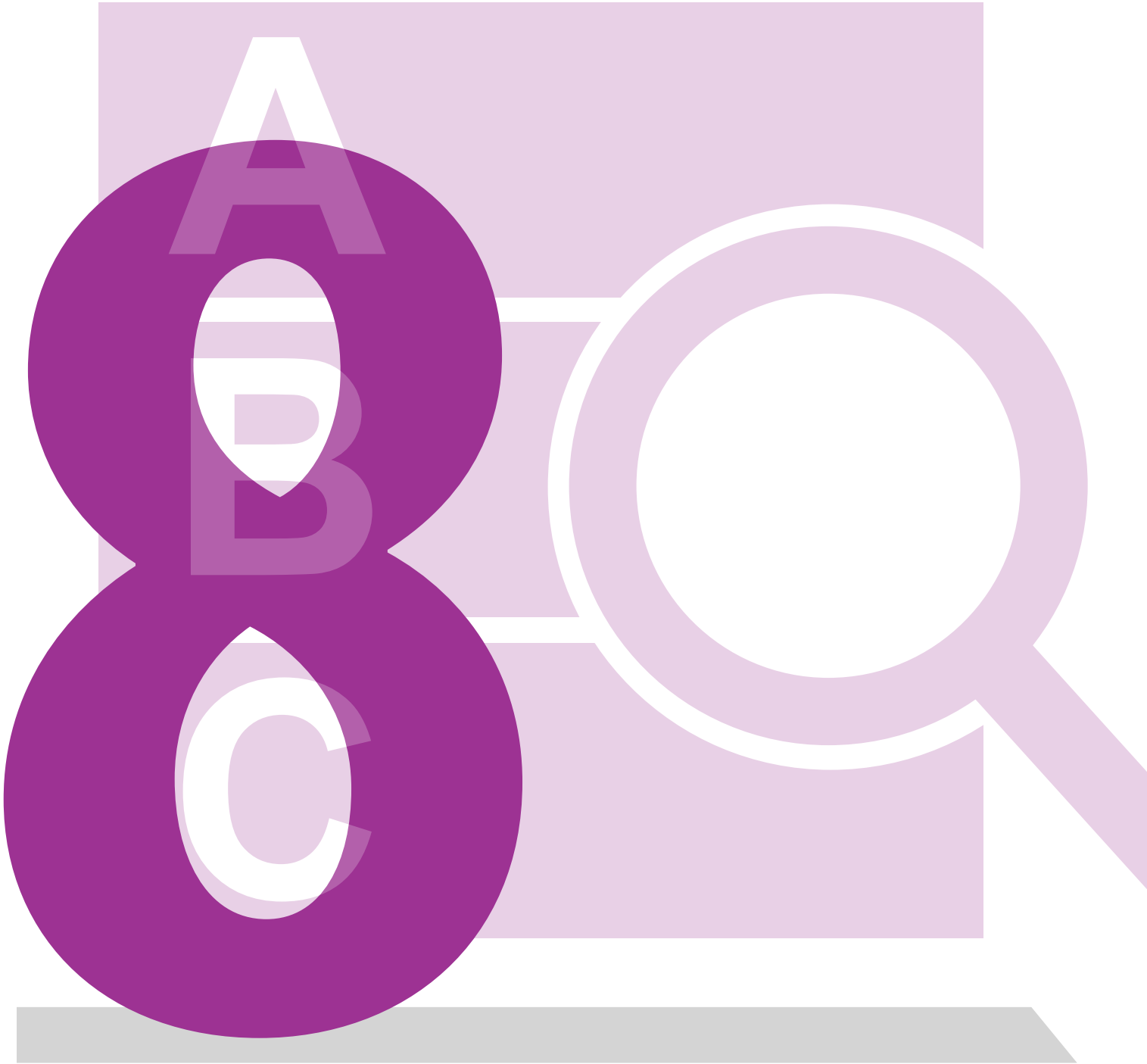
In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of South Yorkshire Pensions Authority for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.



Paul Thomson
(Appointed auditor)
For and on behalf of Deloitte LLP
Leeds, United Kingdom

31 July 2019

8
GLOSSARY



8.1

GLOSSARY

Glossary of terms

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.

Active member

An employee who is currently paying pension contributions.

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.

Actuarial valuation

SYPA's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the Fund's participating employers for the following three years. The valuation will measure the size of the Fund against its future liabilities and set contribution rates according to the Fund's deficit or surplus.

Additional voluntary contributions (AVCs)

These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

Administering authority

The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own Fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

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).

Asset allocation

This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

Best Value

Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

Brent oil price

Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US\$ in price per barrel.

Career average revalued earnings (CARE) pension scheme

From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

Cash equivalent value (CEV)

This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.

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.

Consumer Price Index (CPI)

This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

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.

Commutation

This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible shares

These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

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.

Custodian

This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

8.1

GLOSSARY

Glossary of terms

Data governance

This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

Death grant

This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

Debtors

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

Deferred pensioner

A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

Deficit payments

Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments

Denomination

This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

Discretion

This is the power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

Direct property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Earmarked Reserve

A sum set aside for a specific purpose.

Eligible councillor

This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

Emoluments

Payments received in cash and benefits for employment.

Employer covenant

This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

Equity Risk Premium

Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

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.

Fixed income securities

A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

Fund of funds (FoF)

This is a fund that holds a portfolio of other investment funds.

Guaranteed minimum pension (GMP)

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

General partners

These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

Index-linked bonds

These are bonds in which payment of income on the principal is related to a specific price index – often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

Internal rates of return (IRR)

This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

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.

8.1

GLOSSARY

Glossary of terms

Local government

As well as the staff of local councils this term covers police and fire civilian staff, a registration officer, a coroner, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, or a Further or Higher Education Corporation.

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.

Myners' principles

This is a set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting

Operating Leases

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

Ordinary shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

Pension board

Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

Pension liberation fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Personal pension

A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

Policy statement

This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

Pooled funds

These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

Prior Year Adjustments

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

Private Equity

Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

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.

Quality management

This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement.

Quantitative easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

Related Parties

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

Related party transactions

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Retail Prices Index

This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

Rule of 85

Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health. The Rule of 85 was abolished on 1st October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

8.1

GLOSSARY

Glossary of terms

Scheduled body

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

Spot rate

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

Stakeholder pension

This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

State pension age

This is the earliest age people can receive the state basic pension.

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

Statutory compliance

This means following the laws on a given issue.

Stock lending

This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

Subsumption

This is when a new company takes over an old company so that the old company becomes one with the new.

Transfer value

A transfer value is a cash sum representing the value of a member's pension rights.

Transferred service

Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

Treasury management

This is the administration of an organisation's cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

Unitised funds

A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

Usable Reserves

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

Voting policy

This is how South Yorkshire Pensions Authority through Border to Coast applies its shareholder voting rights. We will vote as follows.

For - when the proposal meets best practice guidelines and is in shareholders' long-term interests.

Abstain – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

Oppose - when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the Fund.

In supporting any resolution of any type, we will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

9 APPENDICES





Consultation & Communication Strategy

January 2019



Consultation & Communication Strategy

FOREWORD

Our aim is:

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

Our Strategic Objectives are:

Strategic Objective 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.

Strategic Objective 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.

Strategic Objective 3 - Responsible Investment

To develop our investment options within the context of a responsible and sustainable investment strategy.

Strategic Objective 4 - Valuing our employees

To improve the capacity and capability of our workforce by investing in our staff development whilst, at the same time, endorsing equality and diversity best practice.

Strategic Objective 5 - Pensions Planning

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

Strategic Objective 6 - Effective and Transparent Corporate Governance

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

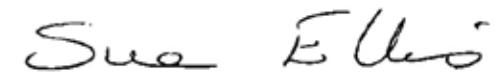
The achievement of our Mission and objectives will require the fulfilment of the respective responsibilities of the elected Members of the Pensions Authority and its officers.

In relation to consultation and communication, we both have responsibilities which contribute to the delivery of an improved service in this area. We intend to consult and communicate with all our stakeholders as set out in the document, and use those results to review our service delivery on a yearly basis.

The aim of this document is to explain our consultation and communication strategy, the various ways in which we consult and communicate, why and what happens with the results.



George Graham
Fund Director
South Yorkshire Pensions Authority



Clr S Ellis
Chair
South Yorkshire Pensions Authority

continues overleaf >>

POLICY REVIEW DATES

Date	Version	Author	Comment
January 2009	V1.0	Joanne Webster	Merge of service and authority policies
July 2010	V2.0	Gary Chapman	Cosmetic changes
July 2011	V2.1	Joanne Webster	Change of personnel and group names
June 2012	V3.0	Joanne Webster	Major revision
July 2013	V3.1	Karen Roberts	Minor changes
June 2014	V3.2	Joanne Webster	Cosmetic changes
July 2015	V3.3	Joanne Webster	Minor changes
August 2016	V3.4	Joanne Webster	Minor changes
January 2019	V3.5	Joanne Webster	Minor changes

Date of next review July 2019

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CONSULTATION STRATEGY

South Yorkshire Pensions Authority (SYPA) is committed to managing our resources wisely whilst at the same time delivering services that our stakeholders want and expect. Seeking the views of our stakeholders is consequently of utmost importance to us in order to ensure firstly, that priorities reflect members opinion and secondly, that the priorities are being achieved.

Engagement as a clear, simple and transparent activity

Pension issues can be technical, legalistic and complex, and can work in a way that is very different from some other organisations and cultures.

This means that consultation exercises must be well planned and carefully delivered, allowing those outside the Authority to understand that there is a chance to participate in our work planning, helping them add to any discussions whilst at the same time appreciate the limitations of what can be done with their input.

The design of SYPA's consultation exercises should therefore feature:

- **Clarity** We will consider and state what the consultation exercise is about, what we hope to achieve by consulting, who the consultees are, and what impact the results of the consultation might have.
- **Simplicity** Issues and terminology must be explained in a simple and concise manner, making participation accessible and attractive.
- **Transparency** In line with our Freedom of Information responsibilities and other existing commitments, those wishing to participate or examine our consultation processes should have access to relevant supporting materials. These would include specific consultation documents, reports and papers, and records of subsequent decisions and actions.
- **Information** To enable those participating to make an informed contribution.

The following elements will assist in our strategy:

- **Inform** Providing stakeholders with balanced and objective information to assist them in understanding issues, alternatives, opportunities and/or solutions.
- **Research** Seeking information and involving stakeholders in the decision making process.
- **Consult** Obtaining stakeholder feedback on analysis, alternatives and/or decisions.
- **Involve** To work directly with the stakeholders throughout the process to ensure that concerns and objectives are consistently understood and considered.
- **Collaborate** To work together with our stakeholders in each aspect of the decision including the development of alternatives and the identification of the preferred solution.

STRATEGIC AIMS: where do we want to be?

This strategy seeks to build on the good practice we have already established over time.

The strategy aims to:

- Strengthen strategic planning and co-ordination of consultation activities and demonstrate how consultation fits into the Authority's decision-making processes;
- Ensure the effective use of consultation to improve services and policy by supporting officers and elected Members to help them make informed choices on appropriate consultation methods and delivery;
- Improve equality of opportunity in consultation using a wide range of methods and technologies to enable participation in consultation especially from 'harder to engage' groups;
- Make our consultation processes more meaningful for stakeholders through better communication about the purpose, topics and outcomes of consultation.

Why Consult?

To ensure that the Authority provides the services that people want in the way they want them. Consultation is used to:

- Involve users to advise the decision making process relating to priorities, policies, projects, and strategies.
- Target areas more closely by providing what people say they need and want.
- Monitor user satisfaction with services over time.
- Improve the quality of services.
- Improve the take up of services.
- Address issues arising from proposed changes to services.

Who does SYPA consult with?

We have an established range of mechanisms to support consultation activities.

The people that we are committed to consult with fall into a number of 'stakeholder' categories:

Scheme Member Consultation Groups

These groups are made up of volunteers from each of our main membership categories. Representing current, preserved and pensioner members each group are consulted on a range of issues as the need arises and provide written feedback on those issues. There is a limit of 200 members on each group. The role of these groups is to provide information to:

- Inform the decision-making process surrounding service delivery;
- Improve local systems and processes;
- Improve customer satisfaction.

The results of each group are analysed and reported to officers. Any immediate actions resulting from this process are fed back for implementation. All other information is used to shape the future service delivery and forms part of the Authority's corporate planning and prioritisation process.

All scheme members are issued a newsletter which includes the results of consultation and what will happen. Changes that have been implemented as a result of consultation will have the effect monitored and will be consulted upon in the future to ensure continued satisfaction. The results of this will also be reported to elected Members.

Editorial Group

The Editorial Group helps us deliver written material to our pensioner members in an appropriate manner. The group reviews the content of newsletters, booklets and also assists with plain English issues. The group meets twice per year and has a limit of six volunteer pensioner members.

Local Pension Board

The Local Pension Board became a Statutory requirement from April 2015 and is made up of equal numbers of employer and scheme member representatives. The Board's responsibility is to ensure that the Fund is managed and administered effectively and efficiently and complies with the code of practice on governance and administration. The Board meets at least quarterly, has its own terms of reference and in addition to reviewing all authority business is able to commission reports and request updates as and when necessary.

Types of Consultation

1. Regular Consultation

Employee Satisfaction

This is issued to all South Yorkshire Pensions Authority personnel every two years. Its purpose is to monitor staff morale and provide information to managers and supervisors to maintain high levels of customer service.

Scheme Member Satisfaction

Focused surveys are carried out annually with a sample of members taken from the range of stakeholder groups. The minimum number of surveys throughout a twelve month period will be two. The areas for survey are determined by officers and through consultation with Elected Members.

The results will be used to:

- Inform the decision-making process surrounding service delivery;
- Improve local systems and processes;
- Improve customer satisfaction;
- Involve our customers in the provision of the services they receive;
- Ensure that our service has our members approval.

Scheme Employer Satisfaction

Focused surveys are carried out every two years with all our employers. The areas for survey are determined by officers and through consultation with Elected Members.

The results will be used to:

- Inform the decision-making process surrounding service delivery;
- Improve local systems and processes;
- Improve employer satisfaction.

2. Ad-Hoc Consultation

In addition to the timetabled surveys there will be occasions when it will be appropriate to consult our stakeholders on an ad-hoc basis. SYPA will take every opportunity to seek the opinions of its stakeholders to continually assess and improve the service provided.

COMMUNICATION

SYPA recognises that in fulfilling its objectives, and in order to be fully effective, it has a duty to communicate with all its stakeholders about its actions, views, policies and service standards. Our Communication Strategy sets out how we intend to do this.

AIMS

The aims of this communication element of SYPA's Consultation and Communication Strategy is to ensure that the SYPA's role, achievements and effectiveness are widely understood, and that we have a positive image with our stakeholders. This complements the consultation element of the overall strategy, so that there is an effective two-way dialogue in place.

COMMUNICATION PRINCIPLES

Stakeholders first

Putting stakeholders at the heart of everything we do.

Open and honest

Giving honest, open and evidence-based messages and be open to debate and questions.

Timely and relevant

Communicating proactively with our stakeholders with relevant targeted messages - the right message to the right people at the right time.

Accessible for all

Offering an appropriate choice of communications methods to help ensure that no one in our scheme is disadvantaged.

Feedback

Facilitating two-way communications and encouraging participation and feedback.

Listening

Proactively seeking opinions, acknowledging them and responding quickly, helpfully, honestly and consistently.

Value for money

Making the best possible use of resources and budgets by working with colleagues and employers to share best practice.

Overriding Principles

The main aim of this Communications Strategy is to review and develop current methods of communications, introduce new methods appropriately and continually measure impact.

This will mean that:

- All members, employers and organisations involved with SYPA in the delivery of our services will have a clear, consistent and positive perception of SYPA's values, services and achievements.
- Communication messages will be devised, tailored and targeted at specific audience sectors. It's important to know your audience - one size doesn't fit all. We will target the content and method of delivery to our audience to ensure that we engage our members and they relate to what we are saying.
- Communications will support consultation and, in turn, be informed by the views expressed through consultation.
- Measurement and evaluation will be an integral part of all communication activity.

Good communications will:

- Be clear about key messages to be communicated;
- Help to deliver member/corporate priorities;
- Be of a high standard and effective;
- Develop a clear brand across the organisation, including publications, presentation slides, email formats, letters and other forms of communication, under our SYPA style guidelines;
- Set out the principles that underpin all communications including press, web, email, letter, presentation template, consultation exercises;
- Identify the most effective methods of communicating with members, employers and stakeholders;
- Co-ordinate communications activity across the Authority with accepted strategic communications objectives;
- Identify an action plan and methods of monitoring performance/effectiveness.

Targeted Audiences and Methods of Communication

The principal audiences with whom SYPA wishes to communicate are set out below. The nature of the message which the Authority wants to communicate varies between audiences.

Section 1: **Contributing Members**

Section 2: **Deferred Beneficiary Members**

Section 3: **Pensioner Members**

Section 4: **Employing Authorities**

Section 5: **Other interested parties**

Section 1: COMMUNICATING WITH CONTRIBUTING MEMBERS

Pension Forecasts

Annual pension forecasts will be made available on our secure online portal 'mypension'. Email notifications will be issued when forecasts are available to view online.

Pension Planning Newsletter

At least annually we will issue a newsletter. The main purpose is to keep members informed about changes in the pension scheme that may affect them. The newsletter is not produced at fixed times and is driven by the timeliness of the content. Newsletters will be digital by default. We live in a digital age, and while paper versions will be made available on request, our digital by default position recognises that the vast majority of our members now have access to the internet. We will also produce online only newsletters aimed at different age groups. Young people who may have recently joined the scheme and older members planning for retirement are interested in different aspects of the scheme and may warm to a different style of delivery. The type of publication being issued will determine the intended audience; however we will be looking to target, younger members, mid-life and pre-retirement.

In addition to pension scheme content we aim to include lifestyle articles and ensure the newsletter is interesting to read and visually stimulating.

Presentations

We deliver group information sessions in members' places of work. These are provided on demand in conjunction with employers. We deliver more specialist sessions for members affected by issues such as a public services transferring to a private organisation. We also participate in induction, mid-life and pre-retirement courses, which are organised by a number of our employers.

Section 2: COMMUNICATING WITH DEFERRED BENEFIT MEMBERS

Deferred Benefit Statements

Annual deferred benefit statements will be made available on our secure online portal 'mypension'. Email notifications will be issued when deferred benefit statements are available to view online.

Your Past is Your Future Newsletter

Annually we produce a newsletter. The main purpose is to keep in contact with our preserved benefit members. A preserved beneficiary is usually no longer in employment within the pension fund and as they are not in receipt of their pension and without regular contact it is easy to lose touch. The content of the newsletter will inform members of changes to the pension scheme and include lifestyle articles of interest. There is no fixed time for issue but it is usually linked with the annual report summary and deferred benefit statements.

Newsletters will be digital by default. We live in a digital age, and while paper versions will be made available on request, our digital by default position recognises that the vast majority of our members now have access to the internet.

Section 3: COMMUNICATING WITH PENSIONER MEMBERS

Retirement Insight

Bi-annually we produce a newsletter, the main purpose is to inform retired members about issues that affect them such as annual cost of living increases. This newsletter is generally produced at fixed times in the spring and autumn to coincide with pensions increase and annual report content. Despite our increasing focus on e-communication channels, the twice-yearly Retirement Insight newsletter will still be issued to pensioner members in hard copy form, if we don't hold an email address. All new pensioners will be digital by default, with the exception of members who aren't online.

The spring issue of the newsletter will be issued with the members April pay advice and P60.

Payslips

Payslips are issued to each member upon retirement and thereafter if their net pay varies by more than £5.00.

Section 4: COMMUNICATING WITH EMPLOYERS

Employers Forum

SYPA hosts an annual employers forum aimed primarily at topical and administrative issues but also valuable in providing an opportunity for employer representatives to raise questions and discussion points for inclusion on the agenda.

Employers Pensions Information Centre (EPIC)

The authority provides a central information centre where registered employers are able to access a whole range of information online including news and links to important documents. EPIC also provides statistical information to assist employers in understanding their scheme responsibilities.

Employer Web

The authority also provides secure access to relevant scheme member information and allows employers to upload monthly data submissions.

Section 5: COMMUNICATING WITH ALL VIA:

Website

www.sypensions.org.uk This is the scheme members website which is an information source on all aspects of the scheme. Simply set out with quick links and a comprehensive A-Z, the website also contains booklets and publications together with the link to our secure online portal (mypension).

Secure Online Portal - 'mypension' Members can register to gain access to their secure online account. Once registered for my pension it's a great way for members to keep track of their pension account, view and amend personal details, make and update death grant nomination details as well as active members having the facility to produce retirement quotes. Annual benefit statements will be available for both active and deferred members. Email notifications will be issued when statements are available to view online. For retired members monthly payslips and P60s are available to view.

www.southyorks.gov.uk This is the website relating to business of the Elected Members. Here you will find the calendar of Authority meetings along with agenda, minutes and reports. This site also provides access to the Webcast area that will allow you to watch Authority meetings as they happen.

Special Requests

We offer an appropriate choice of communication methods to help ensure that no one in our scheme is disadvantaged. Going forward our main focus will be on e-communications, however if, for example, a member hasn't registered for our online portal we will write to individuals to inform them that their statement/forecast is available online. Our letters will include the benefits of registering for my pension, however if a member doesn't have online access they can request a hard copy.

Literature

The main point of reference for members to find out about the key aspects of the LGPS is our *Employee Guide*. This is supported by a range of literature, on the various aspects of the Scheme.

Annual Fund Meeting

This event is rotated between the four major council areas in South Yorkshire and usually held in October. The AFM is an opportunity to meet the Chair/Vice Chair of the authority and senior management face to face. Presentations usually focus on fund performance and topical events followed by questions from attendees. To allow members who aren't able to attend the AFM we will record the meeting and upload the event to our YouTube account.

By Telephone

Members can contact us by telephone which is prominently advertised on all our literature. In addition officer name and individual extension numbers are issued when personal correspondence is issued.

Email

Members can contact us by email which is prominently advertised on all our literature. A secure e-mail service is in operation to allow personal information to be included in e-mail responses.

Pensions Information Service

A comprehensive pensions information service on pension matters is provided by the Authority at all our four offices across the county. Appointments are made online at www.sypensions.org.uk/advisory.

Text Messaging

SMS messages are ideal for reminders and simple instructions and announcements. For example we send a message to members recently retired to let them know their benefits have been paid.

You Tube

Video recording opens the door to new opportunities to interact with members. Recording of events such as the AFM will be uploaded to YouTube to enable members who couldn't attend on the day a chance to view the meeting.

Social Networking Sites

People of all ages are using social media. Our aim is to connect with as many of our members as possible, deepening relationships and engagement. We currently have a Facebook page and members can follow us on Twitter.

Annual Report

Provides a comprehensive report on the authority's activities throughout the preceding year.

Meetings/Presentations

Our staff are available to attend meetings and deliver presentations on a range of topics upon request. All new employers have a handover meeting from the point they are admitted into the scheme. The purpose of the meeting is to explain the services we provide and to ensure that they are aware of their responsibilities as a scheme employer.

CONSULTATION AND COMMUNICATION CO-ORDINATION GROUP

The implementation of this consultation and communication strategy and management of any data that ensues must be properly co-ordinated and managed.

Consultation and Communication is a standing agenda item at our monthly Pensions Strategy Group. At least quarterly the group receives an update from the Communications Manager and has an input into the consultation and communication planning process. The group is chaired by the Head of Pensions Administration who will provide reports to Elected Members via the Corporate Policy and Governance Board.

TERMS OF REFERENCE

The terms of reference for the Consultation and Communication Co-ordination Group are to:

- Agree an annual work programme in relation to internal and external consultation and communication.
- Ensure that all elements of the joint Consultation and Communication Strategy are implemented in full.
- Make available the results of consultation exercises to the relevant managers and the Corporate Planning and Governance Board.
- Discuss the content of all Communication material.

**Consultation &
Communication**
Strategy

FUNDING STRATEGY STATEMENT

SOUTH YORKSHIRE PENSION FUND

MARCH 2017

South Yorkshire Pensions Authority

This Funding Strategy Statement has been prepared by South Yorkshire Pensions Authority (the Administering Authority) to set out the funding strategy for the South Yorkshire Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

It is the fiduciary responsibility of the Administering Authority (South Yorkshire Pensions Authority) to ensure that the South Yorkshire Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the South Yorkshire Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the South Yorkshire Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the South Yorkshire Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.



THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the overall assumptions used, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.



SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.



DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 86% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. A key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) and where appropriate consider affordability of contributions. Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 19 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer may be able to step-up their contributions over a period of 3 years. In certain circumstances, an alternative payment pattern may be agreed with the Administering Authority.



ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. included in the "Secondary" rate) are set out in an

Appendix to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived based on the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities and solvency level is 2.0% per annum and for determining the future service (“Primary”) contribution rates is 2.75% per annum.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.



EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer’s asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund. In addition, the asset share may be restated for changes in data or other policies.



FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer’s financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers’ covenants will be assessed and monitored objectively in a proportionate manner, and an employer’s ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers’ covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the **Appendix E** to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in

Appendix C. Examples of new employers include:

- Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. New academy conversions and multi-academy trusts

Current Fund policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school’s share of the historic local authority deficit prior to its conversion. This deficit is calculated as the capitalised deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status, subject to a minimum asset share of nil.

In cases where numerous academies which participate in the Fund are in the same Multi-Academy Trust, the Fund is willing to allow a combined funding position and average contribution requirements to apply. Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis, in the interests of transparency and clarity around entry and exit of individual academies to the Trust in future.

The full policy is shown in **Appendix D.**

4. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer’s liabilities in respect of the benefits of the exiting employer’s current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund’s policy is that a “minimum risk” basis of assessment should apply e.g. one which would assess the liabilities on termination using a discount rate linked to gilt yields and a more prudent longevity assumption. Any exit payments due should be paid immediately although variants to this may be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

5. Insurance arrangements

For certain employers, the Fund currently insures ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix F.**

CONTENTS

Executive Summary	i
Introduction.....	6
Purpose of FSS in policy terms	8
Aims and purpose of the Fund	9
Responsibilities of the key parties	10
Solvency funding target.....	12
Link to investment policy and the Investment strategy statement (ISS).....	17
Identification of risks and counter-measures	19
Monitoring and review	23

APPENDICES

A - ACTUARIAL METHOD AND ASSUMPTIONS
B - EMPLOYER DEFICIT RECOVERY PLANS
C - ADMISSION AND TERMINATION POLICY
D - ACADEMIES / MULTI-ACADEMY TRUST POLICY
E - COVENANT ASSESSMENT AND MONITORING POLICY
F - INSURANCE ARRANGEMENTS
G - GLOSSARY OF TERMS

1

INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the South Yorkshire Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
 - the guidance issued by CIPFA for this purpose; and
 - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the South Yorkshire Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the South Yorkshire Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

2

PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency";
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3

AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- Undertake administration duties in accordance with the Pension Administration Strategy.
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5

SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.
- Subject to consideration of affordability, for scheduled and resolution bodies, and those admission bodies (not operating outsourced services) backed by a scheduled body guarantee, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation (subject to a maximum of 19 years). This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in an average recovery period of 19 years being adopted across all Fund employers.
- Those admission bodies operating outsourced services under a contract which expires within the maximum 19 year recovery period, the recovery period to apply will be limited to the lifetime of the contract unless the body is in surplus (see comment below).
- Due to their weaker covenant, admission bodies not backed by a scheduled body guarantee will be subject to the same conditions as above but subject to a maximum recovery period of 14 years unless their defined (or expected) lifespan within the Fund is limited. Such known ((or expected) events that could impact on their participation in the Fund should be notified to the administering authority by the body as soon as practically possible.
- Individual employer contributions will be expressed and certified as two separate elements:
 - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits
 - the **Secondary rate**: a schedule of lump sum monetary amounts and/or % of pay amendment over 2017/20 in respect of an employer's surplus or deficit (including phasing adjustments).
- For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be adjusted to such an extent that any surplus is used (i.e. run off) over the maximum 19 year period unless agreed otherwise with the administering authority. Such deductions will

be subject to a minimum threshold of £100 p.a., below which no deduction will be made. The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in Primary rates will be implemented in steps of at least 0.5% of pensionable pay per annum. It may be possible to have a different phasing pattern in certain circumstances subject to the agreement of the administering authority. The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.
- For those employers who are eligible for the ill-health captive arrangement, the contributions payable over the period 1 April 2017 to 31 March 2020 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix F of these adjustments.
- For certain employers, subject to the agreement of the administering authority, the option to prepay Primary rate contributions may be made available. This option would be on the proviso that a "top-up" payment would be made by the employer prior to the end of the prepayment period in order to ensure that no underpayment emerges versus the minimum required by the valuation certificate.
- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The termination policy is summarised set out in Appendix C

In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

All Employers are required to meet non ill-health early retirement strain costs arising on the grounds of redundancy / efficiency by immediate capital payments into the Fund, or subject to agreement with the administering authority, over a period of up to 3 years.

With regard to voluntary early retirements, the treatment depends on the type of employer:

- For those employers who participate in the ill-health captive, any strain costs emerging will need to be met by immediate capital payments into the Fund, (or over an alternative period subject to the agreement of the administering authority).
- For those employers who don't participate in the captive, the "primary rate" payable over 2017/20 includes an allowance for such costs (alongside ill-health retirement costs). This

allowance will be set out in the Actuary's formal valuation report and may be zero depending on the employer's profile. Where voluntary early retirement costs exceed an employer's allowance over the inter-valuation period, the excess costs will become payable immediately (or over an alternative period subject to the agreement of the administering authority).

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health insurance captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.
- For those employers who don't participate in the ill-health captive, the "primary rate" payable over 2017/20 includes an allowance for ill-health retirement costs (alongside those for voluntary early retirements). This allowance will be set out in the Actuary's formal valuation report and may be zero depending on the employer's profile. Where ill-health retirement strain costs exceed an employer's allowance over the inter-valuation period, the excess strain costs will become payable immediately (or over an alternative period subject to the agreement of the administering authority).

FUNDING FOR DEATHS IN SERVICE

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. Any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the

employer is terminated when it will be taken into account when the Actuary determines the termination debt.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 86% covered by the current assets, with the funding deficit of 14% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

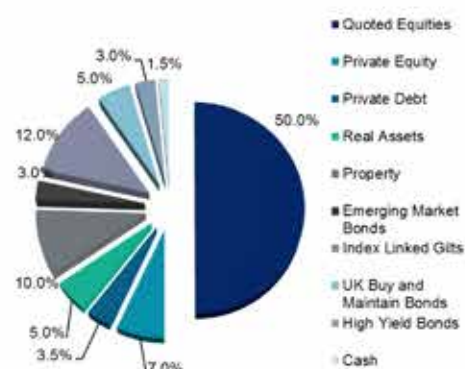
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 59%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The proposed strategic benchmark to apply from 1 April 2017, as set out in the Fund's Investment Strategy Statement is:



For the 2016 valuation, the investment return expectations as calculated by the Actuary equated to an overall best estimate average expected return of 3.4% per annum in excess of CPI inflation over a 20 year time horizon as at 31 March 2016. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority may consider implementing a risk management framework with the overall aims of reducing risk and providing more stability/certainty of outcomes for funding and ultimately employer contribution rates. The details of any such framework implemented would be appended to the next update of this document once established.

8

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored. In addition the implementation of a risk management framework to manage the key financial risks will help reduce risk over time.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future improvements in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements.** Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs (aside from ill-health retirement costs which are already insured for eligible employers) being insured with a third party or internally within the Fund. More detail on how the Fund currently insures ill health costs for eligible employers is set out in **Appendix F**.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments and placed a copy on the Fund's website. The first draft was approved at the Committee's meeting on 6 October 2016 and finalised at the meeting on 16 March 2017 after the Fund received feedback from the employing bodies.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

PENSIONS COMMITTEE

South Yorkshire Pensions Authority, as the Administering Authority for South Yorkshire Pension Fund, has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee.

Full details of the business of the authority including the meeting dates of the various Boards, minutes and agenda's, the contact details of the current Members and links to live webcasting of meeting can be found at <http://www.southyorks.gov.uk/webcomponents/jsec.aspx>

PENSIONS ADMINISTRATION STRATEGY

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two way flow of information. The employer should notify the administering authority of the following events.

- Structural change in employer's membership e.g. large fall in employee numbers or large number of retirements.
- A closure in accessibility of the scheme to new entrants.
- An employer ceasing to exist.

The strategy has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended). It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within the strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy. Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of time and opportunity given for improvement to any organisation struggling to meet its obligations.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

The Secretary of State granted the two South Yorkshire LGPS Funds permission to establish a Joint Local Pension Board. The role of the Local Pension Board is defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013.

The Board seeks to assist the South Yorkshire Pensions Authority and the South Yorkshire Passenger Transport Pension Fund to maintain effective and efficient administration and governance. Members of the Scheme can now have direct influence on how the Fund is managed. The LPB comprises both Scheme members, retired and active, together with employer representatives. Employer representation is not restricted to the four large local Councils.

Although the Board only held its first meeting on 23 July 2015 it is already contributing towards the effective governance of the two Funds. It meets quarterly and all Board Members have undertaken training and have established a work programme that will enable them to meet their obligations to ensure that the two Funds comply with the relevant codes of practice and current legislation.

The draft Board constitution was suggested by the two administering authorities but since then changes have been agreed which remove what some regarded as unnecessary restrictions on the scope of the LPB's ability to question and offer advice on investments. This demonstrates that, whilst not having direct control over the two Funds, the LPB intends to work with the Funds on the widest possible range of issues.

9

MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum i.e. a total discount rate of 4.2% per annum. This real return will be reviewed from time to time, typically at the time of a formal valuation or bond review based on the investment strategy, market outlook and the Fund's overall risk metrics

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for employers. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either allowances of 1.25% or 1.75% per annum for each year from the valuation date up to 31 March 2020. The allowance made has been notified to each employer separately on their individual results schedule.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum for males and females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been 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 £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund. In addition, the asset share may be restated for changes in data or other policies.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.2% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases*	3.45% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

* in addition to this, an allowance for further short-term pay restraint may be made. This will be either be 1.25% p.a. or 1.75% p.a. for 4 years to 2019/20 depending on an employer's circumstances.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	2013 study	2016 study
Annuitant	Normal Health	99% S1PMA_CMI_2012[1.5%] / 96% S1PFA_CMI_2012[1.5%]	96% S2PMA_CMI_2015[1.5%] / 88% S2PFA_CMI_2015[1.5%]
	Dependant	162% S1PMA_CMI_2012[1.5%] / 113% S1DFA_CMI_2012[1.5%]	122% S2PMA_CMI_2015[1.5%] / 104% S2DFA_CMI_2015[1.5%]
	Ill Health	99% S1PMA_CMI_2012[1.5%] + 3 yrs / 96% S1PFA_CMI_2012[1.5%] + 3 yrs	96% S2PMA_CMI_2015[1.5%] + 3 yrs / 88% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	98% S1PMA_CMI_2012[1.5%] / 91% S1PFA_CMI_2012[1.5%]	96% S2PMA_CMI_2015[1.5%] / 88% S2PFA_CMI_2015[1.5%]
	Ill Health	98% S1PMA_CMI_2012[1.5%] + 4 yrs / 91% S1PFA_CMI_2012[1.5%] + 4 yrs	96% S2PMA_CMI_2015[1.5%] + 4 yrs / 88% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	121% S1PMA_CMI_2012[1.5%] / 106% S1PFA_CMI_2012[1.5%]	96% S2PMA_CMI_2015[1.5%] / 88% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	108% S1PMA_CMI_2012[1.5%] / 102% S1DFA_CMI_2012[1.5%]	119% S2PMA_CMI_2015[1.5%] / 114% S2DFA_CMI_2015[1.5%]

-Life expectancies at age 65

	Male Life Expectancy at 65	Female Life Expectancy at 65
Membership Category		
Pensioners	22.8	25.6
Actives aged 45 now	25.0	27.9
Deferreds aged 45 now	25.0	27.9

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and will increase at 2.2% p.a. (unless agreed with the Administering Authority). It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The principles used to determine the recovery periods is summarised in the table below. These will be used to derive the minimum contributions payable subject to reasonable affordability and covenant assessment. In some cases, the actuary may recommend a higher deficit contribution for 2017/20.

Category	Maximum Deficit Recovery Period	Derivation
District Councils	19 years	Determined by reducing the period from the preceding valuation by at least 3 years
Other Tax-raising Scheduled and Designating Bodies	19 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, deficit contributions do not reduce versus the current contributions from the existing recovery plan.
Academies and Multi-Academy Trusts	19 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, deficit contributions do not reduce versus the current contributions from the existing recovery plan.
Higher and Further Education Bodies (Universities and Colleges)	19 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, deficit contributions do not reduce versus the current contributions from the existing recovery plan.
Community Admission Bodies (guaranteed by another Scheme Employer within the Fund)	19 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate deficit contributions do not reduce versus the current contributions from the existing recovery plan.

Community Admission Bodies (with no guarantee),	14years	Determined by reducing the period from the preceding valuation by at least 3 years (unless the expected participation in the Fund is known and is shorter) and to ensure, where appropriate, deficit contributions do not reduce versus the current contributions from the existing recovery plan.
Transferee Admission Bodies (guaranteed by the letting Scheme Employers)	19 years	Deficit recovery period to be limited to the lifetime of the contract unless the body is in surplus.

The recovery period adopted for individual employers has been notified to them along with their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is unwound over a 19 year period unless agreed with the Administering Authority (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers and managing risk in the intervalation period, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, restricted to a maximum period of 19 years, although employers will still be expected to at least cover expected interest costs on the deficit. It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund

officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ADMISSIONS AND TERMINATION POLICY

ENTRY TO THE FUND

SCHEDULED BODIES

All scheduled bodies are entitled to join the scheme under the regulations. Academies are scheduled bodies under the regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income).

DESIGNATING BODIES

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the regulations to provide a guarantee. These bodies usually have tax raising powers.

ADMISSION BODIES

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the administering authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if

- They provide an service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

Admitted bodies may only join the Fund if they are guaranteed by a scheme employer. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

CONNECTED ENTITIES

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are "Designating Bodies" under the regulations, they have similar characteristics to admitted bodies (in that there is an "outsourcing employer"). However, the regulations do not strictly require such bodies to have a guarantee from a scheme employer.

To limit the risk to the Fund, the corporate bond funding basis for calculating the liabilities will apply to all new connected entities. In the event that a scheme employer provides a guarantee for their connected entity, the ongoing funding basis will be applied to value the liabilities.

CHILDREN'S CENTRE TRANSFER TO ACADEMY TRUSTS

Local education authorities have an obligation to provide Children's Centres under the Childcare Act 2006. The Act places duties on these authorities in relation to establishing and running Children's Centres and therefore the financial obligation to cover the LGPS costs of eligible staff remains a responsibility of the local education authority regardless of service delivery vehicle. The local education authority is liable for all the LGPS liabilities of the Children's Centre.

As the staff cannot be employed directly by an Academy or Academy Trust, the South Yorkshire Pension Fund will permit admission of a separate participating employer (with its own contribution rate requirements based on the transferring staff), through a tri-partite admission agreement between the South Yorkshire Pension Fund, the Local Education Authority of the ceding Council and the body responsible for managing the Children's Centre (this could be an Academy Trust or private sector employer).

SECOND GENERATION OUTSOURCINGS FOR STAFF NOT EMPLOYED BY THE SCHEME EMPLOYER CONTRACTING THE SERVICES TO AN ADMITTED BODY

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a 'Related Employer' for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor

"Related employer" is defined as "any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)".

LGPS REGULATIONS 2013: SCHEDULE 2 PART 3, PARA 8

Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to the administering authority from—

(a) a person who funds the admission body in whole or in part;

(b) in the case of an admission body falling within the description in paragraph 1(d), the Scheme employer referred to in that paragraph;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—

(i) the transfer of the service or assets by means of a contract or other arrangement,

(ii) a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),

(iii) directions made under section 497A of the Education Act 1996 (116) ;

(c) a person who—

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

In accordance with the above regulations, the Fund requires a guarantee from the related employer. The related employer may seek a bond from the admitted body taking into account the risk assessment carried out by the Fund actuary.

ILL-HEALTH CAPTIVE

Those employers determined by the administering authority as being automatically eligible for the ill-health captive arrangement on entry to the Fund are as follows:

- Academies
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies

EXITING THE FUND

INTRODUCTION

Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

A list of all current admission bodies participating in the Fund is published in the Fund's annual report <http://www.sypensions.org.uk/Publications/Annual-Reports>

TERMINATION POLICY

When an employer's participation in the Fund comes to its end, or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the

Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

The regulations give power to the Fund to set a payment plan to recover the outstanding debt at its discretion. However, under the regulations, once set this plan is fixed it cannot be adjusted at subsequent valuations.

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments to be paid immediately in full.
- At the discretion of the administering authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.

In the event that unfunded liabilities arise that cannot be recovered from the exiting employer, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

BASIS OF TERMINATION

Whilst reserving the right to consider the options on a case by case basis, the Fund's general policy is that a termination assessment will be made based on a more cautious "minimum risk" funding basis, **unless** a Transferor Body (e.g. guaranteeing employer within the Fund) exists to take over the admission body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the admitted body's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).

Under the "minimum risk" basis of termination the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets such as bonds. At the 2016 valuation date the discount rate adopted would have been 3.2% per annum. The "minimum risk" assumptions will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date. This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary.

In addition to using a more cautious discount rate, the Actuary will also use a more cautious mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future improvements to life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumption will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 2% per annum for males and females, compared to 1.5% per annum used in the 2016 valuation for ongoing funding and contribution purposes

If a Transferor Body exists to take over the admission body's liabilities, the Fund's policy is that the most recent valuation funding basis will be used for the termination assessment updated for market yields and inflation applying at the termination date. The Transferor Body will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund (sometimes known as the "novation" of the admission agreement). This will include the novation to the Transferor Body of any funding deficit (or surplus) on closure, which the Authority has been unable to resolve with the exiting employer or its insurer, indemnifier or bondsman.

IMPLEMENTATION

(I) ADMISSION BODIES PARTICIPATING BY VIRTUE OF A CONTRACTUAL ARRANGEMENT

Under the Regulations any payment requested from the outgoing admission body is ultimately guaranteed by the parent authority if it cannot be reclaimed by Fund from the body or bond provider. In addition there are usually contractual arrangements between the parent authority and the body which means the parent bears the cost of some, if not all, of the termination payment.

Accordingly, in general, the "minimum risk" approach to funding and termination will not apply for admitted bodies which are guaranteed by another Scheme employer.

On termination of an admitted body's participation, any orphan liabilities in the Fund will be subsumed by the relevant Transferor Body or, in the case of a "6(2)(b) Transferee Admission Body", the Fund as a whole.

The Transferor Body, is required to carry out an assessment of the level of risk on premature termination of the contract by reason of the insolvency, winding up or liquidation of the Transferee Admission Body subject to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a "risk assessment report" provided by the actuary to the Fund but may be commissioned separately from any qualified actuary, if preferred. As the Transferor Body is effectively the ultimate guarantor for these admissions to the Fund the decision over the level (if any) of any bond requirement for the Transferee Admission Body is the responsibility of the Transferor Body.

(II) NON CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN SYPF

The approach for these will be the same as (i) above and will depend on whether the guarantor is

prepared to accept responsibility for residual liabilities. Indeed it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

(III) ADMISSION BODIES WITH NO GUARANTOR IN SYPF

These are the cases where the residual liabilities would be orphaned within Fund. It is possible that a bond would be in place. The termination calculation would be on the more cautious "minimum risk" basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

(IV) CONNECTED ENTITIES

In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers).

In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

APPENDIX D - ACADEMIES / MULTI-ACADEMY TRUSTS

ACADEMY CONVERSIONS AND DEFICIT TRANSFERS

The Fund's policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit prior to its conversion. This is in accordance with the Department for Education (DfE) guidance issued when the Academy conversion programme was extended to cover all schools.

Therefore, the transferring deficit is calculated as the capitalised amount of deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status. This deficit amount is subject to a limit to ensure that the minimum asset share of the new academy is nil.

MULTI ACADEMY TRUSTS

Multi Academy Trusts (MATs) are groups of Academies managed and operated by one proprietor. The employer of non-teaching staff in Academies is the proprietor of the Academy Trust and not the individual Academy within the Trust. It is therefore the proprietor who is the employer for LGPS purposes making the MAT legally responsible for staff across all schools in the pool.

Within a MAT all Academies are governed by one Trust and a Board of Directors. The MAT holds ultimate responsibility for all decisions regarding the running of the individual Academies, however, the governing bodies of the individual academies remain in place and the MAT will need to decide the extent to which it delegates functions to these governing bodies to enable more focused local control.

Multi-Academy Trusts are set up to cover a number of academies across England. The employees of the former schools can be employed directly by the Trust so they can be deployed across different academy schools in the Trust if necessary.

In cases where numerous academies are operated by the same managing Trust, the Fund is willing to allow a combined funding position and average contribution requirements to apply to all constituent academies. Notwithstanding this, the Fund will continue to track the constituent academies separately, in the interests of transparency and clarity around entry and exit events.

APPROACH TO SETTING CONTRIBUTION RATES

The South Yorkshire Pension Fund must have a separate employer number for each academy for transparency of cashflows, managing risks should an academy need to leave one Trust for another and for accounting reporting where disaggregated disclosure reports are required. It should also be noted that, at the present time, the Department for Education (DfE) guarantee relates to individual academies, not MATs.

The South Yorkshire Pension Fund will explore with the actuary the possibility of having a common primary rate for all the academies within the trust if the MAT is willing to settle for that approach bearing in mind that the risks of under and over payments will be shared by all academies in the MAT pool. The Fund has requested confirmation from the DfE that the guarantee extends to MATs. In the event that MATs are not guaranteed, the Fund will review any option for MATs to have a common primary rate.

The past service deficit will still be assessed at an individual academy level so that it only relates to the staff of the respective academy. The ceding local authority requires a corresponding adjustment for the share of the deficit that transfers on conversion therefore individual academy figures will be required.

Any new academies joining an existing MAT pool in the South Yorkshire Pension Fund can contribute at the employer contribution rate already established for the MAT but an actuarial assessment will still need to be carried out to determine the deficit applicable to the transferring staff.

OUTSOURCINGS BY MULTI ACADEMY TRUSTS

The South Yorkshire Pension Fund's current policy is in accordance with the regulations requiring a separate admission agreement in respect of separate contracts.

Under **Schedule 2, Part 3, paragraph 5. of the 2013 Regulations**, if the admission body is exercising the functions of the Scheme employer in connection with more than one contract or other arrangement under paragraph 1(d)(i), the administering authority and the admission body shall enter into a separate admission agreement in respect of each contract or arrangement.

The Fund will need to have sight of the contract in order to satisfy the regulatory requirement that the Admission Agreement covers one contract. The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

The Scheme employer, the Multi Academy Trust in this instance, needs to be a party to any admission agreement and, as such, is the ultimate guarantor. In the event of contractor failure, the LGPS regulations provide that the outstanding liabilities assessed by the Fund's actuary can be called from the Scheme employer i.e. the Multi Academy Trust.

If academies are to comply with "new" Fair Deal guidance, employees carrying out a service on behalf of the Academies must be allowed continued access to the LGPS. This can be achieved by entering into an Admission Agreement with the Administering Authority, Multi Academy Trust and the contractor (admitted body).

At every triennial valuation the actuary reviews the funding level of the admitted body and adjusts its employer contribution rate as required. Once either the service contract comes to an end or all the LGPS members have left, the admission agreement terminates and, in accordance with Fund policy, the Fund will commission a cessation valuation in all cases from the Fund actuary to recovery any outstanding deficit unless instructed otherwise by the Trust. The Trust will then become responsible for the assets and liabilities standing to the account of the admitted body.

APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- > Type of body and its origins
- > Nature and enforceability of legal agreements
- > Whether there is a bond in place and the level of the bond
- > Whether a more accelerated recovery plan should be enforced
- > Whether there is an option to call in contingent assets
- > Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond.
2. Transfer to a more prudent actuarial basis (e.g. the termination basis).
3. Shortened recovery periods and increased cash contributions/
4. Managed exit strategies and bespoke investment strategies in the run up to exit.
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F – ILL-HEALTH CAPTIVE INSURANCE ARRANGEMENT

OVERVIEW

With effect from 1 October 2014, for certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement was established by the administering authority to cover ill-health retirement costs.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive
- Any shortfall in the captive fund is effectively be underwritten by all other employers within the Fund i.e. with potential for increases to their own contribution requirements at subsequent actuarial valuations to meet the shortfall. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

EMPLOYERS

Those employers (both existing and new) determined by the administering authority as being eligible for the arrangement were as follows:

- Academies and former Grant Maintained Schools
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies
- Other scheduled bodies meeting certain criteria at the inception of the arrangement.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded.

PREMIUM REVIEW

As part of the each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.

APPENDIX G - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities: shares in a company which are bought and sold on a stock exchange.

Solvency/Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Ill-Health Captive: this is a notional fund designed to immunise certain employers against excessive ill-health costs in return for an agreed insurance premium.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

SOUTH YORKSHIRE PENSION FUND

INVESTMENT STRATEGY STATEMENT (ISS)

1. Introduction

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 administering authorities. The South Yorkshire Pension Fund ("the Fund"), which is administered by the South Yorkshire Pensions Authority (the Administering Authority), is required to maintain an Investment Strategy Statement (ISS) in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The ISS is a living document and will be an important governance tool for the Fund as well as providing transparency in relation to how Fund investments are managed. The Regulations establish the range of matters that the Authority must consider when carrying out its responsibilities. In addition, the Authority is required to manage the Fund in the best financial interests of its members and beneficiaries at all times.

In preparing this statement officers have taken advice from an investment consultant, the Fund's actuary and from our two retained independent advisors. The Statement will be reviewed annually and without delay after any significant change in investment policy. The Fund is also required to maintain a Funding Strategy Statement (FSS) which has been revised following the triennial valuation and has been reported to the Authority. The ISS should be read in conjunction with that.

The Fund has statements of compliance with the Myners Principles and the Stewardship Code. The latter references a suite of policies addressing responsible investment and stewardship.

2. Investment strategy and the process for ensuring suitability of investments

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] 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 keeping employer contribution rates 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.

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 officers. The Scheme of Delegation to Officers is formally approved by the Authority. The Board comprises seven

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councillors drawn from the Authority (together with three trades union observers) and selected in accordance with the Authority's Constitution and meets not less than four times per year. The Authority also liaises with the Local Pension Board which includes representatives of employers and stakeholders (including the trades unions).

The Authority's 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 when required.

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 strategic asset allocation. 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.

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.) with 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. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

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. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. 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.

The asset allocation review (2017) considered the key risks that the Fund is exposed to. It was felt that a change in overall strategy was not required. However, some refinements were recommended; some that looked to take into account the Fund's long term investor status (e.g. an increase in illiquid assets) and some that looked to build the level of inflation protection (e.g. the construction of a real assets portfolio). The intention was to evolve the portfolio to be more resilient in stressed scenarios. The asset allocation can be seen in Table 1.

As at 31 March 2016 (to be consistent with the actuarial valuation date), the expected return from the Fund's strategy at Table 1 below has a total (best estimate) expected return of around 5.3% p.a. (or CPI plus 3.1% p.a.). This uses a 10 year return

projection, whereas the numbers quoted in the FSS (CPI plus 3.4%) use a 20 year projection. Both returns compare favourably to the prudent return assumed by the Fund actuary which sits at CPI plus 2%. The expected volatility of return for the current allocation strategy is +/-16.5%.

Table 1: Benchmark asset allocation: All figures quoted as % of Fund market value.

		Allocation %	Tolerance %
Bonds		23.00	
UK Index Linked		12.00	+/- 3.00
UK Buy and Maintain		5.00	+/- 2.00
Emerging Market High Return		3.00} 3.00} 6.00	} +/- 5.00
Quoted Equities		50	
UK		15.00	+/- 5.00
Overseas		35.00	+/- 5.00
	Developed Markets	27.125	+/- 5.00
	Emerging Markets	7.875	+/- 5.00
		35.00	
Illiquid Premium			
Private Equity		7.00	+/- 5.00
Private Debt		3.50	+/- 5.00
Infrastructure		5.00	+/- 5.00
Property		10.00	+/- 3.00
Cash		1.50	+/- 8.50
		100.00	

In order to measure the performance of each asset class against its benchmark index and monitor the investment objective, the Authority requires detailed performance measurement figures. These are independently provided by Portfolio Evaluation and are presented to the Investment Board on a quarterly basis.

3 Risk measurement and management

The Fund's main long-term risk is that assets do not match liabilities, and that funding objectives are not achieved. There are many different types of risk involved in capital stewardship and 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.

The key risks inherent in the Pension Fund, and how these risks are mitigated, are below:

Risk	Description	Mitigants
Counter Party	Counterparty risk in every transaction in which the Authority takes part.	Use reputable service providers who operate effective controls. Independent investment advisors appointed to assist in the scrutiny of the internal investment management activity.
Funding strategy risk	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.	The effect can be reduced by diversifying the Fund's portfolios across a broad spectrum of assets and markets, taking into account these differences and the correlations between them and by granting the Fund's managers sufficient freedom to meet their targets but setting range constraints. An equity protection strategy is currently implemented
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis. Manager performance is also reviewed regularly with support from external advisers.
Demographic	Demographic factors including the uncertainty around longevity/mortality projections (e.g. longer life expectancies) can also contribute to funding risk.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.

Risk	Description	Mitigants
Liquidity	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. Management of Authority cash flows to ensure future payments can be met.
Inflation & Interest rates	Different classes of asset have different risk and return characteristics and 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. The Fund regularly monitors its exposure to interest rates.
Foreign exchange	Investing overseas exposes the Fund to fluctuations in exchange rates.	The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.
Environmental, Social and Governance (ESG)	ESG risks have the ability to impact a company's profitability and the Fund's investment performance.	The Fund has a suite of Responsible Investment (RI) policies, acts as a responsible share owner and factors ESG into investment decision making. These are also referenced elsewhere in the report.
Employers	The financial capacity and willingness of sponsoring employers to support the Fund.	This is regularly reviewed by the Authority.
Governance	The risk of poor governance and the potential issue of Committee member turnover.	Ensure that Members are well informed by officers and independent advisers. A Member training programme is in operation. The Local Pension Board and external and internal audit also support the scrutiny and governance process.

4. Approach to asset pooling

The Fund is a participating scheme in the Border to Coast Pensions Partnership (BCPP). This is a Financial Conduct Authority regulated company set up to manage the assets of the following 12 administering Authorities.

Bedfordshire Pension Fund, Cumbria Pension Fund, Durham Pension Fund, East Riding Pension Fund, Lincolnshire Pension Fund, North Yorkshire Pension Fund, Northumberland Pension Fund, South Yorkshire Pension Fund, Surrey Pension Fund, Teesside Pension Fund, Tyne and Wear Pension Fund, Warwickshire Pension Fund.

The structure and basis on which BCPP operates was set out in the July 2016 submission to Government.

BCPP's role is to independently and professionally deliver Partner Funds asset allocation choices. It will make decisions relating to and monitor the investment managers (including employees of the BCPP Pool) who manage the administering authorities' "fund money" with the aim of maximising the long-term net of fees investment returns attributable to each of the Parties. The BCPP Pool has a strong corporate governance philosophy, focused on the delivery of long term value through active corporate engagement, the rationale being that this aligns directly with ensuring the Partner Funds exercise their fiduciary duty in the best interests of their members and employers.

The Partner Funds acknowledge that there may be occasions where the BCPP Pool is unable to implement all asset allocation strategy decisions made because it would not be cost effective to do so, but the Parties and the BCPP Pool will work together to try to avoid this situation.

The Fund will hold BCPP to account through the following mechanisms:

- The Authority will monitor and regularly review the investment performance of the assets under BCPP's management, seeking explanation and attendance of BCPP personnel at meetings where necessary.
- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of BCPP Limited.
- A representative on the Joint Committee who will monitor and oversee the investment operations of BCPP Limited.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Fund will retain the decision making powers regarding investment strategy and will delegate the investment management function to BCPP Limited.

It is anticipated that a significant proportion of the Fund's investments will be made through BCPP Limited. At the time of writing 50% of the Fund's assets have been transferred to BCPP Limited and other assets will transfer across to the pool on a phased basis.

Where it is not practical or cost effective for assets to be transferred into the pool they will continue to be managed at the Fund level. These are expected to predominantly include unquoted investments such as limited partnerships. Whilst these assets are unlikely to be transferred it is expected that once these investments mature the proceeds will be reinvested into suitable BCPP sub-funds.

The Fund currently has an equity protection strategy in place and the Index-Linked Gilt holdings are used as collateral for this and as such will remain outside of the BCPP pool.

The Fund is also permitted to directly invest locally, subject to suitable risk/return characteristics, where this is not available through the pool.

The Fund will perform an annual review of assets that are determined to be held

outside the Pool to ensure that it continues to demonstrate value for money. Following this review it will submit a report on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

5. Social, environmental and corporate governance policy

The Authority is fully committed to responsible investment and good stewardship of its investments. It 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 well governed companies produce sustainable and superior returns. Responsible investment is fundamental to the Authority as it is in accordance with trustee's fiduciary duty.

It takes its responsibilities as a long-term investor seriously integrating environmental, social and governance factors into the investment process. Environmental risks include climate change; the Authority believes that the associated risks and opportunities may have a material impact on the financial performance of the Fund and has therefore published a Climate Change policy statement which can be found on the Authority's website.

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 recognises that it is unable to use its policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. The Authority has published a separate Responsible Investment policy statement available to view on its website.

The Authority invests in sustainable and impact funds which have positive social and environmental impacts. It does so only when returns are considered to be commercial and will not forego financial return in order to generate social impact.

The Authority 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. 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.

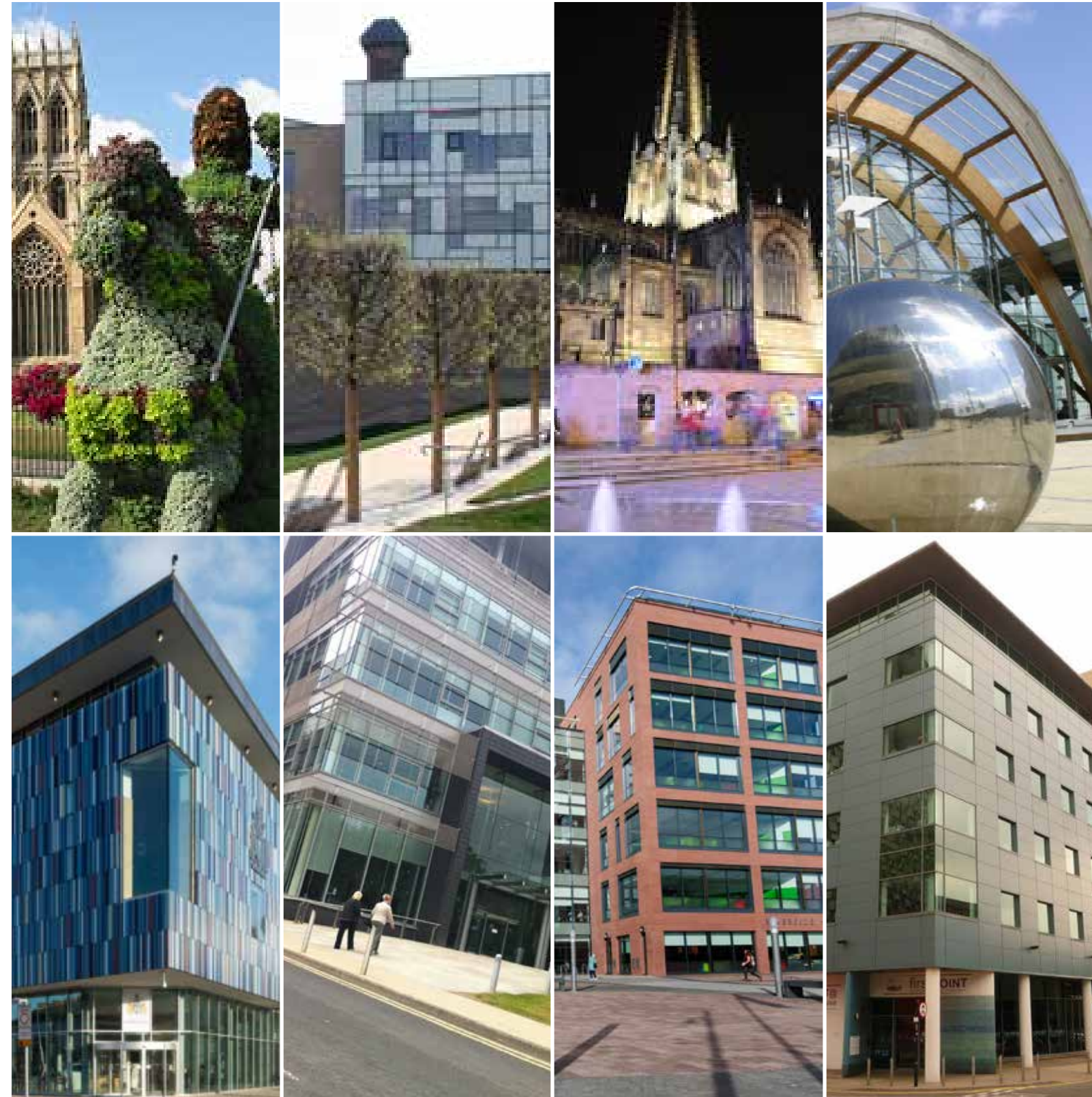
Under Regulations issued in 2009 administering authorities of the LGPS are required to report their compliance against the Myners' Principles. The six Principles are intended to guide institutional investors on matters such as investment, scheme governance, disclosure and consultation. The Authority publishes a separate statement outlining its full compliance with the Principles.

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Authority regards its voting rights as an asset to be used carefully. The voting power is delegated to BCPP as investment manager. BCPP aims to vote in every market in which it operates. It has appointed a contractor to ensure that its votes are effectively executed. The Authority subscribes to the BCPP voting policy which has been agreed by all partner funds and has been informed through the interpretation of best practice guidelines in consultation with the proxy advisor. Voting decisions, nonetheless, are made on a case-by-case basis bearing in mind a company's circumstances. Voting decisions will be available to view via the Fund's website quarterly. 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 sets out the broad approach to its responsibilities as a shareholder. These broad principles provide the framework within which the more detailed Voting Guidelines are administered.

December 2018

Administration Strategy



SOUTH YORKSHIRE PENSIONS AUTHORITY
STRATEGY FOR THE ADMINISTRATION OF
THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 19 March 2018. For the South Yorkshire Passenger Transport Pension Fund, (the administration of which is carried out by South Yorkshire Pensions Authority on an agency basis), and its one participating employer, First South Yorkshire Ltd, the effective date of this strategy will be 1 May 2016.

It has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Gary Chapman

Head of Pensions Administration
 South Yorkshire Pensions Authority

Administration
 Strategy

Contents

Review Date(s)	6	Potential New Employers	23
The Regulations	6	<ul style="list-style-type: none"> • Academies • Transferee Admission Bodies • Community Admission Bodies • Town & Parish Councils 	
Service Level Agreements	7	New Employer Requirements	25
Scope	7	Fees for the provision of information and additional non-standard work	26
Statement of Administering Authority objectives and aims	8	Internal Dispute Resolution Procedure	27
Equality Statement	9	Actuarial Services	27
Member Services	9	Payroll Services and Providers	28
Reporting Policy	10	Service Standards	29
Data Handling and Sharing	11	<ul style="list-style-type: none"> • Service Level Standards • Customer Charter Standards 	
Administering Authority Duties and Obligations	12	Financial Penalties for Non-Compliance	31
Administering Authority Discretions	12	Interest	32
Employing Organisation Duties and Obligations	13	Debt Recovery - Policy & Procedure	33
Employing Organisation Discretions	14	Special Requirements for Educational Establishments	34
Provision of Information by the Administering Authority to:	14	Administration Guide for Employing Organisations	35
<ul style="list-style-type: none"> • Members/Member Representation • Independent Financial Advisors • Participating Employing Organisations • Other Administering Authorities • Fund Actuary • Government and other Public Sector Agents 		Appendix A- Financial Penalty Details	36

REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned or thought to be necessary outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2013
- The Pensions Act 1993
- The Pensions Act 1995
- The Pensions Act 2014
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The annual provision of information by employers about their scheme members (it is anticipated that 2018 will be the last year that annual information will be required, see next bullet point)
- The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment to the Fund of employee and employer contributions including any additional contributions paid by scheme members
- The payment to the Fund's appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement

- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- The Provision of Scheme compliant Payroll Services by employing organisations
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
 - Individual member retirement benefit estimates
 - Bulk member retirement benefit estimates
 - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

“The Authority wishes and intends to provide a high quality pensions’ service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority”**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that it complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its five locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future.

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement
- By a follow up letter confirming the excess savings amount and the implications for tax if any
- By providing further information on the options available through the Scheme for discharging any tax liability arising

In addition SYPA will run a tax seminar each year aimed at those members whose level of earnings might demand more information on these tax issues for the people concerned. Such seminars will be presented by Independent Advisors licensed to provide information and advice. SYPA reserves the right to levy a charge if necessary.

Additionally, to assist SYPA in providing as timely and accurate a service as possible in relation to Annual Allowance issues it will, at the end of March each year, write to every participating organisation having any members deemed to be at risk of breaching the Allowance to request additional details of those members' pay for the period 6 April to 5 April for the year in question. This information will have to be provided to SYPA by the 21 April. This is in advance of the deadline for the 2018 Annual Return and covers a slightly different but critical period to that covered by the return.

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting "material" employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at: www.thepensionsregulator.gov.uk

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting "material" data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 are due to come into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a "Data Controller", will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Enter into all necessary agreements with those parties with whom it obtains and shares data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Obtain the appropriate consent from individuals to hold their data on any of its systems
- Only use their data for the purposes for which it was collected

- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority's systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications' Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person's previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pensions Manager, this avoids any conflict with the IDRPA Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the estate and any dependants.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within 41 days of the end of the Scheme Year, with a statement of details of every employee that has been an active member during

the scheme year. Whilst Regulation requires provision within three months, SYPA is using its statutory powers to shorten this deadline because of the pressures placed upon it to meet other work deadlines resulting from the Year End Exercise and from the commencement of Monthly Posting from April 2018

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case(s) concerned.

Therefore, as a minimum, SYPA will always administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other appropriate legislation.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.

- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issues Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then the SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties according to the Court's direction.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period. The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member

The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as announced by the Government in the 2015 Spring Budget and enabled in subsequent legislation

Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
 - 1 January to 31 March
 - 1 April to 30 June
 - 1 July to 30 September
 - 1 October to 31 December

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' Forum at least once a year, usually in the Autumn, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Retirement Estimate requests for individual employees will be provided **within 5 working days** of the Authority being in possession of all information necessary to ensure the accuracy of the estimate
- Bulk Retirement Estimate requests **involving 20 or more employees** will be provided **within 10 working days** of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided **within 10 working days** of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations.

Other Administering Authorities:

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	July
Interim Results	September/October
Individual Employer Results Consultation	October/November
Formal Report	March

There are no employer charges or fees related to the Valuation unless additional bespoke work is requested.

Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by deducting and paying over the correct contribution amounts. This is an Audit requirement.

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain and provide the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year as follows:

- Organisations with a Year End of 31 March
- Educational Establishments with a Year End of 31 July
- Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End	- SYPA writes to employers inviting participation and collection of data begins
Mid-February prior to Year End	- Data issued to Actuary
Mid-April following Year End	- Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End	- SYPA writes to employers inviting participation and collection of data begins.
By 3rd week in July	- Data issued to Actuary
End of August following Year End	- Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End	- SYPA writes to employers inviting participation and collection of data begins
By Mid-August	- Data issued to Actuary
End of September following Year End	- Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will be recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "least risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents

The Authority has signed up to be included in the National Audit Office's (NAO) bi-annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, and the General Data Protection Regulations, (effective May 2018), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months
- Apparent un-notified re-employment of South Yorkshire Pensioners will be investigated within 6 months according to the recommended priority matches received from the NAO

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework relating to the payment of Death Grants from the Fund the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies have no choice and are required to offer their non-teaching staff membership of the LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion

Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies

- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of, or, where the appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one of the contract
- Have other systems and staff in place to ensure continuity of the pensions administration function from day one of the contract

Community Admission Bodies

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme in the format required
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted

- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for non-standard work requested by an Employer that would require SYPA to undertake work over, above and beyond that which it would normally undertake or to provide a requested service that it would not normally provide.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work which could then compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing organisation in the original decision making review process. Possibly as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or some bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the

Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is a participating in the South Yorkshire Fund

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that The new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable

it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a financial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

- | | |
|---|------------------------|
| • Respond to employer queries | 5 working days |
| • Individual retirement benefit estimates | 5 working days |
| • Individual early retirement employer costs | 5 working days |
| • Bulk retirement benefits estimates (20 or more) | 10 working days |
| • Bulk early retirement employer costs | 10 working days |

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the "event date" to the date of receipt by SYPA in its HQ Office at 18 Regent St, Barnsley, S70 2HG.

Employing Organisation to Administering Authority

- | | |
|--|----------------|
| • Notification of a new scheme joiner | 8 weeks |
| • Notification of a member's contractual change | 4 weeks |
| • Notification of a member leaving the Scheme with a right to immediate payment of benefits | 4 weeks |
| • Notification of a member leaving the Scheme without a right to immediate payment of benefits | 8 weeks |
| • Notification of the death of an active member | 2 weeks |
| • Provide a written response to any query | 1 week |

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

- Complaints **3 working days**
- General Enquiries **5 working days**
- Provision of information for Divorce Proceedings **5 working days**
- Notification of death benefit entitlements to Dependants and/or representatives **4 working days**

Active Members

- Setting up a new joiner record **5 working days**
- Making changes to records **5 working days**
- Providing information about Additional Benefits **12 working days**
- Provision of Retirement Benefit Estimates* **5 working days**
- Providing transfer value quotations **5 working days**

Preserved Pensioner Members

- Notification of Entitlement **20 working days**
- Provide an updated benefit statement **5 working days**

Pensioner Members

- Information on re-employment **7 working days**

*Subject to the Authority's policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non-compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies

The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.
- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.
The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned.

The table in **Appendix A** provides details of the fixed penalty.

Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund

Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension

- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose financial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	£350 + VAT
Provision of information in relation to Accounting Standards Exercises	Currently £100 + VAT but being reviewed
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	£350 + VAT
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

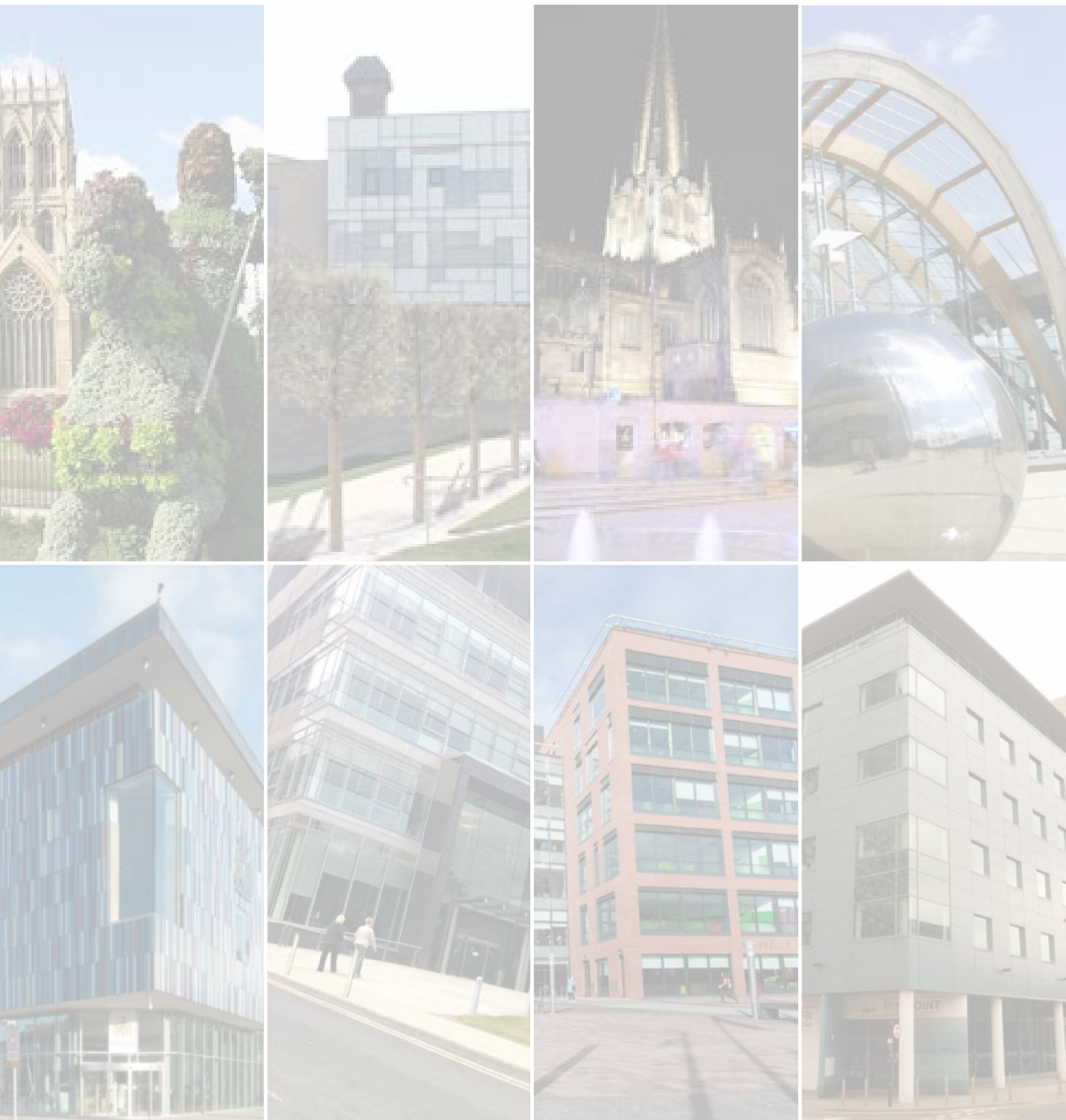
Penalties

Year End Returns 2018 Failure to submit a usable, balanced Year End Return by the deadline detailed in this document (4-00 pm, Friday 11 May 2018)	A fixed penalty of £500 plus a further fixed penalty of £50 per day for every further day late following that deadline
Queries arising from the Year End The provision of Year-End information resulting in the Administering Authority being unable to reconcile information with the member record and necessitating a query Responses to queries necessitating a re-query	£25 per case query £10 per case re-query
Monthly Returns from April 2018* Failure to submit a monthly return by the 19th of the month following the month of employees' contribution deduction	A fixed penalty of £500 plus a further fixed penalty of £50 per day for every further day late following that deadline
Service Level Agreements Failure to submit member event information in line with the requirements of the SLA through the monthly posting facility effective from April 2018	£25 per case
Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of £500 plus a Further fixed penalty of £250 for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of £1000 for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline plus the standard penalty for late submission of monthly returns

*SYPA anticipates and expects that there could be initial teething problems with the submission of monthly returns.

For 2018 only, and for the month of April only, the first submission under the new monthly return procedure will, if late, not incur a penalty where the Employing Organisation or its Payroll Provider, is having difficulties and communicates those difficulties to SYPA immediately they are aware of them. Where such communication is made SYPA will endeavour to provide all the assistance and guidance it can to ensure the problem is rectified.

Where no communication is made any subsequent penalty incurred as a result will stand.



South Yorkshire Pension Fund

Governance Compliance Statement – Effective June 2019

1. Introduction

1.1 As a statutory public service scheme the LGPS has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement under s 55(1) of the Local Government Pension Scheme Regulations 2013, which requires:

An administering authority must prepare a written statement setting out-

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- (b) if the authority does so-
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

1.2 This statement has been revised following a review of the Pensions Authority's governance arrangements which became operational from the beginning of the 2019/20 Municipal Year.

2. Governance of the South Yorkshire Pension Fund

- 2.1 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.
- 2.2 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions. One member from each district has been nominated as the Section 41 spokesperson.
- 2.3 The Authority has created two committee's to support it in its work:
- 2.4 The **Audit Committee** which is responsible for fulfilling the following core audit committee functions:
- Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
 - Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
 - Approve (but not direct) internal audit's Charter and annual plan.
 - Monitor performance against internal audit's Charter and annual plan.
 - Review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.
 - Receive the annual report of the Head of Internal Audit.
 - Consider the annual reports of external audit and inspection agencies.
 - Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.
 - Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - To oversee the production of and approve the Authority's Annual Governance Statement.
 - To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:
 - the suitability of, and any changes in accounting policies;
 - major judgemental issues e.g. provisions.
 - To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.
 - Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

- 2.5 The **Staffing Appointments and Appeals Committee** which is responsible for the following functions.
- To exercise all the Authority's functions in respect of:
 - Appeals by staff (where a right of appeal exists).
 - Complaints against senior officers.
 - To exercise the Authority's functions in relation to the appointment of Statutory Officers and Chief Officers, subject to legislative requirements regarding the approval of statutory officer appointments by the Authority.
 - To approve proposals for changes to the organisation of the Authority's staffing where more than 5 posts are affected.
 - Determining appeals and requests under the Local Government Pension Scheme Regulations not otherwise delegated to officers.
 - To make appointments of Independent Investment Adviser (s) on behalf of the Authority.
 - To approve arrangements for the procurement of external fund managers, the Fund Actuary and Custodian.

3. Representation

- 3.1 Unlike other Administering Authorities within the Local Government Pension Scheme the Authority's constitution is laid down in the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion -

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

- 3.2 In addition, 3 non-voting observers nominated by the Regional Secretaries of the three largest trade unions recognised by the National Joint Council for Local Government Services are provided with the facility to attend and participate in meetings of the Authority and its committees, other than in matters concerned with staffing and labour relations.
- 3.3 The Audit Committee is chaired by the Authority's Vice-Chair and contains 4 other Authority Members (including the Chair). Representatives from the trade unions, who are nominated by their regional Secretaries/Organisers, attend as observers.
- 3.4 The Staffing Appointments and Appeals Committee is chaired by the Authority's Chair and contains 4 other Authority members (including the Vice Chair). Representatives from the trades unions, who are nominated by their regional Secretaries/Organisers, attend as observers.
- 3.5 Both Committees have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

- 4.1 Myners' first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority are required to undertake the LGA fundamentals training and the Pensions Regulator's Public Sector Toolkit and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues and differing types of investment. In addition, a Learning and Development Strategy is in place which identifies individual learning needs and aims to address them through both internal and external means.
- 4.2 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation of the Authority provides the appropriate balance between accountability and inclusion as required by best practice with members having full voting rights as a matter of course.

5. Arrangements Outside of Formal Governance

- 5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website, and is included with the Annual Report as required by the relevant regulations.
- 5.2 The Authority holds an annual meeting, usually in October, to which members and employers are invited. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions.
- 5.3 The Authority has established, with effect from 1 April 2015, a Local Pension Board in accordance with Regulatory requirements comprising equal numbers of employer and scheme member representatives.
- 5.4 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to relevant Circulars from National Bodies whenever these are published so that they can view the national perspective as well as the local view.

- 5.5 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Authority normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.
- 5.6 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

6. Comparison with "Best Practice" Principles

- 6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- 6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

Appendix A

Principle A – Structure

	Compliant*
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Mainly
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's separate legal status ensures that a), c) and d) are complied with and ensure representation (proportionate to size) of the major local authority employers. It is not practical for the many non-local authority employers, whose activities are diverse, to be separately represented. Trades unions representatives attend meetings of the Authority and Committees. The Local Pension Board as required by regulations operates alongside the formal Authority structure but is intrinsically linked with it.

Principle B – Representation

	Compliant*
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Mainly
b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority appoints 2 independent investment advisers who attend meetings of the Authority and give advice to members during discussion of investment related matters.

Approved by the Authority 13.6.19

Principle C – Selection and role of lay members

	Compliant*
a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via the LGA 3-day programme and the Pensions Regulator's Public Sector Toolkit.

A series of member seminars to address new topics or cyclical issues such as the actuarial valuation are included in the programme of meetings and members (whether elected or Trade Union observers) are able to attend approved conferences and external seminars details of which are circulated to all members at the beginning of the year.

Principle D – Voting

	Compliant*
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Order creating the Authority and its constitution provides full voting rights to all elected Members. TU representatives do not have voting rights.

Principle E – Training/Facility time/Expenses

	Compliant*
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes
c) That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	Mainly

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction and in-house training events are made available to all members of the Authority, and Committees, including Trade Union Observers. In addition, all Authority members are required to undertake the Fundamentals course provided by the LGA and the Pensions Regulators Public Service Toolkit within the first year of their appointment.

Members are offered individual training plans. Records of training received are logged and published.

Principle F – Meetings (frequency/quorum)

	Compliant*
a) That an administering authority's main committee or committees meet at least quarterly.	Yes
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority and Committees meet at least quarterly. In addition annual forums are held for both fund employers and Scheme members

Principle G – Access

	Compliant*
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes

* Please use this space to explain the reason for non-compliance
(regulation 73A(1)(c)/1997 Regulations)

The only exception to this general principle is that Trade Union Observers are not permitted access to papers concerned with individual staffing matters, such as the appraisal for the Head of Paid Service.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H – Scope

	Compliant*
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes

* Please use this space to explain the reason for non-compliance
(regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle I – Publicity

	Compliant*
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

* Please use this space to explain the reason for non-compliance
(regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Details of the Authority's governance arrangements are published both on its website and in its annual report. The details of the Authority's meetings are publicised both on the website and social media and the public parts of meetings of the full Authority are webcast.

The Authority maintains a specific policy that the number of items to be considered in private is minimised thus opening up the maximum amount of its business to scrutiny by scheme members and the wider public.

