



SOUTH YORKSHIRE  
PENSIONS AUTHORITY



# Annual Report and Statement of Accounts

## 2012/2013

FCA No 121977



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Authorised and regulated by the Financial Conduct Authority



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# Our Mission Statement is

**“To provide the best possible and most cost-effective pensions 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 the 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 socially responsible and sustainable investment strategy.

### Strategic Objective 4 **VALUING OUR EMPLOYEES**

To develop the capacity and capability of our workforce, including embedding equality and diversity practice and investing in our staff development.

### 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.

# Introduction



2012/13 followed on from a number of difficult years and both the financial community and the authorities continued to struggle with the aftermath of the crisis of 2008 and 2009. There was a pervading sense of unease but, at the same time, rapid swings from optimism to fear and back again.

As far as LGPS funds were specifically concerned the long drawn out negotiations surrounding the future shape of the Scheme and the delays in translating what was agreed into meaningful proposals weighed heavily on both Members and officers. Even as I write full consultation on the substantive proposals is still awaited and it is far from clear what progress, if any, has been made on the governance issues. This is far from satisfactory and the longer it takes to progress these matters the less likely it will be that the targeted implementation date of April 2014 will be met.

The policy of keeping UK interest rates low and buying in government debt has resulted in historically low bond yields. Because it is these yields which the actuary uses when he calculates the cost of the Fund's liabilities the signs are not looking good for the outcome of the March 2013 valuation. The consequences for the Fund, like other LGPS funds, and the employers could be very challenging.

The Fund has always adopted a long term and patient approach to investing but that has not been easy given the turbulence of the last few months. In these sort of conditions it is tempting to take rapid action, particularly in times of stress, but the Fund's time frame and structure has helped it to withstand such temptations. The outperformance of the benchmark is testimony to the validity of the approach.

Members have continued to embrace the responsibilities associated with the ownership of financial assets and follows the approach exhorted by Professor John Kay in his timely Review published in 2012. This can be summed up in his phrase "voice over exit". Notwithstanding this view Members have agreed to review the Authority's policy on responsible investment over the next few months.

Bill Wilkinson, the Authority's Clerk and Treasurer, retired in August having successfully guided the Fund - and Members - through many troublesome years. I'm sure that you will join me in wishing him a long and happy retirement. His successor, Steve Pick, has a hard act to follow but has already settled in well.

Having given stalwart service for ten years both Sarah Arkle and Tony Hardy retired as independent investment advisors in the Autumn. I'm pleased to report that the Authority has recruited Tim Gardener and Leslie Robb to replace them and they have already contributed greatly to the Investment Board's proceedings. It was with much regret that the Authority accepted Roy Gillson's resignation from the Panel in February due to ill-health. It is hoped that he enjoys a full and speedy recovery.

I would like to thank my fellow councillors for all their input over the year. It has not been easy. Pensions is a difficult subject at the best of times and these have not been the best of times! Their hard work is much appreciated.

Given the potential risks that 2013/14 will bring, next year will not be an easy year either. The world has changed but there is, as yet, no distinct certainty as to what those changes will bring. It remains appropriate to take the long term view.

Councillor M Lawton  
**Chair of the Authority**



# Management of the Fund

## Management of the Fund

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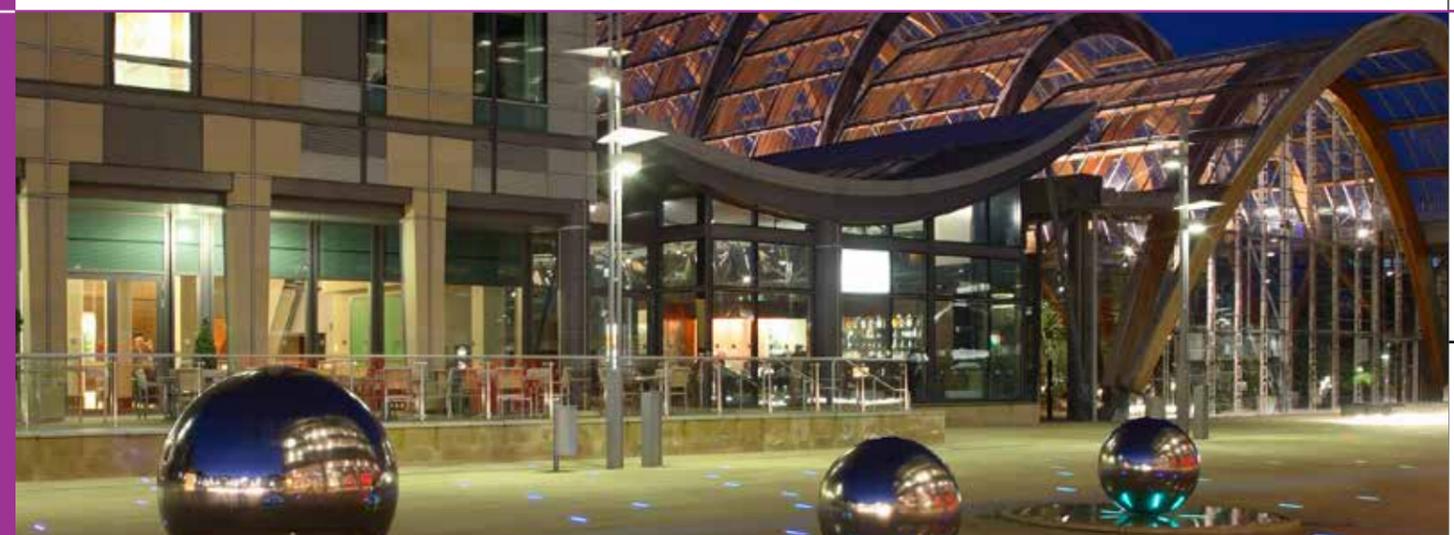
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# Report of the Clerk and Treasurer

## Management of the Fund

South Yorkshire Pensions Authority is the administering authority for the South Yorkshire Pension Fund under the terms of the Local Government Pension Scheme (LGPS) Regulations. The Fund's membership includes most local authority employees and pensioners (other than teachers and uniformed personnel) employed in the districts of Barnsley, Doncaster, Rotherham and Sheffield and certain other organisations. This report has been produced in accordance with the Regulations and covers the activities of the Fund during the financial year ended 31 March 2013. The governance of LGPS funds is encased in statute and the Regulations are regularly updated.

The Authority itself was established by Statutory Instrument in 1987. The twelve councillors who sit on the Authority are co-opted on to it from the four district councils. The Authority meets approximately every quarter and concentrates upon strategy and scrutiny matters. It ensures that the administration of the Fund accords with the statutory framework the LGPS operates under. Its meetings are open to the public and are webcast. It has established two boards to manage the everyday aspects of its duties and responsibilities as an administering authority: the boards also operate to roughly a quarterly cycle. One board considers administration and audit matters whilst the other supervises investment issues. The terms of reference of the boards and other information regarding the Authority's structure, including details of the

delegation arrangements to officers, can be found in the Governance Compliance Statement. The Authority operates a consultancy mechanism whereby representatives of the Fund's membership can discuss matters with councillors and officers. The annual meeting for the Fund's employers is augmented by frequent meetings with officers and the Authority provides a dedicated online information system for their use. The Annual Fund Meeting is normally held in October of each year.

One of the key objectives of the Authority is to ensure effective stewardship of the Fund's affairs. In seeking to achieve this officers and members are aware that the landscape and regulatory framework governing the LGPS continues to change and grow in complexity and that the pace of change has noticeably quickened over the last few years. In recognition of these pressures the governance structure of the Fund is regularly reviewed.

All aspects of pensions administration, including calculating and paying benefits, are conducted in house. The Fund also operates advisory offices in the districts. All of the Fund's investments are managed internally, albeit with the assistance of advisors on real estate matters. Further details of the Fund's investment operations are set out in the Statement of Investment Principles. The Authority has a retained actuary, Mercer Limited, and has appointed an independent investment advisory panel to assist it in achieving its aims.

## Members and Responsibilities of Members as at 31 March 2013

<b>BARNSLEY</b>	INDEPENDENT	Councillor B Perrin
	LABOUR	Councillor R Wraith* (Vice Chair)
<b>DONCASTER</b>	LABOUR	Councillor E Butler
	CONSERVATIVE	Councillor B Ford
	LABOUR	Councillor B Johnson JP (up to 18.5.12)
	LABOUR	Councillor C McGuinness* (from 18.5.12)
<b>ROTHERHAM</b>	LABOUR	Councillor K Goulty*
	LABOUR	Councillor P Wootton
<b>SHEFFIELD</b>	LIBERAL DEMOCRAT	Councillor D Baker
	LABOUR	Councillor D Barker (up to 17.5.12)
	LABOUR	Councillor L Rooney (from 17.5.12)
	LABOUR	Councillor Talib Hussain (up to 17.5.12)
	LABOUR	Councillor B Lodge (from 17.5.12)
	LABOUR	Councillor M Lawton* (Chair)
	LIBERAL DEMOCRAT	Councillor A Sangar

*\*Indicates Section 41 Members*

Members are responsible for the administration of the Fund in accordance with Statutory Regulations. They have a fiduciary duty to the contributors and beneficiaries of the Fund to ensure contributions are collected, that benefits are calculated properly and paid promptly, and that any surplus monies are properly and prudently invested.

Members also have a fiduciary duty to the council tax payers of South Yorkshire who, via a levy on the four district councils, are required to finance net expenditure on residual employer liabilities which cannot be charged to the Fund. Any shortfall would have to be met by the employer and other employing authorities.

## Members' Attendance Records

The education and training of Authority Members is a key priority and this is achieved through a variety of means. All newly appointed Members receive an induction training session and all Members are required to attend the Pensions Fundamentals training programme provided by the Local Government Employers organisation. The regular meetings of the Authority and its boards embrace a wide range of topical issues, such as legislation changes, corporate governance matters, the assessment of liabilities, the economy and so on and delivery is by officers, independent advisors and consultants. Additional training events, such as externally arranged conferences and seminars, are attended if they are appropriate.

Compliance with the Myners' Principles on best practice, in particular with Principle 1 which covers effective decision making, has long been an Authority aim and the Authority's approach to Member training is prudent and vigilant. The promotion of good governance has been strengthened by the publication of the CIPFA Knowledge and Skills Framework which identifies the elements that Members should have in order to fulfil the roles they have in effective decision-making. The Authority is building upon its previous approach and is developing a programme to ensure that members have the full range of skills and knowledge identified by the CIPFA guidance.

### SYPA Members' Attendance at Authority Meetings 2012/13

	12 Apr 12	14 Jun 12	26 July 12	11 Oct 12	22 Nov 12	17 Jan 13	21 Mar 13
D Baker	X	✓	✓	✓	✓	✓	X
D Barker (to 17.5.12)	✓						
E Butler	X	✓	X	✓	✓	✓	✓
B Ford	✓	X	✓	✓	✓	X	✓
K Goult	✓	✓	✓	✓	✓	✓	✓
T Hussain (to 17.5.12)	✓						
B Johnson (to 18.5.12)	X						
M Lawton	✓	✓	✓	✓	✓	✓	✓
B Lodge (from 17.5.12)		✓	✓	✓	X	X	✓
C McGuinness (from 18.5.12)		✓	✓	X	✓	X	X
B Perrin	✓	✓	✓	✓	X	✓	✓
L Rooney (from 17.5.12)		✓	✓	✓	✓	✓	✓
A Sangar	✓	✓	✓	✓	✓	✓	✓
P Wootton	✓	✓	✓	✓	✓	✓	✓
R Wraith	✓	✓	✓	✓	✓	✓	✓

## Members' Attendance Records

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

	17 May 12	26 July 12	15 Nov 12	14 Mar 13
D Baker	X	✓	✓	X
D Barker (to 17.5.12)				
E Butler	✓	X	✓	✓
B Ford	X	✓	✓	✓
M Lawton	O	✓	✓	X
L Rooney (from 17.5.12)		✓	✓	✓
P Wootton	✓	✓	✓	✓
R Wraith	✓	✓	✓	✓
G Boyington (UNISON)	✓	✓	✓	✓
J Coombs (UCATT)	X	X	X	X
G Warwick (GMB)	✓	✓	✓	✓

### SYPA Members' Attendance at Investment Board Meetings

	24 May 12	20 Sept 12	13 Dec 12	28 Feb 13
K Goulty	✓	✓	✓	✓
T Hussain (to 17.5.12)				
B Johnson (to 18.5.12)				
M Lawton	X	✓	✓	✓
B Lodge (from 17.5.12)		X	X	✓
C McGuinness (from 18.5.12)		X	✓	✓
B Perrin	✓	✓	✓	✓
A Sangar	✓	✓	✓	✓
R Wraith	O	✓	✓	X
J Coombs (UCATT)	X	X	X	X
G Warwick (GMB)	X	✓	X	✓
M Stowe (UNISON)	X	X	X	X

# Member Training 2012 - 2013

	Induction Training	Fundamentals Day 1	Fundamentals Day 2	Fundamentals Day 3	LGPS Seminar	Treasury Management	National Fraud Initiative	UK Equity Portfolio	PIRC Presentation	Fixed Interest Training	Pension Forecast Process	Service Level Agreements
D Baker	N/A		✓		X	X	✓	X	✓	X	X	X
E Butler	N/A			✓	✓	X	X	X	X	X	✓	X
B Ford	N/A				✓	X	✓	X	X	X	✓	✓
K Goult	N/A	✓			✓	✓	✓	✓	✓	✓	✓	✓
B Lodge	N/A			✓	X	X	X	X	X	✓	X	✓
M Lawton	N/A			✓	✓	✓	✓	✓	✓	✓	X	✓
C McGuinness		✓	✓	✓	X	X	✓	✓	X	✓	X	X
B Perrin	N/A		✓		✓	✓	X	✓	✓	✓	X	✓
L Rooney					✓	X	✓	X	✓	X	X	✓
A Sangar	N/A		✓		✓	✓	✓	✓	✓	✓	X	X
P Wootton	N/A		✓		✓	X	✓	X	✓	X	✓	✓
R Wraith	N/A		✓		✓	✓	✓	✓	✓	X	✓	✓



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## Advisors and Officers

<b>ACTUARY</b>	Mercer Limited
<b>AUDITOR</b>	Audit Commission Operations Directorate <i>(up to 31<sup>st</sup> August 2012)</i> KPMG LLP Public Sector Audit <i>(from 1<sup>st</sup> September 2012)</i>
<b>BANKERS</b>	Co-operative Bank
<b>CUSTODIAN</b>	HSBC Securities Services
<b>EXTERNAL ADVISORS</b>	Bidwells <i>Agricultural Property</i> Pensions and Investment Research Consultants Limited <i>Corporate Governance/ Voting Execution</i> Standard Life Pension Funds Limited <i>Commercial Property</i>
<b>ADVISORS TO THE AUTHORITY</b>	S Arkle <i>(up to September 2012)</i> A Hardy <i>(up to September 2012)</i> T J A Gardener <i>(appointed 1<sup>st</sup> July 2012)</i> W L Robb <i>(appointed 1<sup>st</sup> July 2012)</i> R Gillson <i>(up to February 2013)</i>
<b>OFFICERS</b>	W J Wilkinson <i>(up to August 2012)</i> <i>Clerk &amp; Treasurer</i> S Pick <i>(from 1<sup>st</sup> September 2012)</i> <i>Clerk &amp; Treasurer</i> J N Hattersley <i>Fund Director</i> G Chapman <i>Head of Pensions Administration</i>





# Administration Report

## Administration Report

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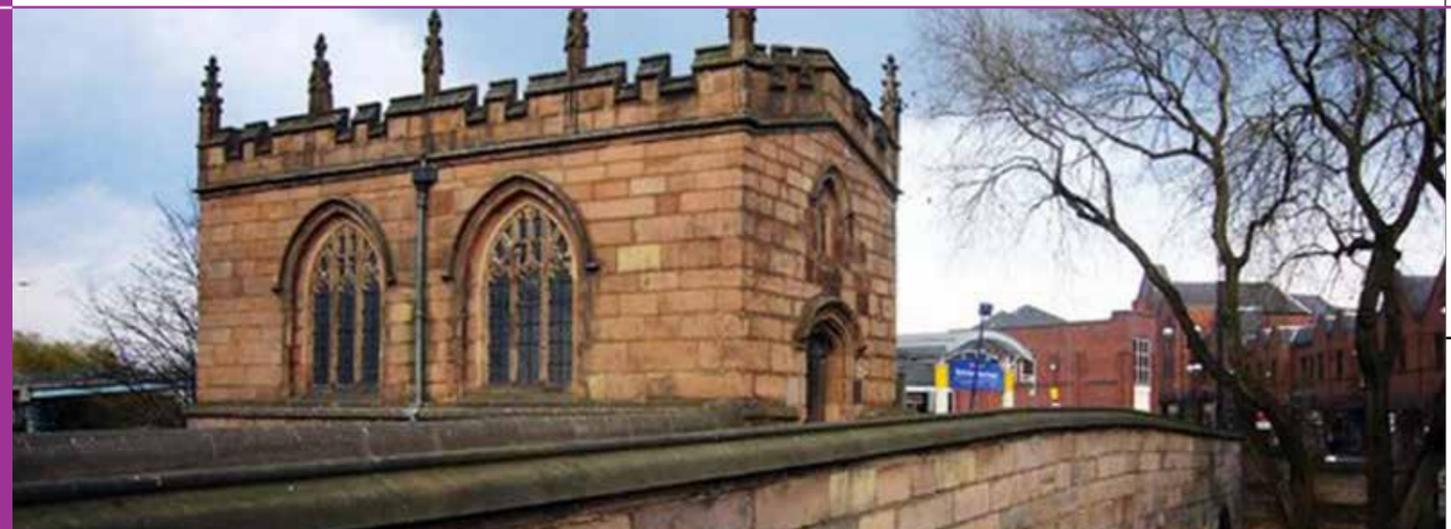
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# Report of the Clerk and Treasurer

## Pensions Administration

During the year details of the new Local Government Pension Scheme were gradually released through a mixture of informal consultation and draft regulations. Although no actual regulations were in force at the end of this review period, we now know the core elements of the new scheme applicable from April 2014 and have commenced planning for its implementation. For the very latest on the new scheme visit our website at [www.sypensions.org.uk/futurelgpsnews](http://www.sypensions.org.uk/futurelgpsnews).

Pensions Administration continues to be delivered by our in-house team based locally in Barnsley and I am pleased to report that the high standards of performance against our service targets continue to be maintained. Our staff are supported by high quality IT systems which provide instant access to vast amounts of data to deal with both member and employer enquiries quickly and efficiently. Included in this is our in-house developed data cleansing and analysis tool that ensures compliance with the Pensions Regulator's requirements regarding data quality. We continue to participate in the national benchmarking survey and I am especially pleased to report that we have maintained our Customer Service Excellence accreditation achieving 100% compliance in all 57 monitored categories.

We have continued to explore ways to maximise efficiency whilst at the same time improving the service that we provide to our Scheme members. During the year we have successfully merged mailings of annual statements as well as pensioner pay statements and newsletters. This has not only saved money on printing and postage but also cut out duplicate mailings for our members who have more than one job or multiple pensions in payment.

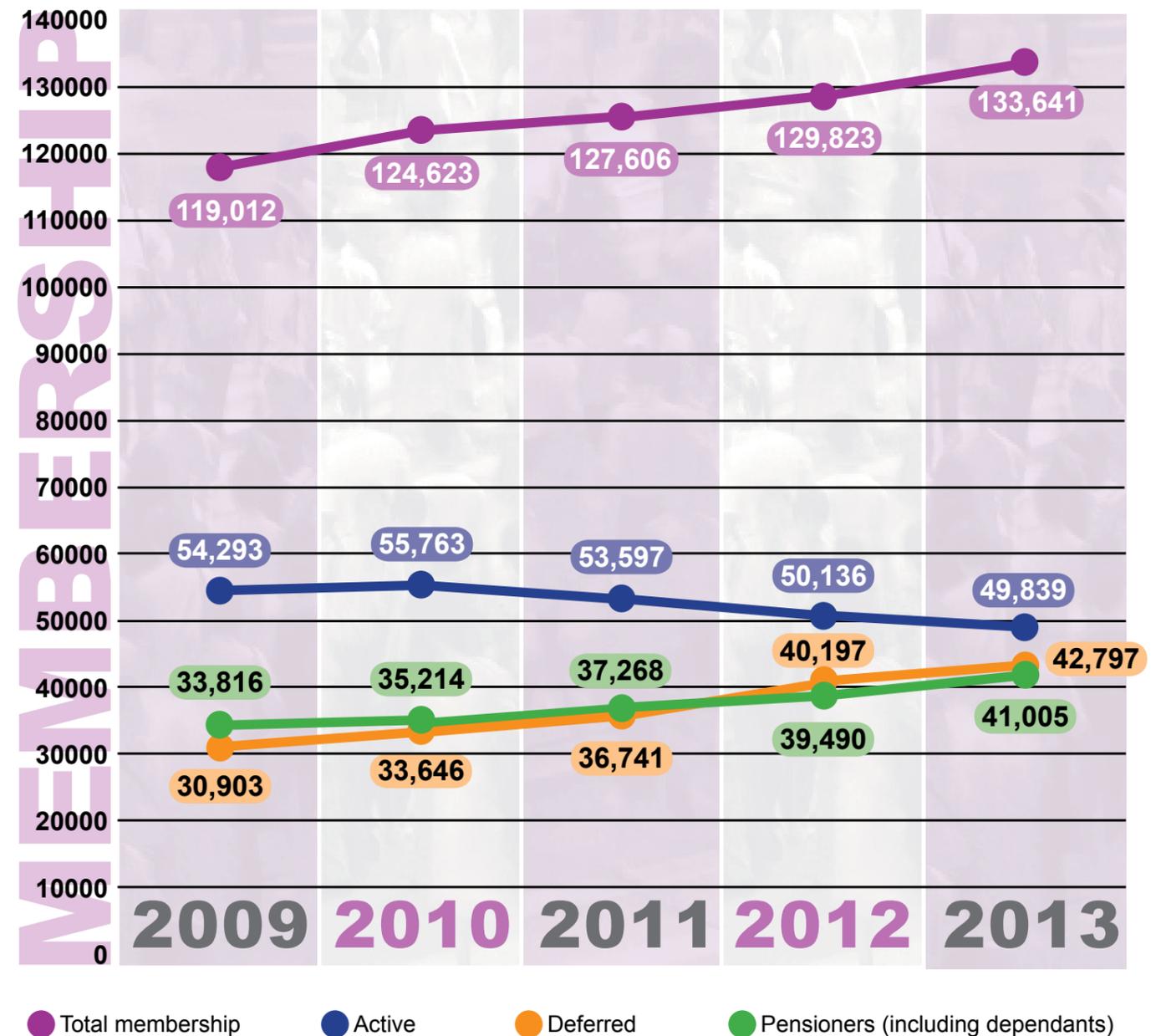
Last year I reported on a new initiative being introduced to combat the significant number of existing members choosing to opt out of the Scheme. Whilst there can be a number of reasons that prompt a member to take this drastic course of action the overwhelming reason is to save money. Our opt-out strategy is designed to illustrate that the amount of money saved might not be as much as expected whilst at the same time showing the benefits that would be lost. I am pleased to report that out of 519 members that submitted a request 420 elected to stay in the Scheme after receiving the information we provided. This represents an 81% success rate.

The Authority operates a formal dispute resolution procedure in compliance with the scheme regulations as well as a published system to respond to customer service complaints. During the year we had just one formal dispute and six customer service complaints and all were responded to within our published timescales. The number of appeals and complaints represent less than 0.001% of our total annual caseload.

During the year interest charges were levied on two employers because of late contribution payments and amounted to £389.67. This is a significant reduction on last year both in the number of employers and interest charged.

Continuing the style we have developed over recent years we have once again expanded the statistical information provided within the report. Over the next few pages we have presented detailed membership and employer information as well as a breakdown of Fund membership by age and gender. Hopefully you will find these both interesting and informative.

## Membership



Overall, Fund membership continues to grow. The Fund has 133,641 members compared with 129,823 at March 2012. There are three main categories of membership, 49,839 active contributing members, 41,005 members and dependants in receipt of a pension and 42,797 deferred members (members who have left employment and deferred their benefits until normal retirement age). However, whilst the numbers of pensioners and deferred members continue to grow, the number of active contributing members has fallen for the 3rd year running, further increasing the Fund's maturity.

# Report of the Clerk and Treasurer

## Your Fund Statistics

<b>ACTIVE MEMBERS</b>		<b>2012</b>	<b>2013</b>
<b>Gender</b>	Female.....	<b>72%</b>	<b>73%</b>
	Male.....	<b>28%</b>	<b>27%</b>
<b>Annual Salary</b>	Up to £15,000.....	<b>33%</b>	<b>33%</b>
	£15,001 - £30,000.....	<b>54%</b>	<b>54%</b>
	£30,001 - £45,000.....	<b>11%</b>	<b>11%</b>
	£45,001 - £65,000.....	<b>2%</b>	<b>2%</b>
	Over £65,001.....	<b>Less than 1%</b>	<b>Less than 1%</b>
<b>Averages</b>	Current Age.....	<b>44</b>	<b>44</b>
	Age Joined Fund.....	<b>34</b>	<b>34</b>
	Salary.....	<b>£20,439.84</b>	<b>£20,230.84</b>
	Current Membership.....	<b>9 years</b>	<b>9 years</b>
<b>Age Profile</b>	16 - 20.....		<b>1%</b>
	21 - 25.....		<b>4%</b>
	26 - 30.....		<b>7%</b>
	31 - 35.....		<b>9%</b>
	36 - 40.....		<b>11%</b>
	41 - 45.....		<b>16%</b>
	46 - 50.....		<b>18%</b>
	51 - 55.....		<b>17%</b>
	56 - 60.....		<b>12%</b>
	61 - 65.....		<b>4%</b>
	66 - 70.....		<b>1%</b>
	71 - 75.....		<b>Less than 1%</b>

## Your Fund Statistics (continued)

<b>PENSIONERS</b> (including dependants)		<b>2012</b>	<b>2013</b>
<b>Gender</b>	Female.....	<b>60%</b>	<b>60%</b>
	Male.....	<b>40%</b>	<b>40%</b>
<b>Averages</b>	Current Age.....	<b>68</b>	<b>69</b>
	Age Pension Commenced.....	<b>58</b>	<b>58</b>
	Current Annual Pension.....	<b>£4,306.55</b>	<b>£4,373.03</b>
	Time in Receipt of Pension.....	<b>11 years</b>	<b>11 years</b>
<b>Age Profile</b>	0 - 50.....		<b>2%</b>
	51 - 55.....		<b>2%</b>
	56 - 60.....		<b>9%</b>
	61 - 65.....		<b>23%</b>
	66 - 70.....		<b>23%</b>
	71 - 75.....		<b>15%</b>
	76 - 80.....		<b>12%</b>
	81 - 85.....		<b>8%</b>
	86 - 90.....		<b>4%</b>
	91 - 95.....		<b>1%</b>
	96 - 100.....		<b>Less than 1%</b>
101 - 105.....		<b>Less than 1%</b>	
106 - 110.....		<b>Less than 1%</b>	

# Report of the Clerk and Treasurer

## Your Fund Statistics (continued)

DEFERRED MEMBERS		2012	2013
<b>Gender</b>	Female.....	70%	70%
	Male.....	30%	30%
<b>Averages</b>	Current Age.....	43	43
	Annual Pension.....	£1,320.07	£1,312.01
<b>Age Profile</b>	16 - 20.....	Less than 1%	
	21 - 25.....	3%	
	26 - 30.....	9%	
	31 - 35.....	10%	
	36 - 40.....	11%	
	41 - 45.....	17%	
	46 - 50.....	19%	
	51 - 55.....	18%	
	56 - 60.....	11%	
	61 - 65.....	1%	
66 - 70.....	Less than 1%		
71 - 75.....	Less than 1%		

## Retirement Analysis

During 2012/2013 we processed and paid 2,308 new retirement cases. A breakdown showing the types of retirements processed are listed below:

Voluntary (age 60 to 65)	1,198
Normal (age 65)	79
Late (over age 65)	237
Ill health/Incapacity	71
Redundancy/Efficiency	583
Early (with employers consent)	47
Flexible	93

Of the 71 ill health retirement processed, 52 cases were awarded enhanced membership under the ill health provisions of the Scheme. No pension or membership enhancements were granted by the employer for any of the early retirement cases.

## Pensions Increase

The percentage increase, from Pension Increase Orders, applied to pension benefits (deferred and in payment) from the first Monday following the 5 April:

April 2009	April 2010	April 2011	April 2012	April 2013
5.0%	0%	3.1%	5.2%	2.2%

# Report of the Clerk and Treasurer

## Employer Admissions

During the period 1 April 2012 - 31 March 2013

Date Admitted	Employer	Employer Type*
01.04.2012	Crookesbroom Primary Academy	Scheduled Body
01.04.2012	Willow Primary	Scheduled Body
01.04.2012	Highfields Primary Academy	Scheduled Body
01.04.2012	Tapton School	Scheduled Body
01.04.2012	Hatfield Woodhouse Primary	Scheduled Body
02.04.2012	7HLT	Community Admission Body
02.04.2012	Sheffield City Trust	Community Admission Body
01.05.2012	Hartley Brook Academy	Scheduled Body
01.05.2012	Hatfield Academy	Scheduled Body
01.05.2012	Campsmount Academy	Scheduled Body
01.06.2012	Barnby Dun Primary Academy	Scheduled Body
01.07.2012	Thurcroft Junior Academy	Scheduled Body
01.07.2012	Mellors (Sheff schools 2011)	Contractor (TAB)
01.07.2012	Armthorpe Academy	Scheduled Body
01.07.2012	St Bernards Catholic High School	Scheduled Body
01.08.2012	Meadowhead School Academy Trust	Scheduled Body
17.08.2012	Trustclean Ltd (Athersley North)	Contractor (TAB)
20.08.2012	Amey LG Limited - Sheffield Highways	Contractor (TAB)

## Employer Admissions (continued)

During the period 1 April 2012 - 31 March 2013

Date Admitted	Employer	Employer Type*
01.09.2012	Carrfield Academy	Scheduled Body
01.09.2012	Darfield All Saints Primary School	Scheduled Body
01.09.2012	Upperwood Academy	Scheduled Body
01.09.2012	Highgate Academy	Scheduled Body
01.09.2012	Castle Academy	Scheduled Body
01.09.2012	St Oswalds CoE Academy	Scheduled Body
01.09.2012	Armthorpe Shaw Wood Academy	Scheduled Body
01.09.2012	Gooseacre Academy	Scheduled Body
01.09.2012	The Hill Academy	Scheduled Body
01.09.2012	Chaucer School	Scheduled Body
01.10.2012	St Thomas of Canterbury Trust	Scheduled Body
01.10.2012	King Ecgbert School	Scheduled Body
01.10.2012	St Maries School, A Catholic Voluntary Academy	Scheduled Body
01.10.2012	St Wilfrid's Catholic Primary School	Scheduled Body
29.10.2012	Vinci Construction UK Ltd (Bradfield Schl PFI - FM Contract)	Contractor (TAB)
29.10.2012	Taylor Shaw (Bradfield School)	Contractor (TAB)
01.11.2012	Dunsville Primary School	Scheduled Body
01.11.2012	Fir Vale School Academy Trust	Scheduled Body

# Report of the Clerk and Treasurer

## Employer Admissions (continued) During the period 1 April 2012 - 31 March 2013

Date Admitted	Employer	Employer Type*
01.11.2012	Kirk Sandall Infant School	Scheduled Body
01.12.2012	Royston Parkside	Scheduled Body
01.12.2012	Carlton Primary	Scheduled Body
01.12.2012	Royston Summer Fields Primary	Scheduled Body
01.12.2012	St Helens Primary Academy	Scheduled Body
01.12.2012	Bradfield School	Scheduled Body
01.12.2012	Shafton Primary Academy	Scheduled Body
01.01.2013	Southey Green Primary School & Nurseries	Scheduled Body
01.01.2013	Silverdale School	Scheduled Body
01.02.2013	Greengate Lane Academy	Scheduled Body
01.02.2013	Sir Thomas Wharton Community College	Scheduled Body

**\*Key**

**Scheduled Body**

A body listed in Schedule 2 of the Regulations e.g. a Local Authority.

**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.

**Contractor (TAB)**

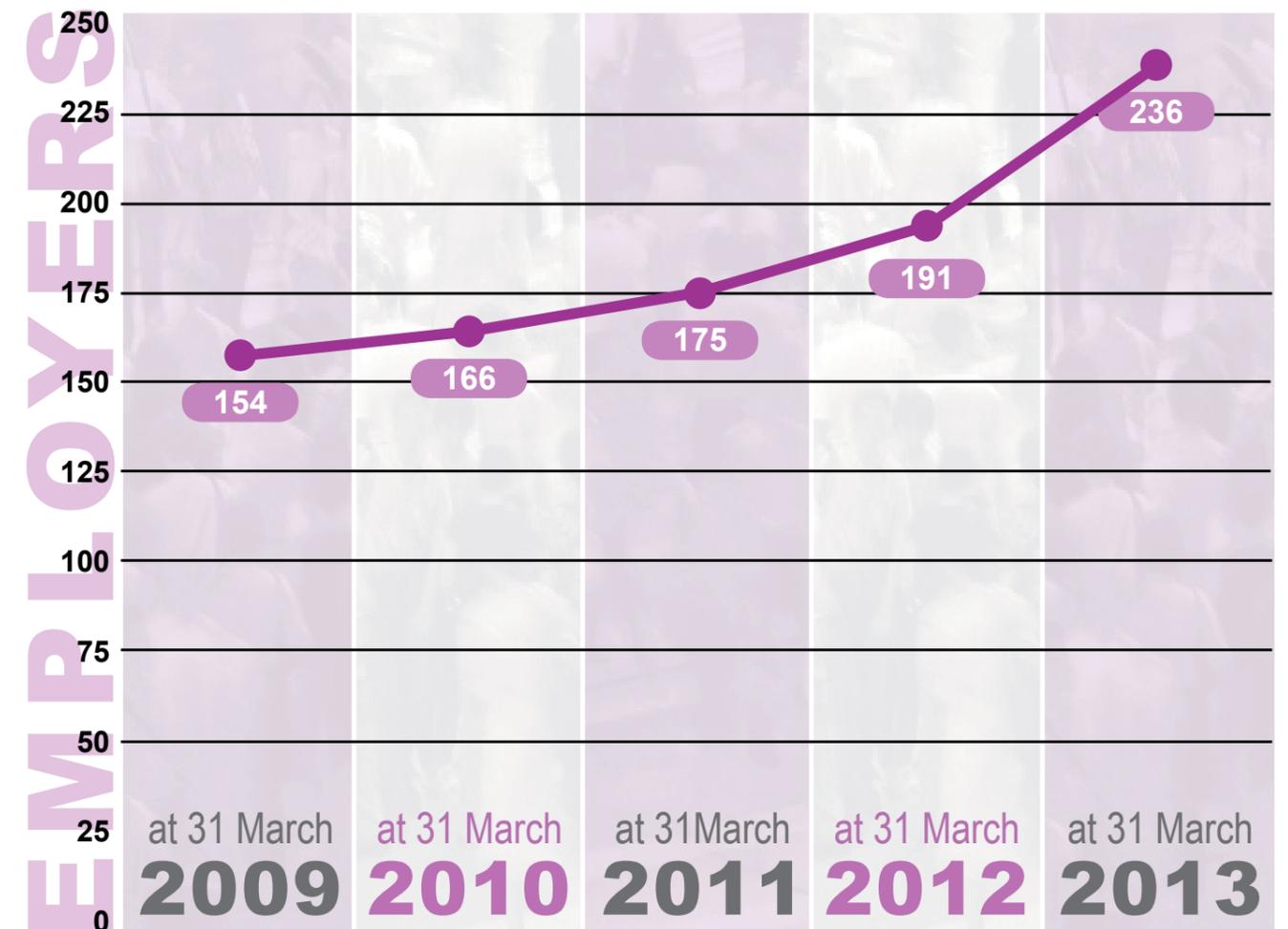
A body admitted under an Admission Agreement which employs staff transferred from a scheme employer, undertaking an outsourcing service or asset of that scheme employer.

## Employer Terminations

During the period 1 April 2012 - 31 March 2013

Date Terminated	Employer	Reason for Termination
30.06.2012	Mellors Catering Services (Bannerdale)	Contract Expired
31.08.2012	Compass Scolarest (PF12)	Contract Expired
31.03.2013	Sheffield Homes	Transferred back to Sheffield C C

## Scheme Employers



# Report of the Clerk and Treasurer

## Employers Contribution Returns for 2012 - 2013

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
7HLT	72,812.42	125,793.44	0.00
Action Housing & Support Ltd	126,238.99	211,756.62	52,300.08
Age Concern Doncaster	3,170.00	9,025.74	1,200.00
All Saints Catholic High School	44,423.08	87,124.27	16,000.00
Amey LG Limited - Sheffield Highways	394,697.31	955,345.01	0.00
Anston Parish Council	5,385.12	14,383.38	1,200.00
Armthorpe Academy	27,925.03	59,268.55	33,700.00
Armthorpe Parish Council	3,770.45	8,513.08	200.00
Armthorpe Shaw Wood Academy	12,589.83	24,655.69	13,900.00
Ash Hill Academy	51,183.64	104,595.47	15,980.24
Askern Town Council	865.88	2,752.20	300.00
Aston Academy	74,671.43	144,181.56	68,400.00
Aston-cum-Aughton Parish Council	966.24	2,505.60	315.60
Auckley J&I Academy	10,310.59	27,507.52	3,800.00
Balfour Beatty Workplace	11,111.92	30,673.75	4,600.00
Barnburgh & Harlington Parish Council	519.48	1,782.36	200.00
Barnby Dun Primary Academy	12,619.11	26,981.05	15,900.00
Barnby Dun with Kirk Sandall Parish Council	1,157.33	4,159.14	-500.04
Barnsley Academy	36,304.05	68,120.70	17,900.00
Barnsley BIC Ltd	7,331.65	19,551.79	5,400.00
Barnsley College	416,800.24	711,900.62	142,500.00
Barnsley Development Agency	18,139.74	48,514.80	1,200.00
Barnsley MBC	6,474,355.38	12,343,705.60	7,720,700.00
Barnsley Norse Ltd	70,808.48	179,576.10	0.00

## Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Barnsley Premier Leisure	98,930.85	172,565.66	55,899.96
Berneslai Homes	726,701.00	1,325,420.33	45,676.84
Bradfield Parish Council	4,597.95	13,158.14	-3,200.00
Bradfield School	7,744.66	17,798.59	10,800.00
Brierley Town Council	1,578.36	3,302.38	4,400.04
Brinsworth Academy	72,536.32	136,820.13	0.00
Broomhill Infant School	7,847.35	15,900.30	1,100.00
Campsmount Academy	44,841.78	98,332.55	49,900.00
Capita - Outstanding Sheffield Programme	34,685.88	75,608.98	-39,900.00
Carillion Government Services	11,099.51	29,887.25	5,600.04
Carillion plc -Sheffield Schools Central Cleaning Contract	2,614.76	6,799.41	0.00
Carlton Primary	3,088.49	6,313.20	4,900.00
Carrfield Academy	6,273.42	15,567.32	8,700.00
Castle Academy	4,579.38	11,922.43	6,100.00
Chaucer School	32,690.20	68,461.26	50,200.00
Civica - Barnsley BSF	9,817.69	20,170.67	0.00
Civica - Sheffield BSF PFI 4	12,504.86	28,448.90	-5,197.33
Civica Phase 2 ICT Function - Sheffield BSF	21,258.20	40,345.56	0.00
Clifford C of E School	6,410.68	10,676.67	2,400.00
Community Action Halfway Home	14,535.06	28,524.62	10,400.04
Compass Contract Services UK Ltd (Barnsley Academy)	2,656.72	6,918.79	-2,400.00
Compass Contract Services UK Ltd (Sheffield SPRING Academy)	1,852.36	4,950.61	-500.04
Compass Contract Services UK Ltd (Sheffield PARK Academy)	1,853.34	5,931.06	-1,200.00
Compass Scolarest (PFI2)	1,372.09	4,141.50	458.35

# Report of the Clerk and Treasurer

## Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Conisbrough Ivanhoe Primary Academy	10,188.18	22,225.07	13,400.04
Crispin & Borst - DMBC PFI	4,627.97	12,535.87	-3,200.00
Crookesbroom Primary Academy	10,090.20	20,378.07	13,700.04
Danum Academy	95,818.04	214,978.97	124,100.00
Danvm Drainage Commissioners	5,498.80	12,176.25	2,800.00
Darfield All Saints Primary School	6,472.62	12,529.94	9,200.00
DCI Leisure Management - Pools	5,711.19	10,235.71	-4,210.41
De Warrene Academy	48,715.54	97,617.11	-14,600.04
Dearne Valley College	144,417.00	261,276.48	23,700.00
Dial a Ride	2,078.02	5,551.73	11,400.00
Don Valley Academy & Performing Arts College	67,987.91	140,240.99	29,100.00
Doncaster College	338,665.23	669,693.90	209,600.00
Doncaster Community Transport	4,215.53	12,083.08	1,000.00
Doncaster Culture & Leisure Trust	68,994.43	136,731.26	103,096.26
Doncaster Deaf Trust	78,361.71	190,125.64	94,099.92
Doncaster MBC	7,400,755.89	14,382,829.82	8,142,750.00
Doncaster Racecourse Management Company Ltd	2,228.88	6,000.84	4,299.95
Dublcheck - Roughwood School	354.18	1,069.51	0.00
Dunsville Primary School	7,456.06	14,588.84	9,000.00
Ecclesfield Parish Council	1,453.43	4,069.13	-1,999.92
Edlington Town Council	3,699.00	9,227.04	2,400.00
Fir Vale School Academy Trust	17,104.92	30,414.39	29,100.00
Forge Community Partnership	12,111.09	19,504.24	5,800.00
Gooseacre Academy	9,191.73	18,536.23	11,700.01

## Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Grange Lane Infant Academy	9,572.24	24,393.47	4,400.04
Great Places Housing Association	19,021.22	29,723.67	7,500.00
Greengate Lane Academy	1,430.24	2,570.17	1,900.00
Groundwork Dearne Valley	13,590.30	28,229.16	36,400.00
Hall Cross Academy Trust	103,868.24	207,976.53	102,000.00
Hartley Brook Academy	28,272.14	51,126.24	42,200.01
Hatfield Academy	15,242.47	29,995.30	19,500.00
Hatfield Town Council	5,217.60	13,805.67	2,400.00
Hatfield Woodhouse Primary	9,110.54	21,240.27	12,800.04
Highfields Primary Academy	6,028.97	11,102.17	8,900.04
Highgate Academy	10,208.62	19,667.84	13,900.00
Hungerhill Academy Trust	52,898.61	113,660.81	75,800.00
Independent Training Services Ltd	11,494.50	23,767.02	1,299.96
Interserve FM Ltd	3,516.87	8,506.98	71,199.96
JLIS - PFI FM sub-contract (Barnsley BSF)	32,529.23	99,623.75	0.00
JLIS Non-PFI Barnsley BSF	9,913.93	28,210.74	0.00
KAPS	153,061.29	382,864.96	-245,499.96
Kier Group PLC	1,092,645.83	2,568,445.02	-784,400.00
Kier Managed Services	11,940.36	32,654.52	-2,000.04
Kier Support Services - Barnsley Housing Stock Maintenance	84,061.50	260,380.56	-700.00
King Egbert School	21,637.99	42,986.13	31,650.00
Kirk Sandall Infant School	5,063.11	9,820.48	8,000.00
Leisure and Community Partnership Ltd - Pools	64,287.41	110,213.68	-66,399.96
Leonard Cheshire Foundation	3,172.48	8,733.81	6,300.00

## Report of the Clerk and Treasurer

### Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Longley Park Sixth Form College	69,078.01	112,437.84	49,123.92
Maltby Academy	78,368.29	143,878.46	-16,667.27
May Gurney Fleet and Passenger Services Ltd	6,928.04	23,895.11	0.00
Meadowhead School Academy Trust	37,961.05	71,571.91	57,200.00
Mellors (Sheff schools 2011)	534.67	1,885.90	0.00
Mellors Catering Services - Longley Primary	276.28	879.06	0.00
Mellors Catering Services - Rawmarsh Comprehensive School	1,811.58	5,368.57	0.00
Mellors Catering Services (Bannerdale)	109.60	288.94	0.00
Mellors Catering Services Ltd	4,067.39	11,887.76	10,900.00
Mitie PFI Ltd	1,005.36	2,266.50	499.98
Morrison Facilities Service Ltd	236,904.24	490,173.78	0.00
National Childrens Bureau	253,435.57	400,182.00	99,700.00
Northern College	56,534.09	116,003.27	85,400.00
Northern Racing College	23,819.75	39,188.90	21,699.96
Notre Dame high School	58,639.52	103,293.10	10,400.00
NPS Barnsley Ltd	193,104.35	349,811.40	0.00
Oakhill Primary Academy	18,520.07	38,146.54	25,500.00
Outwood Academy Adwick	57,193.79	117,223.13	0.00
Parkwood Academy	51,887.16	88,620.62	-21,600.00
Penistone Town Council	1,990.54	6,323.85	1,200.00
Peter Duffy Ltd - BMBC Drainage Contract	3,678.36	9,733.37	0.00
Pheasant Bank Academy	11,710.46	25,950.90	15,799.98
Priory Campus Ltd	2,135.88	5,544.48	10,400.00
RED Holdings - Graves Park	439.03	1,732.21	-200.00

### Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Rossington All Saints Academy	67,565.63	124,576.64	66,000.00
Rossington Parish Council	1,728.57	5,005.90	1,200.00
Roth Don & South Humber Mental Health NHS Foundation Trust	45,458.63	100,271.84	8,500.00
Rotherham College of Arts & Technology	223,812.59	423,755.44	57,700.00
Rotherham MBC	7,801,643.42	15,027,091.49	7,122,338.66
Rowena Academy	12,999.25	27,312.87	18,799.98
Royston & Carlton Community Partnership	808.68	1,882.20	3,499.92
Royston Parkside	4,530.07	9,119.54	6,800.00
Royston Summer Fields Primary	3,374.41	6,830.90	5,300.00
Shafton Primary Academy	4,052.00	9,402.03	5,900.00
Shaw Trust	4,732.38	15,826.81	2,600.04
Sheff H + SC NHS Found Trust	130,297.94	257,568.88	111,200.00
Sheffcare Ltd	32,037.19	70,674.01	174,400.00
Sheffield City Council	12,038,528.28	22,935,897.65	17,661,000.00
Sheffield City Trust	122,250.50	236,886.20	0.00
Sheffield Community Transport	22,921.03	60,255.19	13,700.04
Sheffield Futures	130,235.21	250,281.76	117,500.00
Sheffield Galleries & Museums	6,767.04	16,016.28	23,900.03
Sheffield Hallam University	2,908,868.58	4,793,408.21	1,161,846.33
Sheffield Homes	1,211,771.37	2,324,742.69	282,270.96
Sheffield Industrial Museums Trust Ltd	14,748.00	32,423.26	3,500.00
Sheffield International Venues Ltd	167,384.12	295,705.18	98,000.00
Sheffield Mind Ltd	2,506.68	7,250.07	13,700.04
Sheffield Park Academy	54,816.22	103,811.83	10,800.00

## Report of the Clerk and Treasurer

### Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Sheffield Springs Academy	49,543.00	93,308.60	4,400.00
Sheffield Students Union	2,014.96	6,106.87	8,400.00
Sheffield Taxi Services	240.72	766.08	-766.08
Sheffield Unison	5,171.45	11,668.28	4,900.00
Silkstone Parish Council	952.56	1,480.08	199.92
Silverdale School	11,235.64	24,353.53	16,401.00
Sir Thomas Wharton Community College	8,971.26	23,809.30	11,600.00
South Yorkshire Fire Authority	332,552.60	587,396.01	386,100.00
South Yorkshire Housing Association	11,721.82	22,361.76	22,900.00
South Yorkshire Passenger Transport Executive	469,089.43	817,690.87	1,091,800.00
South Yorkshire Pensions Authority	153,251.99	279,507.20	175,400.00
South Yorkshire Probation Trust	900,026.38	1,674,567.55	679,011.12
Southey Green Primary School & Nurseries	7,143.35	14,258.93	12,000.00
Sprotborough & Cusworth Parish Council	2,649.28	7,359.21	1,200.00
St Anns RC Primary School	4,562.42	10,604.13	2,300.00
St Bernards Catholic High School	26,397.98	47,448.80	30,471.65
St Helens Primary Academy	5,320.23	10,227.74	7,700.21
St John Fisher RC School	8,914.46	22,576.93	1,200.00
St Josephs Primary School	9,386.31	24,748.33	1,200.00
St Leger Homes of Doncaster	929,018.90	1,670,145.30	212,400.00
St Maries School, A Catholic Voluntary Academy	5,899.02	10,411.58	9,900.00
St Marys Academy Trust	10,102.31	21,808.45	11,500.00
St Oswalds CoE Academy	5,190.66	12,456.76	5,500.00
St Patrick's Catholic Academy Trust	13,368.58	31,497.12	7,100.00

### Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
St Therasas RC School	9,533.32	23,981.71	5,000.00
St Thomas of Canterbury Trust	6,698.16	15,489.47	9,200.00
St Wilfrid's Catholic Primary School	5,461.67	12,044.88	9,600.00
Stainforth Town Council	1,242.12	2,522.52	7,000.08
Stocksbridge Town Council	1,527.84	3,020.03	800.00
Stonham Housing Association	1,395.58	4,100.76	0.00
SYITA (Properties) Ltd	2,088.36	6,168.72	0.00
Tapton School	59,991.82	108,391.27	81,300.00
Taylor Shaw - Parkwood Academy Catering Contract	1,345.80	5,566.10	16,500.00
Taylor Shaw (Bradfield School)	279.40	1,000.80	0.00
Taylor Shaw (catering Sheff BSF PFI4)	1,319.88	4,452.84	-2,000.04
Taylor Shaw Ltd (Sheff School Meals Central Contract)	49,331.52	147,284.65	0.00
Taylor Woodrow Construction (Cleaning - Sheff BSF PFI4)	926.41	2,656.05	-800.00
Taylor Woodrow Construction (Sheff BSF PFI4)	4,805.85	13,295.91	-1,900.00
The Academy at Ridgewood Trust	58,800.05	117,428.61	23,000.00
The Centre for Full Employment	11,168.52	21,058.20	13,100.00
The Hayfield School	43,468.60	108,052.12	11,400.00
The Hill Academy	13,913.05	28,015.59	16,900.00
The Police and Crime Commissioner	3,402,853.88	5,608,428.58	1,236,700.00
The Roundhouse Community Partnership	3,280.80	7,823.52	0.00
The Sheffield College	615,253.75	1,322,159.84	206,200.00
Thomas Rotherham College	52,113.37	99,447.52	40,799.82
Thorne Moored Town Council	5,630.36	14,909.87	8,000.00
Thrybergh Parish Council	1,666.74	3,968.40	105.20

# Report of the Clerk and Treasurer

## Employers Contribution Returns for 2012 - 2013 (continued)

Employer	Employees (£) Contributions	Employers (£) Contributions	Deficit (£)* Payment
Thurcroft Junior Academy	7,389.00	15,296.20	10,100.00
Totley All Saints C of E School	9,466.54	24,193.80	3,500.00
Trinity Academy	63,714.54	132,734.24	10,500.00
Trustclean Ltd (Athersley North)	531.15	1,443.40	0.00
Tuscan Connects Ltd	125,536.08	203,389.79	27,500.00
Upperwood Academy	7,136.36	19,117.77	10,300.00
Valuation Tribunal	3,402.64	7,952.02	0.00
Veolia Environmental Services PLC	179,303.41	471,110.06	55,850.04
Vinci Construction UK Ltd (Bradfield Schl PFI - FM Contract)	943.68	2,899.76	0.00
Voluntary Action Barnsley	7,804.54	15,173.45	8,600.04
Voluntary Action Rotherham	1,582.92	3,755.10	0.00
Wales High School (Academy Trust)	71,047.24	141,103.90	0.00
Wentworth Castle & Stainborough Park Heritage Trust	12,241.51	23,715.80	18,900.00
Wickersley Parish Council	1,840.92	3,483.36	420.84
Willmott Dixon Partnership Ltd	197,929.93	425,992.99	0.00
Willow Primary	9,587.10	23,118.23	12,500.04
Yewlands Technology College	51,675.12	95,951.78	89,500.08

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

**\*Key**

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

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

## Service Delivery

Our performance in terms of meeting our published service standards over the year ending 31 March 2013 is given in the following table:

Key Service Standard	Target Days	Number Processed	In Time	Performance	Last Year
Set up a record	5	8,037	8,023	99.8%	98.9%
Transfers in	7	1,158	1,154	99.7%	99.6%
General enquiries	5	2,598	2,591	99.7%	99.8%
Additional benefits	12	338	338	100%	98.2%
Pension rights on divorce	5	541	538	99.4%	99.5%
Retirement estimates	5	3,997	3,983	99.6%	98.2%
Refund of contributions	9	288	288	100%	99.7%
Preserved benefits	20	5,555	5,551	99.9%	99.9%
Transfers out	5	805	800	99.4%	99.9%
Retirement benefits	5	3,598	3,583	99.6%	99.5%
Death benefits	4	1,286	1,280	99.5%	99.1%
Re-employment Enquiries	7	33	33	100%	100%
Pensions Increase at 55	Pay day after birthday	58	58	100%	100%
<b>All key tasks</b>	<b>----</b>	<b>28,292</b>	<b>28,220</b>	<b>99.7%</b>	<b>99.5%</b>

Our performance rating against satisfaction levels given by employers and members for 2012/2013.

	Very Satisfied	Satisfied	Dissatisfied	Very Dissatisfied
Employers	52.9%	47.1%	0%	0%
Members	54.3%	43.3%	1.7%	0.7%

# Report of the Clerk and Treasurer

## Service Delivery

In addition to the key service standards overleaf, we have processed around 40,000 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. We are committed to ensuring our data is up to date and accurate and record all cases where we discover an error. All errors are analysed to ensure procedures are being operated as intended and to identify any shortfall in staff training and development. During the year we identified 9 overpayments with varying reasons. These are now in the process of being analysed.

We also participate in the National Fraud Initiative that provides us with valuable information about pensioners who have died where we haven't been informed. Details of these are shown below.

We continue to provide twice-yearly newsletters to our pensioners and annual newsletter to our current and deferred members. We pay over 41,000 pensioners every month and produce annual pension statements for both current and deferred members. The Fund also offers an advisory service where members can discuss any pension related issues with our staff face to face. We organise an employers' forum at least once a year plus an annual meeting for Scheme members.

## National Fraud Initiative 2013

To date, we have managed to identify a number of cases where either pensioner members or deferred pensioner members have died and as yet we had not been notified.

The tables below give an indication of the numbers involved so far.

### Pensioner Deaths

Number identified	Identified total overpayment so far	Numbers of instances of fraud	Amount recovered to date	Action being taken
49	£4,706.50	0	£0.00	Recovery is being pursued in every case. If voluntary repayment arrangements cannot be agreed then we will take legal action.

The amount of the total overpayment is expected to rise as the cases are confirmed, death certificates obtained and the calculations then completed.

### Deferred Pensioner Deaths

Number identified	Death Grants paid to date	Total amount paid
25	10	£10,136.57

Overpayments do not arise from these cases as benefits are not in payment at the date of death. The report does allow us to identify benefits due to beneficiaries in the form of death grants and dependants' pensions that would not otherwise have been paid yet.

## National Benchmarking

Each year we participate in a national pension administration benchmarking survey which measures our performance along with our cost effectiveness against other like for like organisations. The results enable us to make relevant comparisons in order to monitor how effectively we administer the Local Government Pension Scheme.

Below is a summary of the results from the benchmarking report issued at 31 August 2012 in respect of the period 1 April 2011 - 31 March 2012.

Cost per member	<b>£20.05</b>	(National Average £21.54)
Active	<b>£7.75</b>	
Deferred	<b>£6.20</b>	
Pensioner (including dependents)	<b>£6.09</b>	

Number of Scheme members per staff member	<b>3,841</b>	(National Average 3,660)
Average number of cases per staff member	<b>1,608</b>	
<b>Administration Staff</b>	<b>SYPA</b>	<b>36</b>



# Investment Report

## Investment Report

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# Report of the Clerk and Treasurer

## Investment Management

Confounding the sceptics and underwritten by the central banks most stockmarkets around the world went up during 2012/13. There were only a few exceptions to this rather surprising outcome. But the year was very much one of contrasts with the first part suffering volatile conditions whilst the second part enjoyed a rally stemming from the promise of the European Central Bank to do "whatever it takes" to save the Euro. Moreover, the markets were the kind where generally speaking the more distressed or low quality the asset was the better it performed.

Why did this occur? As is usually the case there were a number of reasons, some of which were rational and others which weren't, some of which were mutually incompatible and some of which were just fleeting moments. History will probably proclaim that the lessening of a number of perceived risks supported equity markets. Much of the first months of 2012 were still preoccupied with the woes of 2011 and, to some extent, these were discounted into market levels. During the second half of the year there were signs of a notable slowing in Chinese growth and the drawn out but finally compromised US fiscal negotiations were received positively. Signs that crisis management had improved in the Eurozone also contributed to the feeling of better times. As the year progressed markets felt able to shrug off events which only a year earlier would have caused despair. The impact of fiscal austerity in Europe and fears of increased inflation lingered throughout the period but the significant policy changes announced by the new Japanese government encouraged investors that all government authorities were now on message and would do what was necessary to stimulate the global economy.

But to a large extent the fiscal problems remain and in some instances, particularly peripheral Europe, are worsening. The sense of crisis might have gone for now but it is not resolved. Without going into too much detail it is clear that the developed world remains dependent upon debt and that shows no sign of abating. In the UK, for example, the Bank of England has bought roughly 50% of all UK government debt issued since 2009 and owns nearly a third of all existing debt. A simple comparison of the position of the USA in 2007 compared to now, across factors such as GDP growth, unemployment, the number of citizens in receipt of food stamps and the debt percentage of GDP, shows a marked deterioration over the period.

However, markets are looking beyond these factors. The signs of a US recovery, albeit slow, are growing and China continues to grow. The corporate sector worldwide remains in rude health and in better shape than many developed governments. As the accompanying charts show, given the historically low interest rates available and the compression in bond yields, investors looking for income have had to resort to seeking returns at almost any price. In these circumstances the Fund's cautious approach has helped it ride out the markets' determination to believe that normality has returned.

During the year there were some minor amendments made to the Fund's benchmark. There was a restructuring of the allocation to emerging market and Asian equities, to coincide with the decision to alter how the former were accessed, and an increase in the amount of cash the Fund could hold (at the expense of absolute return funds) in order to accommodate the ongoing

currency hedging policy. Earlier in the year the last of the Fund's holdings in conventional gilts were sold to facilitate the additional monies allotted to high yield and emerging market bonds.

The environment remains very challenging in a real sense since financial markets have been propped up by symptomatic treatment rather than by a cure. Whilst that is a legitimate cause for worry it has to be acknowledged that money - and the banks'

actions have created a lot of it - has to go somewhere and equities are the least ugly alternative. Investors have become more bullish and will do so as long as markets rise. So long as the desire for income, zero interest rates and money printing continue equities are guarded by an open door. In these circumstances the Fund will remain vigilant and cautious and will try not to lose sight of quality when the siren call urges otherwise.

### 10 Year Annualised Figures - Comparison with Benchmark

CATEGORY	1 Yr Return		3 Yr Annualised Return		10 Yr Annualised Return	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>UK EQUITIES</b>	17.2	16.8	9.4	8.8	10.9	10.7
<b>OVERSEAS EQUITIES</b>						
Europe	19.1	18.0	4.8	4.0	11.6	11.4
US	19.4	19.9	11.8	12.6	9.2	8.9
Japan	18.6	14.3	6.2	3.5	9.8	7.3
Pacific-x-Japan	17.4	16.7	8.6	8.2	16.6	16.0
Other Intl	9.2	7.4	4.4	3.2	16.0	18.2
<b>TOTAL OVERSEAS</b>	17.1	16.2	7.8	7.4	12.6	12.0
<b>TOTAL FIXED INTEREST</b>	12.9	13.1	12.3	12.7	7.2	7.5
<b>PROPERTY</b>	8.7	1.3	11.6	5.4	8.5	5.9
<b>PRIVATE EQUITY</b>	9.6	16.8	7.4	8.8	n/a	
<b>ABSOLUTE RETURN FUNDS</b>	4.6	4.4	2.8	4.4	n/a	
<b>CASH</b>	0.4		0.5		3.1	
<b>TOTAL RETURN</b>	13.6	12.9	9.4	9.4	9.9	9.9

## Report of the Clerk and Treasurer

### Ten largest directly held listed equity holdings by market value:-

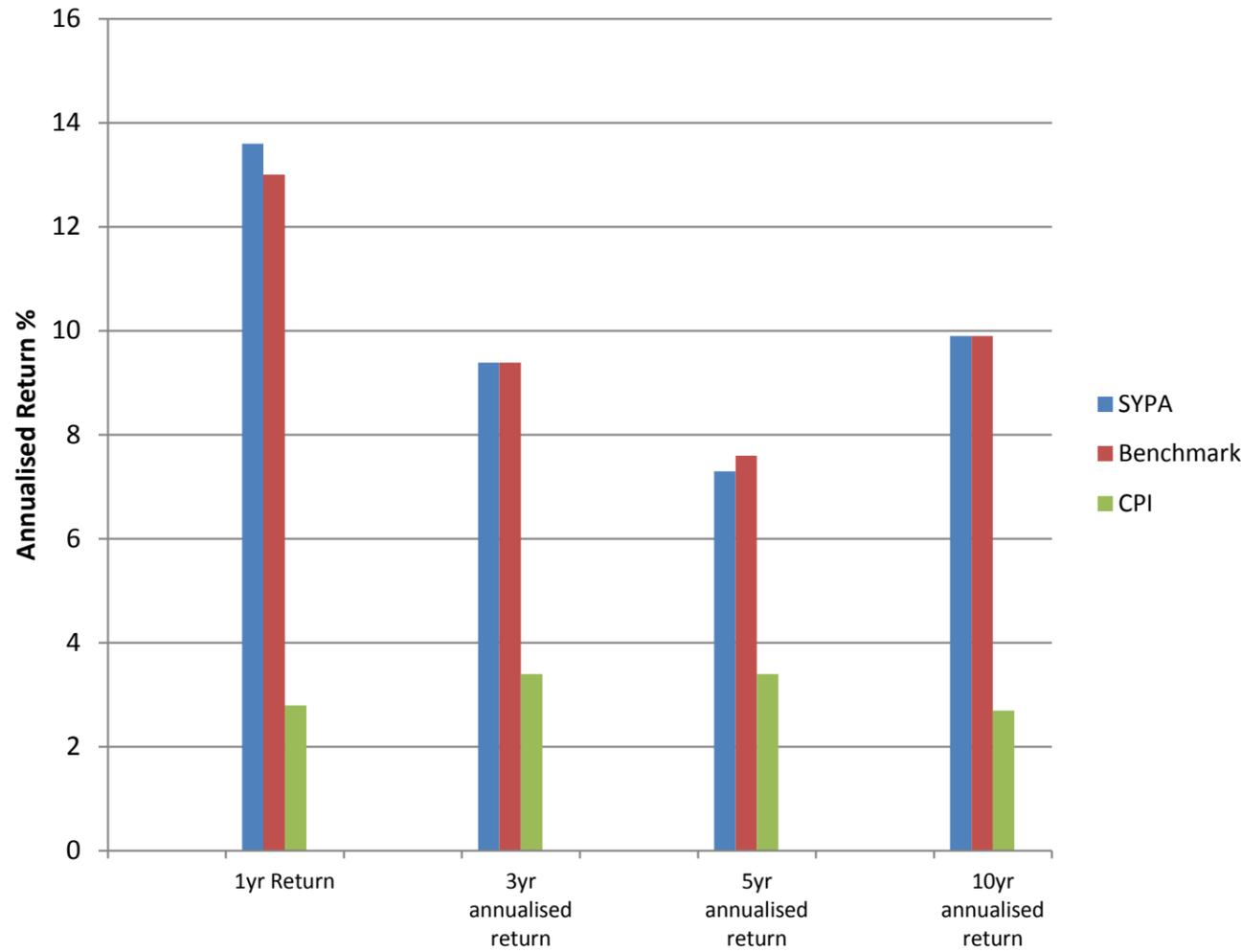
<b>31 March 2013</b>	<b>£m</b>
Royal Dutch Shell	79.89
HSBC	76.15
IShares EM USD	62.94
Vodafone	53.67
IShares EM GBP	52.11
BP	50.35
GlaxoSmithKline	44.66
BAT	39.68
Diageo	31.67
BHP Billiton	25.09

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

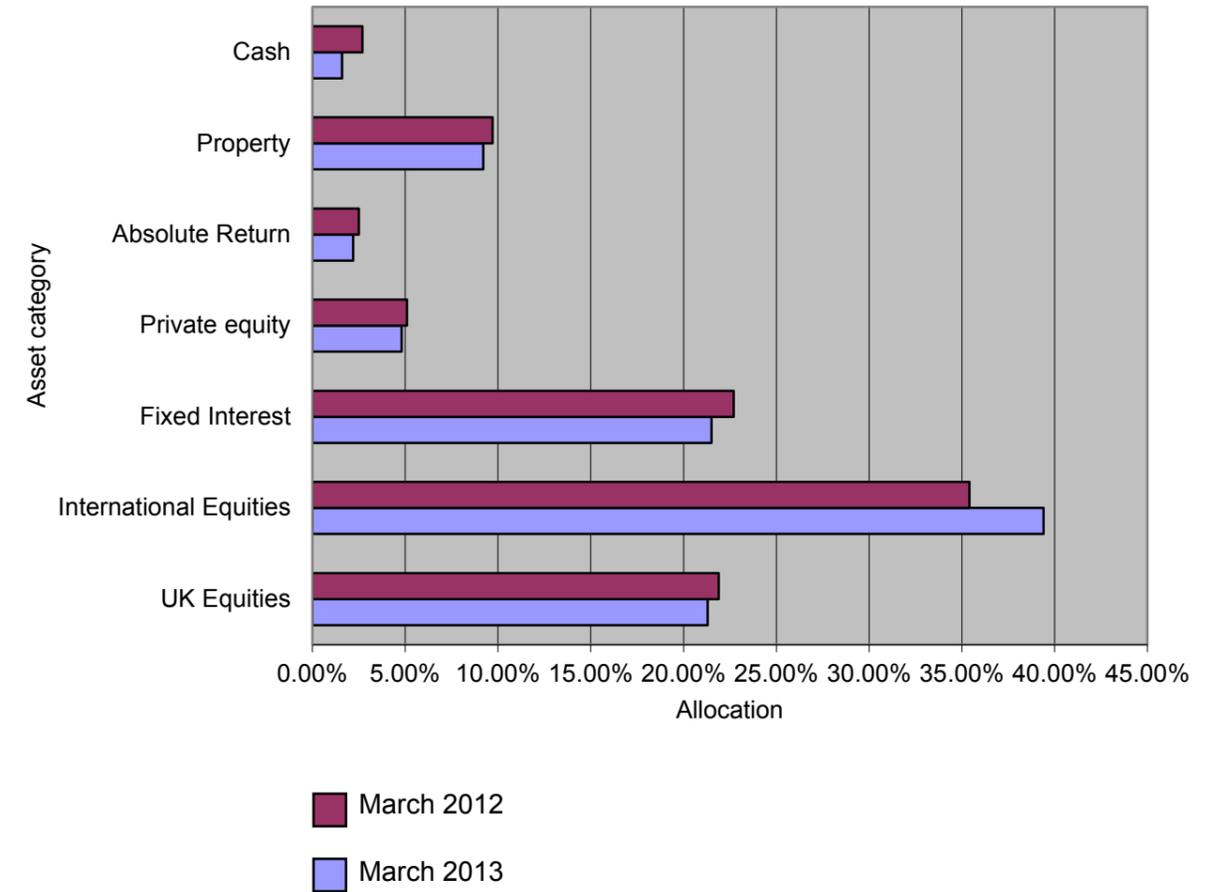
<b>31 March 2013</b>	<b>£m</b>
UK Index Linked 0.75% 2047	69.90
UK Index Linked 2% 2035	59.66
UK Index Linked 0.5% 2050	56.49
UK Index Linked 1.25% 2032	55.22
UK Index Linked 1.125% 2037	53.16
UK Index Linked 1.25% 2055	48.31
UK Index Linked 0.75% 2034	45.76
UK Index Linked 0.625% 2042	43.36
Network Rail 1.375% 2037	33.06
EBRD 2.746% 2024	23.17

# Report of the Clerk and Treasurer

## Fund Performance

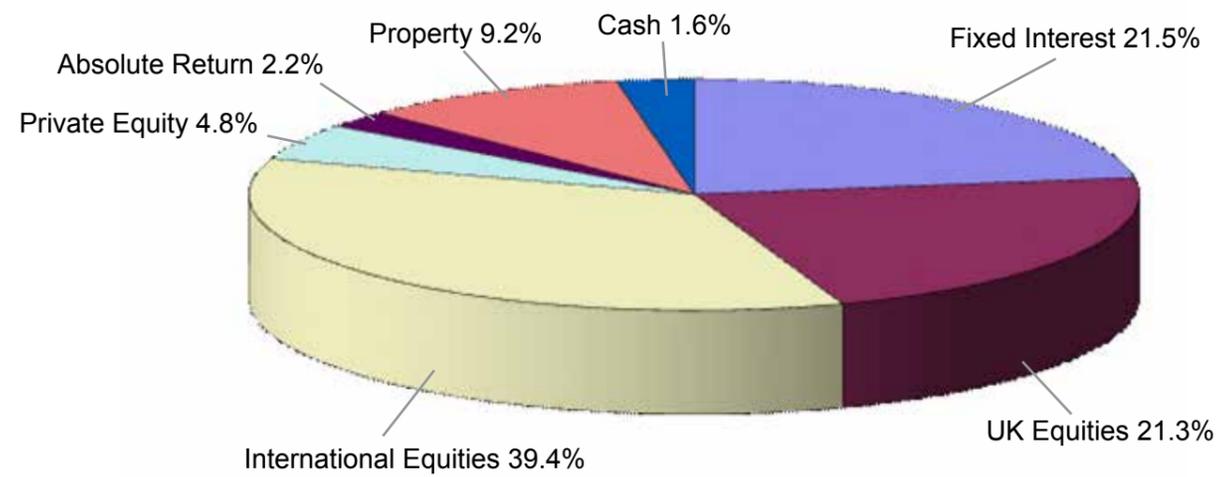


## Portfolio Weights

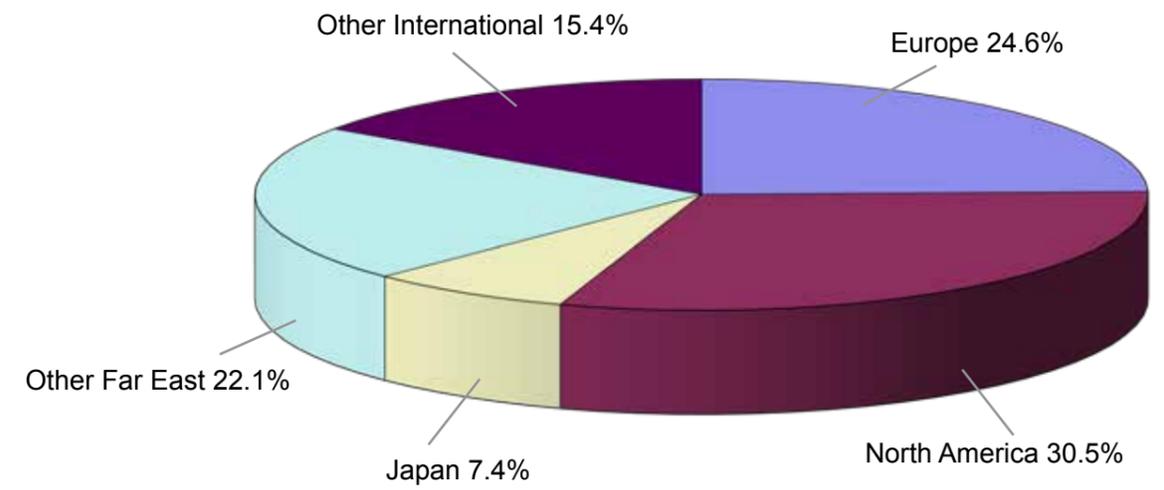


# Report of the Clerk and Treasurer

## Asset allocation by asset class as at 31 March 2013



## Asset allocation for overseas equities as at 31 March 2013



# Report of the Clerk and Treasurer

## Market Indices

		Annualised <sup>A</sup> 5 Year Performance to 31 March 2013	Discrete <sup>B</sup> Annual Performance 12 months to				
			2013 31 Mar	2012 31 Mar	2011 31 Mar	2010 31 Mar	2009 31 Mar
Market	Index	%	%	%	%	%	%
World	MSCI World	8.51	18.41	1.47	7.91	44.79	-19.84
UK	FTSE All-Share	6.73	16.77	1.39	8.72	52.30	-29.33
US	S&P500	11.66	19.91	8.89	9.44	41.52	-14.15
Japan	Topix	5.59	14.04	1.64	-3.16	28.32	-8.86
Asia Pacific	MSCI AC Asia Pacific ex Japan	9.78	16.95	-6.40	12.03	67.50	-22.37
Europe	FTSE World - Europe ex UK	2.88	17.98	-11.38	7.48	48.76	-31.06

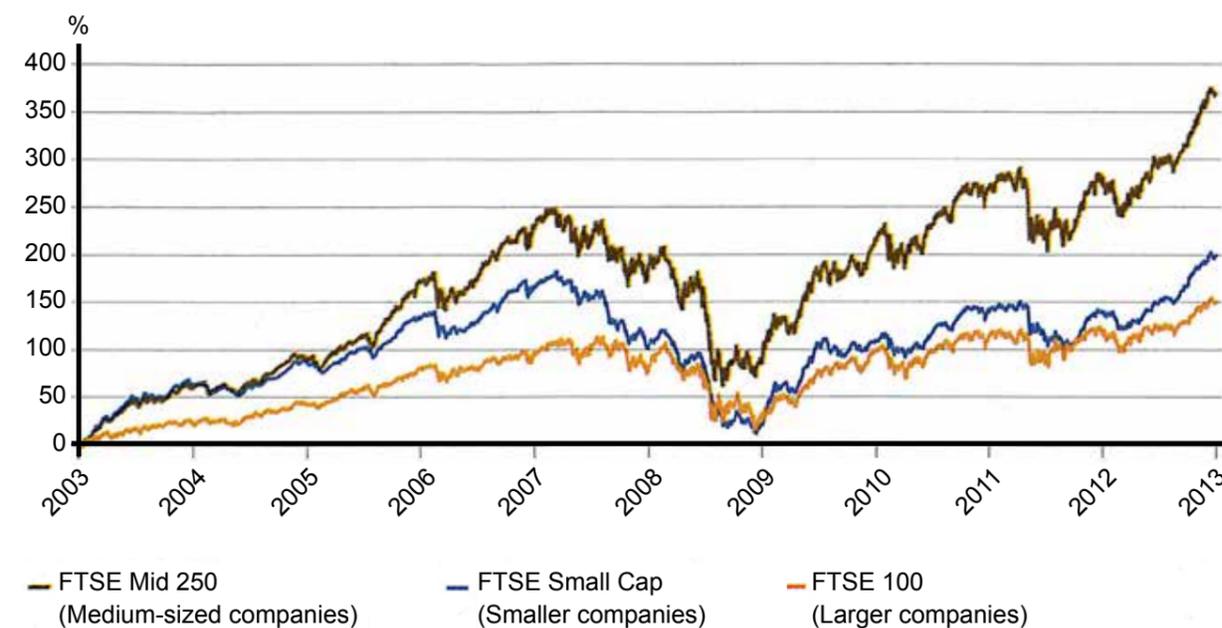
Source: Lipper, Total Return, GBP.

<sup>A</sup>An annualised return is the average effective growth rate per annum over a number of years

<sup>B</sup>A discrete annual return is the return on an investment over a given 12 month period.

## UK Growth

Performance of major UK market indices over 10 years

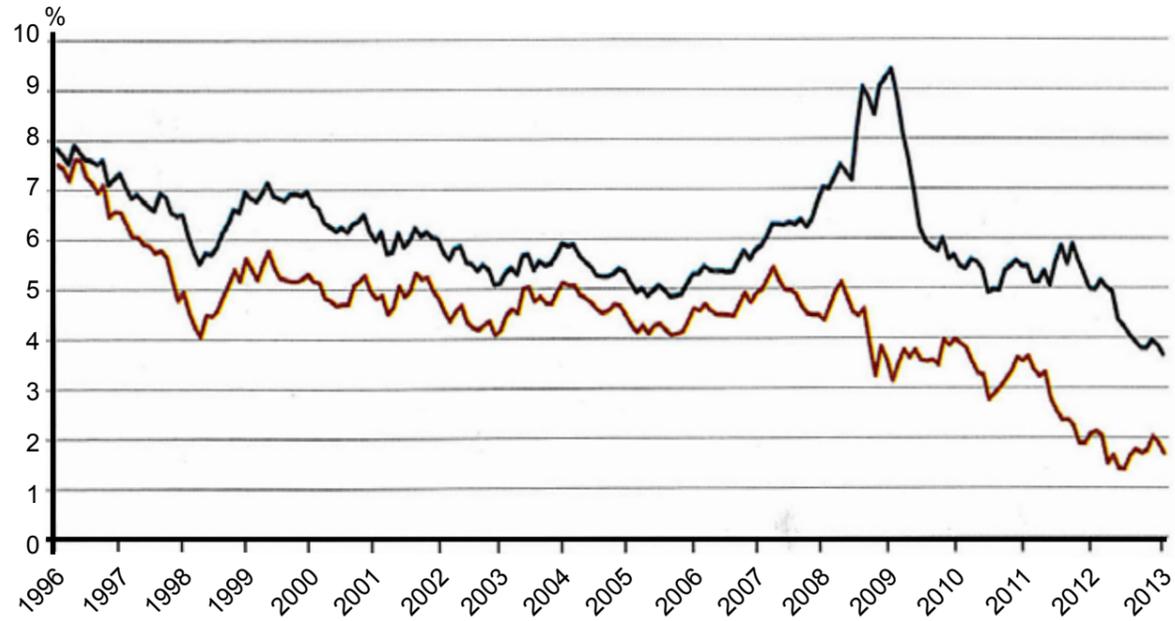


Source: Lipper IM; 01/04/03 to 01/04/13, income reinvested

# Report of the Clerk and Treasurer

## Corporate Bonds

Gilt yields vs corporate bond yields

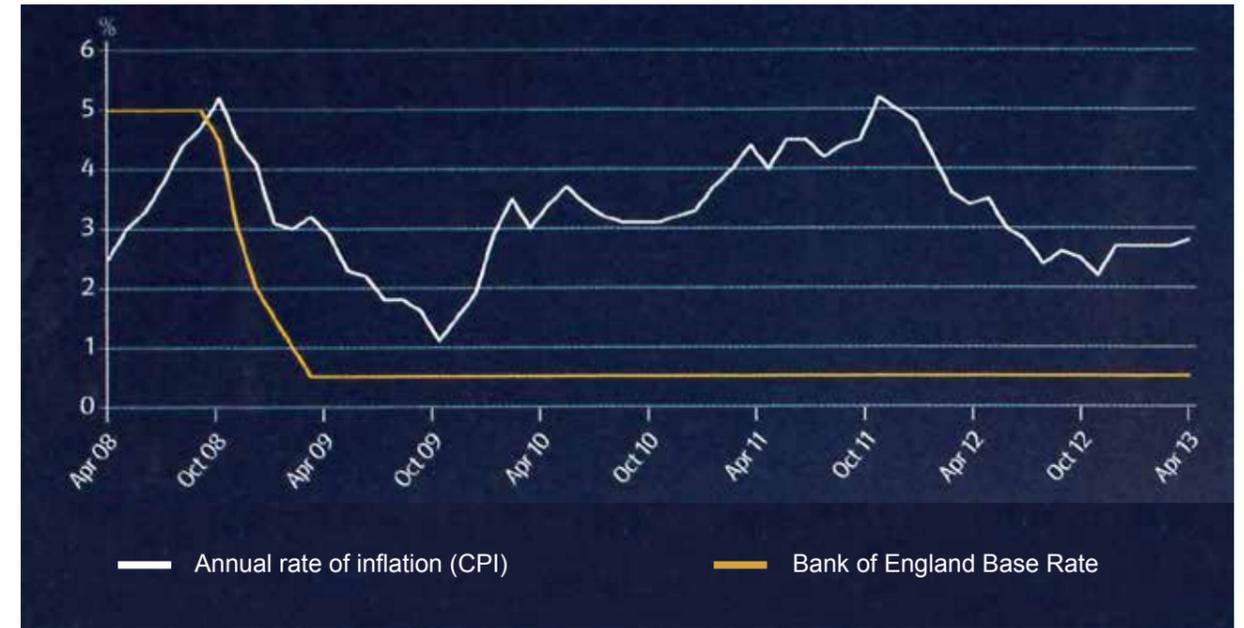


— 10Y Gilt Yield — BofA Merrill Lynch £ Corporate Bond Index Yield

Source: Bloomberg

## UK Income

Inflation and interest rates over 5 years



Source: Trading Economics

# Report of the Clerk and Treasurer

## Property

The Fund holds direct UK property assets, valued at over £400m, in a diversified portfolio of agricultural, industrial, office and retail properties. In addition, there are investments in a number of specialist UK and European property funds.

The largest direct commercial holdings by market value are shown below:

		Valuation £m
Queen Victoria Street, London	Office	24.50
High Street, Epping	Retail	20.75
Winterhill Retail Park, Milton Keynes	Retail warehouse	19.85
Stockbridge Road, Chichester	Student accommodation	18.25
Deeside Centre, Connahs Quay	Retail warehouse	17.05



## Responsible investing, shareholder activism and corporate governance

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

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

The Fund regards its United Kingdom voting rights as an asset and uses them carefully. It has established a set of voting guidelines which cover

corporate governance issues and has engaged a third party service provider to ensure that its votes are executed in accordance with its policies. Its voting record is published on the Fund's website. The Authority reviews its voting guidelines and shareholder engagement policies regularly in the light of advances in best practice.

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

The original Myners' Principles have been reformed into six higher level ones and have subsequently been adapted to meet the needs of the LGPS. Administering authorities are required by Regulation to report against these on a 'comply or explain basis'. There is no requirement that authorities implement every element of the Principles but the Authority aims to do so. At the moment it does not fully comply with just one out of the six but, as mentioned elsewhere in this Report, the Authority is preparing a fully documented training policy for Members.

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

# Report of the Clerk and Treasurer

## Risk management

The effective management of risk is a key consideration which lies at the heart of the Authority's operations and this is reflected in the Authority's governance arrangements. Both the Authority and the service operate risk registers and these are regularly reviewed by officers and subsequently reported upon to the Governance Board. That Board also reviews risk policy at its meetings. The Authority recognises that risk is inherent in many of its activities and seeks to control risk rather than try to eliminate it. Without taking risks it will be difficult for the Fund to achieve the performance it needs if it is to meet its objectives.

The returns achieved from investment will, to a considerable degree, reflect the risks taken.

Therefore, given the unique characteristics of the Fund, the Authority has determined a strategy which aims to reduce the level of uncontrolled risk in such a manner as is appropriate with its liability structure. The Fund's customised benchmark is reproduced within the Statement of Investment Principles and reflects the risk and return expectations of the Authority. It is, of course, not possible to control the absolute return on investments. Over the longer term, however, by recognising the types of risks outlined the Authority seeks to achieve the returns required to achieve the objectives of the Funding Strategy Statement (FSS). Further information regarding those objectives and how they relate to the actuarial valuation can be found in the FSS.

S. Pick  
Clerk and Treasurer

## Publications

As required by the LGPS Regulations a number of statutory statements are published by the Authority separately. The Government has recognised that amalgamating all of the prescribed disclosures into the annual report will result in an unwieldy document and has advised that the statutory requirement to publish these can be satisfied via references to them within the report.

The following documents can be found on the Authority's website ([www.sypensions.org.uk](http://www.sypensions.org.uk)):-

- [Consultation & Communication Policy](#)
- [Funding Strategy Statement](#)
- [Shareholder Engagement Statement](#)
- [Governance Compliance Statement](#)
- [Statement of Investment Principles](#)
- [Voting Guidelines](#)



# Independent Advisors' Report

## Independent Advisors' Report

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# Report of The Advisors 2012 - 2013

During this year there have been major changes amongst the Authority's independent advisors. Sarah Arkle and Tony Hardy retired in September 2012 after ten years of service and Tim Gardener and Leslie Robb joined the Panel. Sadly, in February 2013 Roy Gillson resigned because of ill-health.

**Markets**

The last twelve months have been another difficult period for investors. Unprecedented central bank intervention provided support to markets but the reasons for that action, namely stubbornly low economic growth, a seemingly insoluble sovereign debt crisis in Europe and an ongoing banking crisis in the western world, pegged back returns.

Equity and bond markets slavishly responded to the latest news item and began the period buoyed up by better than expected economic news. However, over the summer of 2012 the appetite for risk waned and those asset classes which were perceived to be safer performed strongly. During the Autumn markets became absorbed by the announcements of further financial stimulus from both the United States Federal Reserve and the European Central Bank and began to be fearful of the political situations in both of those regions. The political impasse in America was not resolved by President Obama's re-election but a compromise was reached which enabled markets to sigh with relief.

Markets have been reassured by the determination of the central banks to inject liquidity into the banking system and these tail winds proved supportive of risk assets, especially equities. Not surprisingly, therefore, those assets which were perceived to enjoy safe-haven status and which performed so well during the previous period, tended to underperform this year.

Currency proved to be a major influence on returns this year as Sterling appreciated against the three main currencies for much of the year before reversing that strength as the risk of a Eurozone break-up receded.

**Advisor role**

The continuing role of the Advisors is to work closely with the Chairman and his fellow councillors and the officers to ensure there is an appropriate and robust system of governance for the Fund. This involves monitoring those managing investments to ensure that reporting is accurate, transparent and compliant. It is also important to retain skills and resources that are sufficient to discharge the needs of the Authority, both for today and in the future. As part of that process the Advisors instigated a major restructuring of the emerging market equity portfolios and monitored the management of the currency hedging initiative introduced in October 2011.

The Authority has always been at the forefront of responsible investment and advisors look forward to contributing to the review of its policies that is scheduled to take place during the forthcoming year.

The next twelve months will be no less challenging than those that have preceded it. However, for LGPS funds it is going to be a particularly important period encompassing as it will, not only the outcome of the actuarial valuation as at end March but also the assimilation of the changes resulting from the LGPS 2014 structural proposals and the alterations to the broader pension landscape. It is, of course, important that the investment strategy of the Fund keeps pace with the statutory changes taking place and advisors have already begun to consider the consequences of these measures, as far as they are known, and prepare for the anticipated outcome of the actuarial valuation.

TJA Gardener  
WL Robb





# Actuarial Statement

# Actuarial Statement

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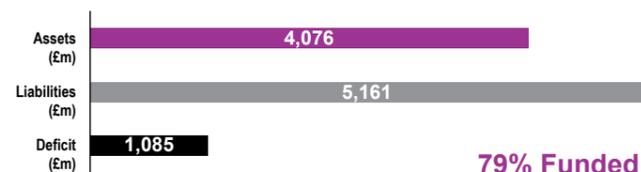
# Statement by the Consulting Actuary

## Accounts for the year ended 31 March 2013

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £4,076 million represented 79% of the Fund's past service liabilities of £5,161 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 12.0% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by annual lump sum payments

of £62.1million for 25 years (in 2011/12 terms) increasing in line with CPI (the first increase applying on 1 April 2012).

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 30 March 2011.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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

	For past service Liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)		
-pre retirement	6.5% per annum	6.7% per annum
-post retirement	5.5% per annum	6.7% per annum
Rate of pay increases	4.75% per annum*	4.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

\* allowance was also made for short-term public sector pay restraint over a 2 year period, as announced in 2010 by the Government.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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

IAS 26 requires the present value of the Fund's

	31 March 2012	31 March 2013
Rate of return on investments (discount rate)	4.9% per annum	4.2% per annum
Rate of pay increases	4.25% per annum*	4.15% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.5% per annum	2.4% per annum

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

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation (CMI) with a long-term improvement rate of 1.25% p.a. The previous allowance as at 31 March 2012 used a long-term improvement rate of 1.0% p.a.

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

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 2013 (the 31 March 2012 assumptions are included for comparison):

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £6,343 million. The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c£837 million. Adding interest over the year increases the liabilities by a further c£310 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£7 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £7,483 million.

**Paul Middleman**  
Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
May 2013



# Independent Auditor's Report

# Independent Auditor's Report

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# Independent Auditor's Report

to the members of South Yorkshire Pensions Authority



We have audited the financial statements of the local government pension fund administered by South Yorkshire Pensions Authority for the year ended 31 March 2013 on pages 76 to 121. The financial statements have been prepared under applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Clerk and Treasurer and auditor

The Clerk and Treasurer is responsible for the preparation of the pension fund financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for being satisfied that they give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Clerk and Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the South Yorkshire Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and

have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## Matters that we are required to report by exception

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

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

We have nothing to report in respect of these matters.

**John Graham Prentice**  
for, and on behalf of, **KPMG LLP Appointed Auditor**

Chartered Accountants

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
29<sup>th</sup> July 2013



# Fund Accounts

## Fund Accounts

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# 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 Clerk and Treasurer;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

**I confirm that these Accounts were approved at the Corporate Planning and Governance Board meeting held on the 29<sup>th</sup> July 2013.**

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

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Date: 29<sup>th</sup> July 2013

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## The Clerk and Treasurer's Responsibilities

The Clerk and 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 2012/13 ("the Code"), is required to present fairly the financial position of the Authority at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

In preparing the Statement of Accounts, the Clerk and 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 Clerk and Treasurer has also:

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

**In accordance with Regulation 8(2) of the Accounts and Audit Regulations 2011, I certify that the attached Statement of Accounts presents a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2013 and its income and expenditure for the year then ended.**

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

S.Pick  
Clerk and Treasurer

Date: 29<sup>th</sup> July 2013

## Fund Account

2011/12 £'000		2012/13 £'000	£'000	Note
<b>Dealings with members, employers and others directly involved in the Fund</b>				
220,698	Contributions receivable	216,582		7
12,886	Transfers in from other pension funds	12,894		8
233,584			229,476	
(232,095)	Benefits payable	(226,801)		9
(13,868)	Payments to and on account of leavers	(12,060)		10
(3,815)	Administration expenses	(3,875)		11
(249,778)			(242,736)	
<b>(16,194)</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>(13,260)</b>	
<b>Returns on investments</b>				
126,580	Investment income	131,163		12
115,811	Profit and losses on disposal of investments and changes in value of investments	485,735		15
(1,233)	Taxes on income	(1,462)		13
(1,723)	Investment management expenses	(1,807)		14
239,435			613,629	
<b>223,241</b>	<b>Net increase (decrease) in the net assets available for benefits during the year</b>		<b>600,369</b>	
<b>4,464,656</b>	<b>Net assets of the Fund at 1 April</b>		<b>4,687,897</b>	
<b>4,687,897</b>	<b>Net assets of the Fund at 31 March</b>		<b>5,288,266</b>	

## Net Assets Statement

31 March 2012 £'000		31 March 2013 £'000	£'000	Note
<b>Investment assets</b>				
509,504	Fixed Interest Securities	521,091		
2,659,992	Equities	3,177,284		
546,511	Index-Linked Securities	607,142		
421,386	Pooled Investment Vehicles	437,410		
378,701	Property	409,824		19
11,772	Forward currency contracts	25,126		18
8,705	Cash - Foreign currency	20,494		
118,116	Cash - Sterling	59,497		
13,885	Other investment balances	15,924		
4,668,572			5,273,792	
<b>Investment liabilities</b>				
(1,749)	Forward currency contracts	(-)		18
(246)	Other investment liabilities	(216)		
(1,995)			(216)	
4,666,577	<b>Net investment assets</b>		5,273,576	17
22,184	<b>Current assets</b>		21,135	26
2,202	<b>Long Term Debtors</b>		1,654	27
(3,066)	<b>Current liabilities</b>		(8,099)	28
<b>4,687,897</b>	<b>Net assets of the Fund available to fund benefits at 31 March</b>		<b>5,288,266</b>	

# Notes to the Pension Fund Accounts

## 1. Description of the Fund

### a) General

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

All aspects of pensions administration, including calculating and paying benefits, are conducted in house in accordance with the Local Government Pension Scheme (LGPS) Regulations. All of the Fund’s investments are managed internally, albeit with the assistance of advisors on real estate matters, in accordance with the LGPS regulations. The Authority has a retained actuary, Mercer Limited, and has appointed an independent investment advisory panel.

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

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

### b) Membership

Organisations participating in the South Yorkshire Pension Fund include:

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

There are 209 employer organisations contributing to the fund as at 31 March 2013, these are listed in Schedules A and B.

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

	31 March 2013	31 March 2012
Active Contributors	49,839	50,136
Pensioners & Dependents	41,005	39,490
Deferred Pensions	42,797	40,197
Totals	<b>133,641</b>	<b>129,823</b>

### 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 7.5% of pensionable pay for the financial year ending 31 March 2013. Employee contributions are matched by employer’s contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2010. Currently employer contribution rates range from 9.5% to 22.5% of pensionable pay.

### d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. There are a range of benefits provided under the scheme including early retirement, disability pensions and death benefits

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

The main benefits are summarised below:

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

### LGPS 2014

The scheme is due to change with effect from 1 April 2014 and benefits and contributions are likely to change. The statutory consultation process is still open and therefore proposals are still subject to change. Main proposals are:-

- Move to Career Average
- Accrual rate of 1/49
- Contribution rates for employees (9 bandings) ranging from 5.5% to 12.5%

There are other proposals and full details will be available later this year.

# Notes to the Pension Fund Accounts

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for 2012/13 and its position at the year end of 31 March 2013. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice.

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

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 25 of these accounts.

## 3. Accounting policies

### Fund account – revenue recognition

#### A. Contributions income

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### B. Transfers to and from other schemes

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

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

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

## C. Investment Income

### i. Interest income

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

### ii. Dividend income

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

### iii. Distributions from pooled funds

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

### iv. Property-related income

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis. Rental income is recognised in the fund account as it accrues and any amounts received in respect of future year are disclosed in the net assets statement as current liabilities. This policy has changed in 2012/13 as previously no accruals were made. The effect of this is that rental income is reduced by £3.691m and current liabilities are increased by the same in 2012/13.

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

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

### Fund account – expense items

#### D. Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. This policy has changed in 2012/13 as previously no accruals were made. The effect of this is that Benefits payable and current liabilities are increased by just over £477,000 in 2012/13.

#### 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. 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.

# Notes to the Pension Fund Accounts

## G. Investment management expenses

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

In addition the Fund has negotiated with the corporate bond fund manager that an element of their fee be performance related. This performance related fee was nil in 2012/13 (£0.439m in 2011/12).

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

## Net assets statement

### H. Financial assets

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

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

#### i. Market-quoted investments

Quoted securities are valued at closing bid prices on the relevant stock market.

#### ii. Fixed interest stocks

Fixed interest stocks are included in the valuation on a “clean” basis (that is, excluding the value of interest accruing from the previous interest payment date to the valuation date).

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

#### iii. Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

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

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

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

#### iv. Limited partnerships

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

#### v. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

#### vi. Freehold and leasehold properties

Investment properties are independently valued in accordance with the Practice Statements contained in the Valuation Professional Standards (6th Edition) published by the Royal Institution of Chartered Surveyors on a market value basis by two firms of chartered surveyors. Jones Lang LaSalle values the commercial portfolio every quarter (valuation prices are as at 31 March 2013) and Smiths Gore valued the agricultural portfolio as at 31 December 2012.

## 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.

## 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.

## 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.

# Notes to the Pension Fund Accounts

## 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 2010) allowing for the different financial assumptions required under IAS19.

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

## N. Additional Voluntary Contributions (AVCs)

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

Details of AVC investments are however shown in note 29.

## 4. Critical judgements in applying accounting policies

### Unquoted private equity fund investments

It is important to recognise the highly subjective nature of determining the fair value of private equity funds. Private equity funds are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equity funds at 31 March 2013 was £258.6 million (£234.2 million at 31 March 2012).

### Pension Fund liability

The pension fund liability is calculated every three years by the Fund's actuary, Mercer Limited, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in Notes 24 and 25. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the Pension Fund Accounts at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the Authority with expert advice about the assumptions to be applied.	The funding level at the 2010 actuarial valuation was 79%. The effects on the funding level of changes in individual assumptions can be measured. For instance, a 0.25% increase in inflation would reduce the funding level by 3% (£155m). A 0.25% reduction in real salary growth would increase the funding level by 1% (£51.6m). A 1 year increase in life expectancy would reduce the funding level by 1% (£51.6m).
Private equity funds	Private equity funds are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity fund investments in the financial statements are £258.6m. There is a risk that this investment may be under or overstated in the accounts.
Hedge fund of funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of hedge fund of funds in the financial statements is £13.6m. There is a risk that this investment may be under or overstated in the accounts.

# Notes to the Pension Fund Accounts

## 6. Events after the Balance sheet date

There have been no events since 31 March 2013, and up to date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

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

When an employer retires staff early, on redundancy or efficiency grounds, a strain on the Fund is generated through the early payment of their benefits. From 1 April 1999 the Authority implemented a scheme that requires employers to reimburse the Fund for that strain by making capital injections over a phased period of up to 3 years. These capital injections are accounted for in full when they occur.

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

Analysis of contributions receivable:-	2012/13	2011/12	Analysis by employer type:-	2012/13	2011/12
	£'000	£'000		£'000	£'000
<b>From Employers</b>			<b>Administering Authority</b>		
Normal Contributions	150,516	151,223	South Yorkshire Pensions Authority	692	609
Augmentation	4	61	<b>Scheduled Bodies</b>		
Deficit Funding	2,010	1,556	Barnsley MBC	29,396	28,389
Additional cost of early retirement	10,570	12,752	Doncaster MBC	31,302	34,057
	<b>163,100</b>	<b>165,592</b>	Rotherham MBC	32,185	32,446
<b>From Members</b>			Sheffield CC	56,057	60,403
	53,482	55,106	Other Scheduled Bodies	50,724	47,699
	<b>216,582</b>	<b>220,698</b>	<b>Admitted Bodies</b>		
				16,226	17,095
			<b>Totals</b>	<b>216,582</b>	<b>220,698</b>

## 8. Transfers In

	2012/13	2011/12
	£'000	£'000
Individual transfers in from other LGPS funds	6,795	6,467
Individual transfers in from other schemes	6,099	6,419
<b>Totals</b>	<b>12,894</b>	<b>12,886</b>

## 9. Benefits payable

Analysis of benefits payable:-	2012/13	2011/12	Analysis by employer type:-	2012/13	2011/12
	£'000	£'000		£'000	£'000
Retirement Pensions	174,079	160,256	<b>Administering Authority</b>		
Commutation of benefits and lump sum retirement benefits	47,374	66,855	South Yorkshire Pensions Authority	370	691
Lump sum death benefits	5,348	4,984	<b>Scheduled Bodies</b>		
<b>Totals</b>	<b>226,801</b>	<b>232,095</b>	Barnsley MBC	30,664	30,649
			Doncaster MBC	34,935	35,242
			Rotherham MBC	35,177	32,703
			Sheffield CC	71,735	75,155
			Other Scheduled Bodies	39,049	44,359
			<b>Admitted Bodies</b>		
				14,871	13,296
			<b>Totals</b>	<b>226,801</b>	<b>232,095</b>

# Notes to the Pension Fund Accounts

## 10. Payments to and on account of leavers

	2012/13	2011/12
	£'000	£'000
Individual transfers out to other LGPS funds	4,624	7,842
Individual transfers out to other schemes	7,358	5,972
Refunds of contributions	90	69
State scheme premiums	(12)	(15)
<b>Totals</b>	<b>12,060</b>	<b>13,868</b>

## 11. Administration Expenses

Administration Expenses	2012/13	2011/12
	£'000	£'000
Employees	2,215	2,159
General admin costs	824	728
Actuarial fees	200	127
External audit fees	33	72
District Council Expenses	373	370
VAT Liability	230	359
	<b>3,875</b>	<b>3,815</b>

## 12. Investment Income

	2012/13	2011/12
	£'000	£'000
Interest from fixed interest securities	25,209	23,835
Dividends from equities	81,672	75,090
Income from index-linked securities	5,733	6,176
Income from pooled investment vehicles	2,272	2,684
Net property income	14,498	16,919
Interest on cash deposits	498	608
Other	1,281	1,268
	131,163	126,580
Irrecoverable withholding tax	(1,462)	(1,233)
<b>Total Investment Income</b>	<b>129,701</b>	<b>125,347</b>

Income from property is shown net of landlord's expenses amounting to £1.570m (£1.766m in 2012/13).

## 13. Taxes on Income

	2012/13	2011/12
	£'000	£'000
Withholding tax - equities	1,459	1,230
Withholding tax - pooled	3	3
	<b>1,462</b>	<b>1,233</b>

## 14. Investment Management Expenses

	2012/13	2011/12
	£'000	£'000
Internal Equipment Expenses	294	284
Internal Management Expenses	734	693
External Management Expenses	779	746
	<b>1,807</b>	<b>1,723</b>

# Notes to the Pension Fund Accounts

## 15. Change in Market Value of Investments

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

	Mkt Value at 1/4/12	Purchases at Cost	Sale Proceeds	Change in Mkt Value	Mkt Value at 31/3/13
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	509,504	36,373	(65,986)	41,200	521,091
Equities	2,659,992	446,805	(307,622)	378,109	3,177,284
Index-Linked Securities	546,511	30,865	(30,759)	60,525	607,142
Pooled Investment Vehicles	421,386	52,199	(60,353)	24,178	437,410
Property	378,701	11,023	(-)	20,100	409,824
<b>Total Purchases/(Sales)</b>		<b>577,265</b>	<b>(464,720)</b>		
Foreign currency contracts	10,023	134,631	(79,325)	(40,203)	25,126
	<b>4,526,117</b>	<b>711,896</b>	<b>(544,045)</b>	<b>483,909</b>	<b>5,177,877</b>
Cash - Foreign currency	8,705			755	20,494
Cash - Sterling	118,116			1,071	59,497
				<b>485,735</b>	
Other investment assets	13,885				15,924
Other investment liabilities	(246)				(216)
<b>NET INVESTMENT ASSETS</b>	<b>4,666,577</b>				<b>5,273,576</b>

## Previous year comparative:

	Mkt Value at 1/4/11	Purchases at Cost	Sale Proceeds	Change in Mkt Value	Mkt Value at 31/3/12
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	462,021	110,680	(96,499)	33,302	509,504
Equities	2,562,297	523,616	(343,006)	(82,915)	2,659,992
Index-Linked Securities	498,994	71,471	(131,397)	107,443	546,511
Pooled Investment Vehicles	450,789	53,511	(79,779)	(3,135)	421,386
Property	351,005	18,493	(24,804)	34,007	378,701
<b>Total Purchases/(Sales)</b>		<b>777,771</b>	<b>(675,485)</b>		
Foreign currency contracts	-	15,902	(22,995)	17,116	10,023
	<b>4,325,106</b>	<b>793,673</b>	<b>(698,480)</b>	<b>105,818</b>	<b>4,526,117</b>
Cash - Foreign currency	21,344			836	8,705
Cash - Sterling	77,468			9,157	118,116
				<b>115,811</b>	
Other investment assets	11,529				13,885
Other investment liabilities	(478)				(246)
<b>NET INVESTMENT ASSETS</b>	<b>4,434,969</b>				<b>4,666,577</b>

# Notes to the Pension Fund Accounts

## Cash deposits in Icelandic Banks

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

The Local Government Association is still co-ordinating the claims litigation on behalf of all local authorities with regard to the Icelandic entities. Following determination by the Icelandic Courts that its claim qualified for priority status under Icelandic insolvency law, the Authority has accepted the first and final distribution from Glitnir in full and final settlement of its claim. So far the Authority has received distributions from the Landsbanki Winding Up Board representing about 49.8% of the total value of its claim. It is expected that further distributions will be received as the Landsbanki administration proceeds, and the Winding Up Board's latest estimate is that sufficient proceeds will eventually be realised to pay priority claims.

Both distributions included sums of Icelandic kronur (ISK) and because ISK is a controlled currency these are being held in interest bearing escrow accounts. As at 31 March 2012 the sum so held was ISK366,341,211 which equates to roughly £1.8m at the prevailing exchange rate on that date. However, the timing of any release and the exchange rate at the date of release cannot be known so the sterling valuation is shown here for guidance only. This has not been updated at this stage as the rate of interest accruing is the subject of dispute.

Recoveries from all four banks amount to £1.071m during the year 2012/13 (£9.157m during 2011/12) and a further dividend has been declared.

The Authority wrote off both principal (£18.5m) and interest (£123,010.96) due on the five deposits during 2008/09 and has had returns of £14.152m in total so far. The whole recovery process is still likely to take a number of years.

Bank	Principal	Returns received to date	Amount held in Escrow on behalf of the Fund
	£'000	£'000	£'000 (est)
Heritable Bank	2,500	1,942	
Kaupthing Singer & Friedlander	5,000	3,821	
Landsbanki islands	1,000	477	7
Glitnir	10,000	7,912	1,798
<b>Totals</b>	<b>18,500</b>	<b>14,152</b>	<b>1,805</b>

## 16. Investment Position

The 2012/13 year was very much a year of contrasts with the first part suffering volatile conditions whilst the latter part produced surprisingly positive returns following the promise from the European Central Bank to do "whatever it takes" to save the Euro. In these conditions the Fund's cautious approach helped it to ride the markets determination to believe that normality had returned despite the frequent events which proved that it hadn't.

The Fund was overweight cash during the course of the year which was detrimental to performance against the benchmark. However stock selection across the equity portfolios and also in property helped the Fund produce a positive return against the benchmark.

The Fund's market value (not including current net assets) rose over the year and closed at just over £5,273m (£4,666m in 2011/12) producing an overall return of 13.6% (5.5% in 2011/12). The Fund's benchmark return was 12.9% (7.1% in 2011/12).

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

	2012/13	2011/12
	£'000	£'000
Purchases	577,265	777,771
Sales	464,720	675,485

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £2.038m (£1.862m in 2011/12). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately shown.

# Notes to the Pension Fund Accounts

## 17. Net Investment Assets

	31/03/13 £'000	31/03/12 £'000
<b>Fixed Interest Securities</b>		
UK public sector quoted	-	36,733
UK corporate bonds	355,324	330,837
Overseas public sector quoted	75,331	64,363
Overseas other quoted	90,436	77,571
	521,091	509,504
<b>Equities</b>		
UK quoted	1,120,122	1,019,621
Overseas quoted	2,057,162	1,640,371
UK unquoted	0	0
	3,177,284	2,659,992
<b>Index Linked Securities</b>		
UK public sector quoted	467,995	422,188
Overseas public sector quoted	0	0
UK corporate bonds	139,147	124,323
	607,142	546,511
<b>Pooled Investment Vehicles</b>		
<b>UK</b>		
Limited Partnerships	55,682	46,094
Unit Trusts	6,203	6,200
Other managed funds	19,274	20,076
<b>Overseas</b>		
Limited Partnerships	202,939	188,108
Hedge fund of funds	13,574	12,368
Other managed funds	67,900	76,827
UK Property	45,597	39,802
Overseas Property	26,241	31,911
	437,410	421,386
<b>Property</b>		
UK Freehold	318,691	284,868
UK Leasehold	85,875	88,575
UK Other	5,258	5,258
	409,824	378,701
<b>Derivative Contracts</b>		
Forward currency contracts	25,126	10,023
	25,126	10,023
<b>Cash - Foreign currency</b>	20,494	8,705
<b>Cash - Sterling</b>	59,497	118,116
<b>Investment income due (outstanding dividend entitlement and recoverable withholding tax)</b>	14,954	13,865
- Broker balances receivable	970	20
<b>Other investment liabilities (broker balances due)</b>	(216)	(246)
<b>Total Investment Assets</b>	<b>5,273,576</b>	<b>4,666,577</b>

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

Security	Market Value 31 March 2013 £'000	% of total fund	Market Value 31 March 2012 £'000	% of total fund
Henderson All Stocks Credit Fund	351,415	6.66	328,584	7.04

## 18. Derivative Contracts

In order to manage risk and foreign exchange exposure and volatility in the portfolio the Fund has, since November 2011, entered into forward currency contracts with the custodian bank whereby the parties agree to exchange two currencies on a specified future date (monthly) at an agreed rate of exchange.

The overseas assets that are subject to passive hedging are the US dollar and Euro denominated elements of the overseas bond and property fund portfolios plus the United States and European equity portfolios. This policy results in approximately half of the Fund's overseas assets being hedged.

### Open forward currency contracts at 31 March 2013

Settlement	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
Up to one month	GBP	755,526	USD	1,128,000	13,405	
Up to one month	GBP	382,124	EUR	440,000	10,996	
Up to one month	GBP	25,185	EUR	29,000	725	
					<b>25,126</b>	<b>(-)</b>
<b>Net forward currency contracts at 31 March 2013</b>						<b>25,126</b>

### Prior year comparative

#### Open forward currency contracts at 31 March 2012

Settlement	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
Up to one month	GBP	592,717	USD	930,000	11,772	
Up to one month	GBP	293,005	EUR	353,000		(1,608)
Up to one month	GBP	25,731	EUR	31,000		(141)
					<b>11,772</b>	<b>(1,749)</b>
<b>Net forward currency contracts at 31 March 2012</b>						<b>10,023</b>

# Notes to the Pension Fund Accounts

## 19. Investment Property

The Fund has investment in property of £409.824m (£378.701m) of which £404.566m (£373.443m) is in direct property (see Note 17) which is classified as Investment Property.

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

	2012/13	2011/12
	£'000	£'000
Rental income from investment property	15,932	18,524
Direct operating expenses arising from investment property	(1,570)	(1,766)
Net gain/(loss)	14,362	16,758

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 does not have any Development Funding Agreements at 31 March 2013 (one at 31 March 2012 with an outstanding commitment of just over £7.5m).

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

	2012/13	2011/12
	£'000	£'000
Balance at start of the year	373,443	345,747
<b>Additions</b>		
Purchase	5,386	6,380
Construction	4,986	11,597
Subsequent Expenditure	651	516
	11,023	18,493
Disposals	(-)	(24,804)
Net gains/losses from fair value adjustments	20,100	34,007
Balance at end of the year	404,566	373,443

## 20. Investment Commitments

Outstanding investment commitments at 31 March 2013 were £173.396m (£143.106m at 31 March 2012).

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

31 March 2013		31 March 2012	
Currency '000	£ equivalent £'000	Currency '000	£ equivalent £'000
£51,794	51,794	£55,691	55,691
€27,985	23,600	€34,386	28,662
US\$132,825	87,379	US\$78,022	48,733
AUS\$15,500	10,623	AUS\$15,500	10,020
	<b>173,396</b>		<b>143,106</b>

## 21. Stocklending

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

	31/03/13	31/03/12
	£'000	£'000
Index-Linked Securities	137,323	92,925
UK Equities	56,558	137,251
Overseas Bonds	14,194	239
Overseas Equities	31,373	57,710
<b>Value of stock on loan</b>	<b>239,448</b>	<b>288,125</b>
Value of collateral held	253,109	304,858

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

# Notes to the Pension Fund Accounts

## 22. Financial Instruments

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

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

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

### a) Classification of Financial Instruments

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

	31 March 2013	31 March 2012
	£'000	£'000
<b>FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Financial Assets</b>		
Fixed Interest Securities	521,091	509,504
Equities	3,177,284	2,659,992
Index-Linked Securities	607,142	546,511
Pooled Investment Vehicles	437,410	421,386
Forward currency contracts	25,126	11,772
Other investment balances	15,924	13,885
<b>Total</b>	<b>4,783,977</b>	<b>4,163,050</b>
<b>Financial Liabilities</b>		
Forward currency contracts	(-)	(1,749)
Other investment balances	(216)	(246)
<b>Total</b>	<b>(216)</b>	<b>(1,995)</b>
<b>LOANS AND RECEIVABLES</b>		
<b>Financial Assets</b>		
Cash – Foreign currency	20,494	8,705
Cash - Sterling	59,497	118,116
Current assets	21,135	22,184
Long Term Debtors	1,654	2,202
<b>Total</b>	<b>102,780</b>	<b>151,207</b>
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>		
<b>Financial Liabilities</b>		
Current liabilities - creditors	(8,099)	(3,066)
<b>Total</b>	<b>(8,099)</b>	<b>(3,066)</b>

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

# Notes to the Pension Fund Accounts

## b) Net gains and losses on Financial Instruments

	31 March 2013	31 March 2012
	£'000	£'000
<b>Financial Assets</b>		
Fair value through profit and loss	504,012	54,695
Loans and receivables	1,826	9,993
<b>Financial Liabilities</b>		
Fair value through profit and loss	(40,203)	17,116
Financial liabilities measured at amortised cost	-	-
<b>Total</b>	<b>465,635</b>	<b>81,804</b>

## c) Fair value of Financial Instruments

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

	Carrying amount	Fair Value	Carrying amount	Fair Value
	31 March 2013		31 March 2012	
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Trading and other financial assets at fair value through profit or loss	4,783,977	4,783,977	4,163,050	4,163,050
Loans and receivables	102,780	102,780	151,207	151,207
<b>Total financial assets</b>	<b>4,886,757</b>	<b>4,886,757</b>	<b>4,314,257</b>	<b>4,314,257</b>
<b>Financial Liabilities</b>				
Trading and other financial assets at fair value through profit or loss	(216)	(216)	(1,995)	(1,995)
Financial liabilities at amortised cost	(8,099)	(8,099)	(3,066)	(3,066)
<b>Total Financial Liabilities</b>	<b>(8,315)</b>	<b>(8,315)</b>	<b>(5,061)</b>	<b>(5,061)</b>

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

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

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Previously we classified fixed income instruments as level 1 but on reflection this year they have been classified as level 2 because of the composite pricing of these instruments. Previous year figures have been amended to reflect this change.

### Level 1

Financial instruments at Level 1 are those where the fair value are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and funds.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

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

### Level 3

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

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment in determining appropriate assumptions.

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

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

# Notes to the Pension Fund Accounts

2013	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Value at 31 March 2013</b>				
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	3,309,394	1,198,038	276,545	4,783,977
Loans and receivables	102,780			102,780
<b>Total financial assets</b>	<b>3,412,174</b>	<b>1,198,038</b>	<b>276,545</b>	<b>4,886,757</b>
<b>Financial Liabilities</b>				
Financial assets at fair value through profit or loss	(216)			(216)
Financial liabilities at amortised cost	(8,099)			(8,099)
<b>Total Financial Liabilities</b>	<b>(8,315)</b>			<b>(8,315)</b>
<b>Net financial assets</b>	<b>3,403,859</b>	<b>1,198,038</b>	<b>276,545</b>	<b>4,878,442</b>

2012	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Value at 31 March 2012</b>				
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	2,793,159	1,121,710	248,181	4,163,050
Loans and receivables	151,207			151,207
<b>Total financial assets</b>	<b>2,944,366</b>	<b>1,121,710</b>	<b>248,181</b>	<b>4,314,257</b>
<b>Financial Liabilities</b>				
Financial assets at fair value through profit or loss	(1,995)			(1,995)
Financial liabilities at amortised cost	(3,066)			(3,066)
<b>Total Financial Liabilities</b>	<b>(5,061)</b>			<b>(5,061)</b>
<b>Net financial assets</b>	<b>2,939,305</b>	<b>1,121,710</b>	<b>248,181</b>	<b>4,309,196</b>

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

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

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

The management of risk is described within the Fund's Statement of Investment Principles (SIP) which is included in the published report and accounts and also posted on the Fund's website ([www.sypensions.org.uk](http://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 2012.

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

### a. Market Risk

#### Market Risk – Price Risk –

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

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

In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

#### Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's asset allocations. Based on this the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

Asset type	Potential market movements (+/-)	
	31 March 2013	31 March 2012
Bonds	5.24%	5.0%
UK Equities	12.94%	14.93%
Overseas Equities	14.39%	14.37%
Index Linked securities	10.19%	9.44%
Private Equity	7.86%	10.61%
Absolute return	4.29%	5.45%
Property	5.48%	5.21%

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

# Notes to the Pension Fund Accounts

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

Asset type	Value as at 31 March 2013	Percentage change	Value on increase	Value on decrease
<b>2013</b>	£'000	%	£'000	£'000
Bonds	521,091	5.24	548,396	493,786
UK Equities	1,120,122	12.94	1,265,065	975,178
Overseas equities	2,057,162	14.39	2,353,188	1,761,137
Index linked securities	607,142	10.19	669,010	545,275
Private equity	248,007	7.86	267,500	228,513
Absolute return	117,565	4.29	122,609	112,521
Property (unit trusts)	71,838	5.48	75,775	67,901
Forward currency contracts	25,126	0	25,126	25,126
Cash - Foreign currency	20,494	0	20,494	20,494
Cash - Sterling	59,497	0	59,497	59,497
Other investment assets	15,924	0	15,924	15,924
Other investment liabilities	(216)	0	(216)	(216)
<b>Net investment assets</b>	<b>4,863,752</b>		<b>5,422,368</b>	<b>4,305,136</b>

Asset type	Value as at 31 March 2012	Percentage change	Value on increase	Value on decrease
<b>2012</b>	£'000	%	£'000	£'000
Bonds	509,504	5.0	534,979	484,028
UK Equities	1,019,621	14.93	1,171,851	867,392
Overseas equities	1,640,371	14.37	1,876,093	1,404,650
Index linked securities	546,511	9.44	598,102	494,921
Private equity	235,743	10.61	260,755	210,731
Absolute return	113,930	5.45	120,140	107,721
Property (unit trusts)	71,713	5.21	75,449	67,977
Forward currency contracts	10,023	0	10,023	10,023
Cash - Foreign currency	8,705	0	8,705	8,705
Cash - Sterling	118,116	0	118,116	118,116
Other investment assets	13,885	0	13,885	13,885
Other investment liabilities	(246)	0	(246)	(246)
<b>Net investment assets</b>	<b>4,287,876</b>		<b>4,787,852</b>	<b>3,787,903</b>

**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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2013	As at 31 March 2012
	£'000	£'000
Cash - Sterling	59,497	118,116
<b>Total</b>	<b>59,497</b>	<b>118,116</b>

## Interest rate risk – sensitivity analysis

The Authority recognises that interest rates can vary and can affect both income to the fund and the value of the net assets.

The one standard deviation of the 10 year government bond yield (annualised) amounts to just over 0.87%.

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 +/- 0.87% (previous year 50 Basis points(BPS) 0.5%) change in interest rates:

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets	
<b>2013</b>	£'000	+0.87%	-0.87%
		£'000	£'000
Cash - Sterling	59,497	518	(518)
<b>Total change in assets available</b>	<b>59,497</b>	<b>518</b>	<b>(518)</b>

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets	
<b>2012</b>	£'000	+50 BPS	-50BPS
		£'000	£'000
Cash - Sterling	118,116	590	(590)
<b>Total change in assets available</b>	<b>118,116</b>	<b>590</b>	<b>(590)</b>

# Notes to the Pension Fund Accounts

## Market Risk – Currency Risk – the Fund

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

The following table summarises the Fund's currency exposure as at 31 March 2013 and as at the previous year end:

Currency exposure - Asset type	Asset value as at 31 March 2013	Asset value as at 31 March 2012
	£'000	£'000
Overseas fixed interest securities	165,767	141,934
Overseas quoted securities	2,057,162	1,640,371
Overseas limited partnerships	202,939	188,108
Overseas hedge fund of funds	13,574	12,368
Overseas other managed funds	67,900	76,827
Overseas property funds	26,241	31,911
Forward currency contracts	25,126	10,023
Cash - Foreign currency	20,494	8,705
<b>Total overseas assets</b>	<b>2,579,203</b>	<b>2,110,247</b>

## Currency risk – sensitivity analysis

The potential volatility of the aggregate currency exposure within the fund based on historical data for the last 3 years associated with foreign exchange rate movements is 6.51% (6.5% at 31 March 2012).

A 6.51% (6.5%) 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 2013	Change in year in the net assets	
		+6.51% £'000	-6.51% £'000
<b>2013</b>	£'000		
Overseas fixed interest securities	165,767	176,559	154,975
Overseas quoted securities	2,057,162	2,191,083	1,923,241
Overseas limited partnerships	202,939	216,150	189,728
Overseas hedge fund of funds	13,574	14,458	12,690
Overseas other managed funds	67,900	72,320	63,480
Overseas property funds	26,241	27,949	24,533
Forward currency contracts	25,126	26,762	23,490
Cash - Foreign currency	20,494	21,828	19,160
<b>Total change in assets available</b>	<b>2,579,203</b>	<b>2,747,109</b>	<b>2,411,297</b>

## b. Credit Risk

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

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

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

The Fund's benchmark allowance for cash at 31 March 2013 was a maximum of 10% of the Fund (same at 31 March 2012). The actual cash holdings were 1.13% (2.53%).

Interest received on advances during 2012/13 was just over £0.448m (£0.510m) at an average rate of 0.41% (0.5%) (as the Fund maintains short term deposits only, the rate of interest is closely aligned to the Bank of England base rate which has remained at 0.5% since March 2009). For illustration purposes an increase of 0.25% in interest rates achieved would have resulted in an increase of £0.273m (£0.255m) in interest received provided that bank balances had remained the same.

Currency exposure – Asset type	Asset value as at 31 March 2012	Change in year in the net assets	
		+6.5% £'000	-6.5% £'000
<b>2012</b>	£'000		
Overseas fixed interest securities	141,934	151,160	132,708
Overseas quoted securities	1,640,371	1,746,995	1,533,747
Overseas limited partnerships	188,108	200,335	175,881
Overseas hedge fund of funds	12,368	13,172	11,564
Overseas other managed funds	76,827	81,821	71,833
Overseas property funds	31,911	33,985	29,837
Forward currency contracts	10,023	10,674	9,372
Cash - Foreign currency	8,705	9,271	8,139
<b>Total change in assets available</b>	<b>2,110,247</b>	<b>2,247,413</b>	<b>1,973,081</b>

# Notes to the Pension Fund Accounts

## c. Liquidity Risk

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

The Fund has immediate access to its cash holdings with a majority of cash being deposited for no longer than a week and no cash being deposited for more than a month. Also the Fund holds Government bonds amounting to £467.9m (£458.9m at 31 March 2012) which can be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

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

## 24. Actuarial Position

The Authority's appointed actuary, Mercer Limited, carried out an actuarial valuation of the assets and liabilities of the Fund as at 31 March 2010. The market value of the Fund's assets at the date of the valuation was £4,076m. The previous valuation had been completed as at 31 March 2007 (market value £3,720m). The valuation was conducted in accordance with the requirements of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

As in previous years the valuation was prepared using the Projected Unit actuarial method. The financial assumptions used for past service calculations were based upon the long term yield on UK government bonds. The actuary has taken a long term view when setting the future service basis. The assumptions adopted are (2007 valuation assumptions shown in brackets):-

	Past service	Future service
<b>Investment return</b>		
- pre retirement	6.5%p.a. (6.4%p.a.)	6.7%p.a. (6.5%p.a.)
- post retirement	5.5%p.a. (5.4%p.a.)	6.7%p.a. (6.5%p.a.)
Pensionable Pay increases	4.75%p.a. (4.3%p.a.)	4.75%p.a. (4.3%p.a.)
Pensions increases	3.0%p.a. (2.8%p.a.)	3.0%p.a. (2.8%p.a.)

## Mortality assumptions

	31 March 2010	31 March 2007
Retired members' mortality – base tables	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments	PA92 YoB tables +2 years
Retired members' mortality – future improvements	CMI 2009 model methodology with 1%p.a. long term trend	CMI Medium Cohort model

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

## Commutation assumption

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

This assumption is unchanged from the previous actuarial valuation.

The funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay. The funding plan, in accordance with the Funding Strategy Statement (FSS), is to achieve the funding objective over a maximum period of 25 years (21 years at 2007 valuation). The notional funding deficit revealed by the valuation was £1,085m at 31 March 2010 (£624m deficit at 31 March 2007). This represents a funding level of 79% at 31 March 2010 (86% at 31 March 2007).

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 2012/13 was 11.7% with an additional payment of £175,400 and the rate for 2013/14 is 11.7% with an additional payment of £179,300.

The contribution rates for the four district councils are:-

Employer	Contribution Rate 2011 to 2014	
	%	Additional Payment
		£'000
Barnsley MBC	12.2	7,721
Doncaster MBC	12.2	8,143
Rotherham MBC	12.0	7,121
Sheffield City Council	12.1	17,661

# Notes to the Pension Fund Accounts

## 25. Actuarial Present Value of Promised Retirement Benefits

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

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

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

	31 March 2013	31 March 2012
Rate of return on investments (discount rate)	4.2% p.a.	4.9% p.a.
Rate of pay increases	4.15% p.a.	4.25% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.	2.5% p.a.

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation (CMI) with a long-term improvement rate of 1.25% p.a (1.0% p.a. as at 31 March 2012).

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

On this basis, the value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was £7,483m (£6,343m).

The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c£837 million. Adding interest over the year increases the liabilities by a further c£310 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£7 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £7,483 million.

## 26. Current Assets

### Debtors:

	31 March 2013	31 March 2012
	£'000	£'000
Contributions due - employers	9,309	10,308
Contributions due - employees	3,591	3,623
Additional costs of early retirement	3,894	5,988
Sundry debtors	4,341	2,265
	<b>21,135</b>	<b>22,184</b>

### Analysis of debtors:

	31 March 2013	31 March 2012
	£'000	£'000
Central government bodies	10	9
Other local authorities	15,948	17,932
NHS bodies	30	35
Public corporations and trading funds	662	812
Other entities and individuals	4,485	3,396
	<b>21,135</b>	<b>22,184</b>

## 27. Long Term Debtors

Long term debtors are all additional costs of early retirement due later than 2012/13.

	31 March 2013	31 March 2012
	£'000	£'000
Central government bodies	-	-
Other local authorities	1,523	1,682
NHS bodies	-	-
Public corporations and trading funds	67	99
Other entities and individuals	64	421
	<b>1,654</b>	<b>2,202</b>

## 28. Current Liabilities

### Creditors:

	31 March 2013	31 March 2012
	£'000	£'000
Sundry creditors	(1,964)	(1,228)
Payroll deductions	(1,790)	(1,657)
Benefits payable	(477)	(-)
Advance property rents	(3,691)	(-)
Holding accounts	(177)	(181)
	<b>(8,099)</b>	<b>(3,066)</b>

The cash balance is held by the Authority and the Fund Net Assets Statement includes a creditor of £1.834m (creditor of £1.105m in 2011/12) for sums due from/to the Authority at the year end.

### Analysis of creditors:

	31 March 2013	31 March 2012
	£'000	£'000
Central government bodies	(1,773)	(1,627)
Other local authorities	(2,287)	(1,105)
NHS bodies	-	-
Public corporations and trading funds	(406)	(-)
Other entities and individuals	(3,633)	(334)
	<b>(8,099)</b>	<b>(3,066)</b>

# Notes to the Pension Fund Accounts

## 29. Additional Voluntary Contributions

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

	Fund Value		Contributions received	
	31/3/13	31/3/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Equitable Life	2,561	2,741	20	24
Scottish Widows	5,808	6,138	374	376
Prudential	2,951	2,428	1,525	1,476

## 30. Related Party Transactions

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

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

One officer of the Authority is a director of Waldersey Farms Limited (see note 33).

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

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

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

## 31. Contingent Assets

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.

## 32. Compensation Payments

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

During 2012/13, the Fund made payments in respect of non-statutory pension benefits of £15.043m (£14.597m in 2011/12).

### Analysis of compensation payments

	2012/13	2011/12
	£'000	£'000
<b>Administering Authority</b>		
South Yorkshire Pensions Authority	19	18
<b>Scheduled Bodies</b>		
Barnsley MBC	2,578	2,482
Doncaster MBC	1,940	1,863
Rotherham MBC	1,333	1,274
Sheffield CC	6,682	6,505
Other Scheduled Bodies	2,426	2,392
Admitted Bodies	65	63
<b>Totals</b>	<b>15,043</b>	<b>14,597</b>

# Notes to the Pension Fund Accounts

## 33. Subsidiary Companies

The Authority had, within its portfolio, a wholly owned subsidiary company, Waldersey Farms Limited.

Waldersey Farms Limited is involved in property related activity. The book value of the company is included in the net assets statement under the heading of Property - Other UK, to reflect the

exposure of the Pensions Authority. One officer of the Authority is a director of the company.

The latest available accounts for Waldersey Farms Limited show the following information:

Waldersey Farms Limited has a year end of 31 December.

Waldersey Farms Limited	2012/13	2011/12
	£	£
Pension Fund investment at book cost at 31 March	5,258,112	5,258,112
(Debenture loan included within above)	3,893,100	3,893,100
Pension Fund investment value at 31 March (included in net asset statement)	5,258,100	5,258,100
	31/12/2012	31/12/2011
	£	£
Profit (loss) on ordinary activities before taxation	1,006,197	1,142,381
Profit (loss) after taxation	760,778	883,061
Rent paid to SYPA	1,551,972	1,371,972
Dividend paid to SYPA	136,500	102,375
Retained profit (loss)	3,254,482	2,630,204
Net assets	5,119,482	4,495,204

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 on 1 April 2005 is for £4m, of which £3.893m (£3.893m in 2010/11) has been drawn down.

# Notes to the Pension Fund Accounts

## Schedule A

### Scheduled Bodies contributing to the Fund

South Yorkshire Pensions Authority  
(Administering Authority)

Barnsley Metropolitan Borough Council

Doncaster Metropolitan Borough Council

Rotherham Metropolitan Borough Council

Sheffield City Council

South Yorkshire Passenger Transport Executive

SYITA (Properties Ltd)

SY Probation Trust

South Yorkshire Fire Authority

The Police and Crime Commissioner  
for South Yorkshire

Barnsley College

Doncaster College

Rotherham College of Arts & Technology

Thomas Rotherham College

Dearne Valley College

Sheffield College

Notre Dame School

St John Fisher RC Junior & Infants School

All Saints RC School

St Ann's RC Primary School

St Joseph's Primary School

St Theresa's RC School

St Patrick's RC School

Totley All Saints Church of England School

Broomhill Infants School

Clifford C of E Grant Maintained School

Hayfield School

Sheffield Hallam University

Askern Town Council

Bradfield Parish Council

Brierley Town Council

Ecclesfield Parish Council

Edlington Town Council

Stainforth Town Council

Thorne-Moorends Town Council

Penistone Town Council

Stocksbridge Town Council

Barnby Dun Parish Council

Hatfield Town Council

Sprotborough Parish Council

Rossington Parish Council

Thrybergh Parish Council

Berneslai Homes

Armthorpe Parish Council

Barnburgh & Harlington Parish Council

Anston Parish Council

Aston-Cum-Aughton Parish Council

Longley Park Sixth Form College

Sheffield Homes

Trinity Academy

St Leger Homes of Doncaster

Wickersley Parish Council

Valuation Tribunal

Barnsley Academy

Silkstone Parish Council

Sheffield Springs Academy

Sheffield Park Academy

De Warenne Academy

Outwood Academy Adwick

Maltby Academy

Brinsworth Academy

Wales Academy

Parkwood Academy

St Mary's CofE Primary (Barnsley)

Oakhill Primary Academy

Rossington All Saints Academy

Ash Hill Academy

Auckley Junior & Infant Academy

Don Valley Academy & Performing Arts College

Grange Lane Infant Academy

Pheasant Bank Academy

Danum School Technology College

Rowena Academy

The Academy at Ridgewood Trust

Conisbrough Ivanhoe Primary Academy

Hall Cross Academy Trust

Hungerhill Academy Trust

Aston Academy

Yewlands Technology College

The Hill Academy

Highgate Academy

Carrfield Academy

Gooseacre Academy

Darfield All Saints Academy

Upperwood Academy

Carlton Primary

Royston Parkside

Royston Summer Fields

Shafton Primary Academy

St Helen's Primary Academy

Campsmount Technology College

Highfields Primary

Hatfield Woodhouse Primary

Crookesbroom Primary Academy

Willow Primary

Armthorpe Academy

Barnby Dun Primary Academy

Castle Academy

St Oswald's C of E Academy

Armthorpe Shaw Wood Academy

Kirk Sandall Infant School

Dunsville Primary School

Sir Thomas Wharton Community College

Thurcroft Junior Academy

St Bernards Catholic High School

Tapton School

Hartley Brook Academy

Hatfield Academy

Meadowhead School Academy Trust

Chaucer School

St Thomas of Canterbury Trust

King Egbert School

St Marie's School A Catholic Voluntary Academy

Fir Vale School

Bradfield School

Southey Green Primary School & Nurseries

Silverdale School

Greengate Lane Academy

# Notes to the Pension Fund Accounts

## Schedule B

### Admitted Bodies contributing to the Fund

Voluntary Action Barnsley	Sheffield International Venues Limited
Danvn Drainage Commissioners	South Yorkshire Housing Association
National Childrens' Bureau	Sheffcare Limited
Sheffield Branch of UNISON	Sheffield Taxi Services
Sheffield Students Union	Stonham Housing Association
Doncaster Deaf Trust	Interserve FM Ltd
Action Housing Association Ltd	Barnsley Development Agency
Northern College	Sheffield Galleries and Museums Trust
Voluntary Action Rotherham	Barnsley Premier Leisure
Sheffield MIND	Royston and Carlton Community Partnership
Northern Racing College	Shaw Trust
Barnsley Business Innovation Centre Ltd	Wentworth Castle
Barnsley Dial-a-Ride	Doncaster Racecourse Management Co Ltd
Doncaster Community Transport	Rotherham, Doncaster & South Humber Health
Sheffield Community Transport	Independent Training Services Ltd
Groundwork Dearne Valley	Roundhouse Community Partnership
Priory Campus	Forge Community Partnership
Age Concern Doncaster	Kier Group
Leonard Cheshire Foundation	Sheffield NHS Care Trust
The Centre for Full Employment	Balfour Beatty Workplace Ltd
Community Action Halfway House Assoc	May Gurney Fleet & Passenger Services
Sheffield Industrial Museums Trust Ltd	Mellors Catering Services
Sheffield Futures	Tuscan Connects

Carrillion Integrated Solutions
Kier Support Services
Fountains Group
NPS Barnsley Ltd
Civica – Barnsley BSF
JLIS PFI FM sub contract (Barnsley BSF)
JLIS Non-PFI Barnsley BSF
Crispin & Borst – DMBC PFI
DCI Leisure Management – Pools
Leisure & Comm Partner – Pools
Capita – Outstanding Sheffield Prog
Taylor Woodrow Const (CleanSheff PFI 4)
Veolia
Mitie PFI Ltd
Kier Managed Services Ltd
Compass Scolarest PFI 2
Great Places Housing Association
Mellors Catering Services (Bannerdale)
Civica (Sheffield BSF PFI 4)
Taylor Woodrow Const (Sheff PFI 4)
Willmott Dixon Prtn Ltd – Roth 2010 Hsg Mnt
Morrison Facilities Services Ltd
Compass (Barnsley Academy)

Taylor Shaw (catering BSF PFI 4)
RED Holdings – Graves Park
KAPS
Compass (Sheffield Springs Academy)
Compass (Sheffield Park Academy)
Taylor Shaw-Parkwood Academy
Carillion (AMBS) Ltd
Civica Phase 2 ICT Function – Sheff BSF
Peter Duffy Ltd
Barnsley Norse Ltd
Doncaster Culture & Leisure Trust
Dublcheck Cleaning (Roughwood Primary School)
Mellors Catering Services (Rawmarsh Com School)
Mellors Catering Services (Longley Park School)
Taylor Shaw (Sheff School Meals)
Sheffield City Trust
Seven Hills Leisure Trust
Trustclean Ltd (Athersley North)
Mellors Catering Services (Sheff Schools)
Amey LG Limited
Vinci Construction UK Ltd (Bradfield School)
Taylor Shaw (Bradfield School)



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