

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

1 JULY 2016

PRESENT: Brendan Arnold (in the Chair), Caroline Bell, Councillor A Burton, Julie Davey and Natasha Halsall.

Also in attendance: Caroline Lacey (Director of Corporate Resources), Julian Neilson (Interim Head of Finance), Graham Ferry (Pensions Manager), Mark Lyon (Head of Investments) and Carl Braddy (Audit and Technical Manager).

Also in attendance: Press - 0
Public - 0

The Board met at Goole Leisure Centre.

24 APOLOGIES - Apologies for absence were submitted on behalf of Martin Eaden.

25 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All members of the Board declared an interest in Minutes 27 to 37 as members of the Local Government Pension Scheme.

26 MINUTES - Resolved - That the minutes of the Local Pension Board held on 26 February 2016 be approved as a correct record.

27 REVIEW OF INTERNAL CONTROLS AND ASSURANCE REPORTS - The Director of Corporate Resources submitted a report which covered the findings of the work undertaken to assess the internal controls and procedures in place at:-

- Schroder Investment Management Limited, the Pension Fund's External Investment Manager.
- State Street Global Services the Pension Fund's Global Custodian.
- Investment Section, the Pension Fund's Internal Investment Manager, and
- Pensions Administration Section and compliance with Code of Practice 14 (Governance and Administration of public service pension schemes).

The conclusion of the five separate reports were that each of these managers had adequate risk controls and procedures in place. The reports provided assurance that controls in place over investment and cash operations, custody and pensions administration were effective.

Resolved - That the report be noted.

28 REVIEW OF ASSURANCE ON COMPLIANCE WITH THE EAST RIDING PENSION FUND'S STATEMENT OF INVESTMENT PRINCIPLES - The Director of Corporate Resources submitted a report which informed the Board that the Statement of Investment Principles (SIP) required an annual written statement from the Investment Managers that they had adhered to the principles set out in the SIP. The letters of compliance for the financial year ended 31 March 2016 from the Director of Corporate Resources and Schroder Investment Management were attached to the report for consideration. In addition the Pension Fund's Independent Advisor, Sarah Bates, periodically provided an updated list of directorships

and shareholdings. Any potential conflict of interest with the Pension Fund would be disclosed in the Investment Risk Management schedule of the relevant quarterly report.

Members asked some questions, which the Director of Corporate Resources and Head of Investments responded to.

Resolved - That the report be noted.

29 REVIEW OF ADMINISTRATION SECTION PERFORMANCE - The Director of Corporate Resources submitted a report which informed the Board that the East Riding Pension Fund as at 1 April 2016 had 46 full time equivalent members of staff, with 33 staff directly responsible for delivering the key administrative functions. There were a number of areas of work for which the Fund had set targets to ensure both members and employers received accurate and timely information. The introduction of the new Local Government Pension Scheme (LGPS) 2014 and delays in software development and guidance on LGPS had made it difficult for all Funds to provide meaningful data to compare administration section performance.

The Board was requested to consider the three key methods used by the Fund to measure its performance through the service plan targets, the number of complaints and compliments received by the fund and the results of the CIPFA Pensions Administration benchmarking club survey.

The Board was asked to consider having a representative on the Focus Group and Natasha Halsall was happy to take this on.

To ensure employers were aware of their roles and responsibilities and to improve the timeliness of information flows the Fund planned to introduce a Service Level Agreement.

Members asked a number of questions, which the Pensions Manager responded to.

Resolved - (a) That the performance targets as set out in the report be noted, and

(b) that Natasha Halsall be the employer representative from the Board to be part of the Employer Focus Group to engage employers with the concept of the Service Level Agreement.

30 WORK OF THE FUND'S ACTUARY - The Director of Corporate Resources submitted a report which informed the Board that the contract for the provision of actuarial services to the East Riding Pension Fund with Hymans Robertson would expire on 31 March 2017. The report sets out the timetable and process for the procurement of actuarial services including the actuarial work that would be required.

All Local Government Pension Scheme funds were required to appoint an actuary, an independent and appropriately qualified adviser, to carry out statutorily required fund valuations. Since January 2001, Hymans Robertson had been the scheme's actuary for the Fund.

Resolved - (a) That the actuarial contract requirements be noted, and

(b) that the weighting of the assessment criteria in terms of quality and price be agreed at a split of 70/30.

31 SCHEME EMPLOYER YEAR END RETURN EXERCISE 2015-16 - The Director of Corporate Resources submitted a report which detailed the progress to date of the 2015-16 year end exercise. All scheme employers were required to submit year end returns which included member pay details so that the East Riding Pension Fund could issue annual benefit statements on time.

The year-end return exercise for 2014-15 highlighted that many employers could not meet the statutory deadline for submitting their year-end returns to the ERPF by 30 June 2015. The current position for this year's year-end returns showed a significant improvement.

Resolved - That the report be noted.

32 DRAFT ANNUAL REPORT OF THE LOCAL PENSION BOARD FOR PENSION FUND REPORT AND ACCOUNTS - The Director of Corporate Resources submitted a report which informed the Board that East Riding of Yorkshire Council as administering authority had the prime responsibility for establishing the East Riding Pension Fund Local Pension Board and it was therefore appropriate and consistent with good governance for the Board to produce an annual report for inclusion in the East Riding Pension Fund Annual Report and Accounts for 2015-16.

A draft report had been prepared for consideration and members gave their views on the contents. It was felt that some additional information was required on some of the work that the Board had undertaken since its inception and details were given on these areas.

Members raised a number of questions, which the Director of Corporate Resources responded to.

Resolved - (a) That the draft annual report be endorsed with the inclusion of the challenges that the Board had raised, and

(b) that the Chair of the Local Pension Board be given delegated authority to approve the final report.

33 ITEMS FOR INFORMATION - The Board were presented with the Pensions Committee minutes from 18 March, 10 May and 10 June 2016 along with a report regarding the LAPFF business meeting held in January 2016.

Members gave consideration to possibly attending a future investment meeting of the Pensions Committee. This matter would be taken to the next Pensions Committee meeting for their approval due to the consideration of exempt items.

Resolved - (a) That the minutes of the Pensions Committee held on 18 March, 10 May and 10 June 2016 be received,

(b) that the report on the LAPFF business meeting be noted.

34 OUTCOME OF EU REFERENDUM - The Board requested a future update on the implications and risks that could impact on the Fund.

Resolved - That a verbal briefing regarding the impact of the outcome of the EU Referendum on the Fund be brought to the next meeting.

35 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of Minutes 36 and 37 on the grounds that they are likely to involve disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

In making its decision the Board confirmed that having regard to all the circumstances it was satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

36 CORPORATE GOVERNANCE AND VOTING REPORT QUARTER 4 2015-16 - The Director of Corporate Resources submitted a report which informed the Board of the voting record of the Internal Investment Manager for the quarter ended 31 March 2016.

Schroders had provided the voting record for the discretion equity portfolios for the quarter ended 31 March 2016. All proposals were voted in line with their stated policy.

Resolved - That the report be noted.

37 UPDATE ON BORDER TO COAST PENSION PARTNERSHIP - The Director of Corporate Resources submitted a report which reminded the Board that the Chancellor's budget announcement in July 2015 required LGPS funds to pool their assets in order to achieve cost savings whilst maintaining investment performance. The Pension Fund had taken a leading role in the creation of the Border to Coast Pension Partnership (BCPP), a pool of 13 funds with circa £36 billion in assets.

The initial consultation response submitted by BCPP had been well received by the DCLG and HM Treasury. Officers from the participant funds were engaged in a number of work streams in order to progress the partnership and inform the final consultation response to Government due on 15 July 2016.

Resolved - (a) That the report be noted, and

(b) that updates be brought to future meetings.