

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

1 NOVEMBER 2019

PRESENT: Natasha McLaren (Chairman), Councillor Dennis, Julie Davey, Jayne Karlsen and Lynda Bowen.

Also in attendance: Julian Neilson (Head of Finance), Graham Ferry (Pensions Manager), Kevin Dervey (Head of Investments), Jennifer Gregory (Assistant Pensions Manager) and Liz Vollans (Assistant Pensions Manager).

169 APOLOGIES - An apology for absence was submitted on behalf of Guy Lonsdale.

170 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All Members of the Board declared a non-pecuniary interest in Minutes 172 to 184 as members of the Local Government Pension Scheme.

171 MINUTES - Resolved - That the minutes of the meeting of the Local Pension Board held on 21 June 2019 be approved as a correct record.

172 REVIEW OF THE LOCAL PENSION BOARD'S TERMS OF REFERENCE - The Director of Corporate Resources submitted a report which reminded the Board that in accordance with the Public Service Pensions Act 2013, the East Riding Pension Fund Local Pensions Board (the Board) was established in 2015 to assist the East Riding of Yorkshire Council, as administering Authority, with all aspects of governance and administration of the Local Government Pension Scheme (LGPS). The inaugural meeting took place on 2 October 2015 and the Board approved the Terms of Reference.

The Terms of Reference were reviewed annually and, on 4 November 2016, the Board agreed to increase the frequency of meetings from two to three in 2017. On 2 November 2018, the Board considered the annual frequency of meetings following the publication of the results of the Pension Regulator's (TPR) Public Service Governance and Administration Survey in May 2018 and agreed to continue to meet three times per annum.

The Board also considered the number of times a Board Member may seek re-election and agreed that a Member may serve for a period of two terms. However in the circumstances where no replacement could be found that Member could be reappointed for a third term of office. Section 3 of the Terms of Reference was subsequently amended and the current Terms of Reference were attached to the report for consideration.

Resolved - (a) That the Board continue to meet three times per annum, and

(b) the Terms of Reference continue to be reviewed on an annual basis.

173 LOCAL PENSION BOARD WORK PLAN 2020 - The Director of Corporate Resources submitted a report which reminded the Board that the Public Service Pensions Act 2013 required Local Pension Boards to be established to assist administering authorities with all aspects of governance and administration of the Local Government Pension Scheme. To meet those requirements the East Riding Pension Fund Local Pension Board determined its own work plan for 2019 and covered a number of topics at each meeting.

A suggested work plan for 2020 including future meeting dates was included in the report for consideration.

- Resolved** - (a) That the meeting dates for 2020 be agreed;
- (b) that the proposed items to be included on the work plan for 2020 be agreed, and
- (c) that the content of the website be reviewed.

174 LOCAL PENSION BOARD TRAINING PROGRAMME 2020 - The Director of Corporate Resources submitted a report the purpose of which was for Members of the East Riding Pension Fund Local Pension Board to consider specific Local Government Pension Scheme (LGPS) topics for their training programme for 2020. Training sessions, based on the agreed topics, will be arranged to meet individual and group training requirements.

Resolved - That the training requirements identified in the report be agreed.

175 PENSION FUND RISK REGISTER - The Director of Corporate Resources submitted a report which presented a six monthly review of the Pension Fund's Risk Register. The latest review was considered and approved by the Pensions Committee at its meeting on 26 July 2019. No new strategic risk areas had been identified during the latest review.

The residual risk score for Risk 1 - "The Pension Fund's assets do not meet expected liabilities when they fall due" had been reduced from 15 to 10 as the Fund's triennial actuarial valuation targeted a 66% likelihood of success in 20 years' time and therefore it was considered that the risk was unlikely to materialise in the medium term.

The inherent risk score for Risk 2 - "The Fund is unable to meet the requirements of Government policy on pooling investments across LGPS funds" had been reduced from 16 to four and the risk was now considered to have reduced to a level where it can be removed from the register, as the Fund had successfully transitioned 35% of its assets to Border to Coast and was actively engaged with Border to Coast to transfer more assets over the next two years.

With regard to Risk 3 - "The potential for disruption, monetary losses and adverse investment performance from the transfer of assets and personnel into Border to Coast Pensions Partnership Limited", the transfer of personnel had already taken place and the reference to personnel was now removed.

The residual risk score for Risk 8 - "Failure to report a breach of the law to the Pensions Regulator (TPR)" had been reduced from four to two and the risk was now considered to have reduced to a level where it can be removed from the Register, as the legal duty to report a breach to the Regulator was now embedded in the Fund's processes and highlighted in key Fund documents, including the Pension Administration Strategy.

The Risk Register had been updated for news/issues since the previous review and was attached to the report for consideration.

The report also reported any breaches of the law which required reporting to the Pensions Regulator. There were no new breaches to report since the last review on 1 February 2019.

Resolved - (a) That the updates to the Pension Fund's Risk Register be noted, and
(b) that no recommendations be made to the Pensions Committee in respect of the revised Risk Register.

176 UPDATE ON SCHEME EMPLOYER YEAR END RETURN EXERCISE 2018-19 - The Director of Corporate Resources submitted a report which gave a detailed overview of the 2018-19 year end return exercise. All scheme employers were required to submit year end returns, which included the member pay details to enable the East Riding Pension Fund to issue annual benefit statements by 31 August 2019.

The results for 2018-19 again showed an improvement from the previous year with 99.4% of scheme employers in the Fund submitting their year-end returns before the deadline compared with 96% of scheme employers in 2017-18. The number of active members receiving an annual benefit statement increased from 29,344 in 2017-18 to 31,833 in 2018-19.

The Fund was now in the process of completing the 2018-19 year end return exercise including the issue of improvement notices to those scheme employers that did not provide an accurate year end return by the statutory deadline of 30 June 2019 and notifying those active scheme members who did not receive an annual benefit statement by 31 August 2019.

Resolved - That the report be noted.

177 PENSION FUND ANNUAL REPORT AND ACCOUNTS 2018-19 - The Director of Corporate Resources submitted a report which included the final version of the Pension Fund Annual Report and Accounts for 2018-19. The accounts had been audited and an unqualified audit opinion was issued ahead of the statutory deadline of 31 July 2019.

The Pension Fund Annual Report and Accounts were approved by the Pensions Committee on 1 November 2019. Mazars, the Fund's external auditor, would now certify that their audit of the account was complete in accordance with the requirements of the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Resolved - That the report be noted.

178 UPDATE ON THE PENSION ADMINISTRATION STRATEGY - The Director of Corporate Resources submitted a report which provided details of the application of the Pension Administration Strategy (PAS) during the 2018-19 scheme year and used a number of key performance indicators outlined within the PAS to measure overall and individual employer performance. A detailed breakdown for each employer was contained within the Management Information Report and the results for 2018-19 would be used as a benchmark for future reports on employer performance.

The PAS, which was originally endorsed by the Board at its meeting on 30 June 2017, was updated in accordance with Regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013 to incorporate the changes in administration due to the phased introduction of Monthly Data Collection (MDC). The revised version was endorsed by the Board on 21 June 2019 and agreed by the Pensions Committee at its meeting on 26 July 2019. Following consultation with scheme employers the revised PAS came into force on 1 October 2019.

Resolved - That the report be noted.

179 ITEMS FOR INFORMATION - The Board was presented with the Pension Committee Minutes from 26 July and 27 September 2019 and the LAPFF Business Meeting and AGM Report from July 2019.

A query was raised regarding the provision of information on the strategic asset allocation.

Resolved - (a) That the minutes of the Pensions Committee held on 26 July and 27 September be received;

(b) that the report on the LAPFF Business Meeting and AGM held in July 2019 be received, and

(c) that information regarding the strategic asset allocation be provided to the next meeting of the Board.

180 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of Minutes 181 to 184 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.

181 PENSION FUND ANNUAL PERFORMANCE REVIEW - 2018-19 - The Director of Corporate Resource submitted a report that provided a detailed analysis of the Internal and External Managers' performance for the financial year ending 31 March 2019, including an analysis of the longer term track record.

In the year to 31 March 2019, the Fund generated a return of 6.8% compared to the strategic benchmark return of 6.4% and the PIRC Local Authority average return of 6.6%. In the three years to 31 March 2019, the Fund generated an annualised return of 10.4% compared to the strategic benchmark return of 9.7% and the PRIC Local Authority average return of 10.5%

Resolved - That the report be noted.

182 2019 FORMAL FUNDING VALUATION INITIAL RESULTS - The Director of Corporate Resources submitted a report which informed the Board that the East Riding Pension Fund's Actuary, Hymans Robertson, had produced the initial draft results for the whole Fund for the 2019 actuarial valuation and this was attached to the report for consideration. The results showed that the funding level had improved from 88% at the 2016 valuation to 109% at the 2019 valuation on the proposed funding basis. The draft results for individual scheme employers were expected towards the end of November 2019. They would then be considered by officers of the Fund and individual employer contribution rates would be issued to all scheme employers during December 2019. A review of the Funding Strategy Statement would then be undertaken including consultation with Fund employers in early 2020 to ensure that, wherever possible, scheme employers were not being faced by significant increases in their rates but, at the same, ensuring that the Fund was not exposed to any unnecessary risk. The Actuary had to prepare their rates and adjustment certificate confirming the employer contributions rates for 2020 to 2023 by 31 March 2020.

Resolved - (a) That the findings of the initial draft results for the whole Fund for the 2019 valuation be noted, and

(b) that the financial and demographic assumption set out by the Fund's Actuary be approved as the basis for the 2019 valuation.

183 SHAREHOLDER VOTING RECORDS - QUARTERS ENDED 30 JUNE 2019 AND 30 SEPTEMBER 2019 - The Director of Corporate Resources submitted a report which informed the Board of the voting record of the Internal Manager for the quarters ending 30 June 2019 and 30 September 2019.

Schroders had also provided the voting record for its discretionary equity portfolios for the quarters ending 30 June 2019 and 30 September 2019.

Border to Coast Pensions Partnership had provided its voting record for the quarters ending 30 June 2019 and 30 September 2019.

Resolved - That the report be noted.

184 UPDATE ON BORDER TO COAST PENSIONS PARTNERSHIP - The Director of Corporate Resources submitted a report which reminded the Board that the Border to Coast Pensions Partnership Limited (Border to Coast) was an alternative investment fund Manager, authorised by the Financial Conduct Authority and wholly owned by 12 Local Government Pension Scheme administering authorities which included East Riding of Yorkshire Council. Border to Coast operated investment funds for those administering authorities to invest pension fund assets, based on their strategic asset allocation.

Border to Coast held its annual conference in Leeds in October and this gave Members of the Pensions Committee and the Local Pension Board an opportunity to familiarise themselves with the still relatively new organisation.

Resolved - That the report be noted.