

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

19 JUNE 2020

PRESENT: Councillor Dennis, Julie Davey, Natasha McLaren 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).

Also in attendance: Press - 0
Public - 0

The Board met remotely.

199 APOLOGIES - An apology for absence was submitted on behalf of Mrs J Karlsen.

200 CHAIRMAN - In the absence of the Chairman, Mrs Bowen was elected Chairman for this meeting.

201 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All Members of the Board declared a non-pecuniary interest in Minutes 202 to 215 as members of the Local Government Pension Scheme. Lynda Bowen advised that she would declare a non-pecuniary interest should any issues arise relating to the Housing Association that she was previously Chairman of. Councillor Dennis declared an interest in Minute 208, as he was a member of Hedon Town Council.

202 MINUTES - Resolved - That the minutes of the meeting of the Local Pension Board held on 21 February 2020 be approved as a correct record.

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

- Schroder Investment Management Limited and Border to Coast Pensions Partnership, the Pension Fund's external investment managers
- State Street Global Services, the Pension Fund's global custodian
- the Investments Section, the Pension Fund's internal investment manager and
- the Pensions Administration section.

The conclusions of the various reports in respect of Schroder Investment Management, Border to Coast Pensions Partnership, State Street Global Services, the Investments Section and the Pensions Administration Section were that each of these managers had adequate risk controls and procedures in place.

The Investment Strategy Statement (ISS), effective from 1 April 2019, required an annual written statement from the Investment Managers that they had adhered to the principles set out in the ISS. Attached to the report were the letters of compliance with the ISS, for the financial year ended 31 March 2020, from the Director of Corporate Resources and Schroders Investment Management.

The Pension Fund's independent adviser, Rohan Worrall, will periodically provide an updated list of directorships and shareholdings. Any potential conflict of interest with the Pension Fund will be disclosed in the Investment Risk Management schedule of the relevant Quarterly report.

Members raised a number of questions, which officers responded to.

Resolved - That the report be noted.

204 MEMBER ENGAGEMENT STRATEGY - The Director of Corporate Resources submitted a report which informed the Board that since April 2019, the East Riding Pension Fund (the Fund) had developed and implemented a member self-service portal (ERPFMSS), which would allow members to access and update their details online. The development of ERPFMSS was completed in December 2019 and transferred into live during January 2020. Issues identified during live penetration testing have delayed the launch of ERPFMSS and this was now scheduled for 1 October 2020 to ensure efficiencies and cost savings were realised.

This report outlined how ERPFMSS would be implemented to achieve a minimum take up rate of 25% of the Fund membership within 5 years. The cost savings from implementing ERPFMSS were demonstrated in the initial Project Initiation Document (PID), attached as Appendix 1 to the report. The Fund had also created an ERPFMSS Project Implementation Plan (PIP) attached as Appendix 2 to the report, which contained a detailed project plan for Phase 2, attached as Appendix 3 to the report.

It was proposed that a member of the Board could be involved on the project management board.

Members raised a number of questions, which officers responded to.

Resolved - a) That having considered the strategy, the Board had no additional comments to make, and

b) that Natasha McLaren discuss representation on the project management board with Jayne Karlsen and inform the Assistant Pensions Manager who would sit on this.

205 UPDATE ON MONTHLY DATA COLLECTION - The Director of Corporate Resources submitted a report which informed the Board that since the commencement of the development of Monthly Data Collection (MDC) in October 2018, all process reviews and procedures had now been created and tested. This had allowed a number of scheme employers to start providing data on a monthly basis to the East Riding Pension Fund (the Fund).

Academies that were part of the Hull Collaborative Academies Trust (HCAT) started submitting a live MDC return from 1 April 2019 and were now the first group of scheme employers to be in the position where the Fund could issue Annual Benefit Statements to their members ahead of the 31 August deadline. In total, 37 scheme employers had benefitted from not having to submit a year end return for the 2019/2020 scheme year by providing monthly data.

As at 1 April 2020, 64 employers were live with MDC. It was the intention that MDC would be mandatory for all scheme employers from 1 April 2021.

Resolved - That the report be noted.

206 THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2020 - The Director of Corporate Resources submitted a report which informed the Board that following the partial response to the consultation paper entitled “Changes to the Local Valuation Cycle and the Management of Employer Risk” by the Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Pension Scheme (LGPS) (Amendment) Regulations 2020 came into force on 20 March 2020.

The partial response, attached at Appendix 2 to the report, covered the proposals for changes to the rules on exit credits only. MHCLG would submit a further response to the other proposals covered by this consultation in due course.

The regulations, which have effect from 14 May 2018, were amended so that:

- Administering authorities may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations.
- The period within which an exit credit must be paid is increased from three months to six months.
- Any exit credits shall only be due if the administering authority exercises its discretion to pay them.
- The Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the internal dispute resolution process.
- Administering authorities should set out their exit credit policy in their Funding Strategy Statement.

The report summarised the amendments that were made to the LGPS regulations and how the East Riding Pension Fund (the Fund) proposed to manage these changes. A draft revised Funding Strategy Statement (FSS) was attached at Appendix 3 to the report for the Board to consider and make recommendations regarding the content.

Members raised a number of questions which officers responded to.

Resolved - That having considered the report, no recommendations be made.

207 FREQUENCY OF LOCAL PENSION BOARD MEETINGS WITHIN THE BORDER TO COAST GROUP - The Director of Corporate Resources submitted a report which informed the Board that following the request of the Board at the meeting held on 21 February 2020, information regarding the frequency and agenda topics covered by other Local Pension Boards within the Border to Coast Pension Partnership (Border to Coast) had been prepared and was attached as Appendix 1 to the report. The Board were asked to review the findings and advise on whether it would like to make changes to the frequency and agenda items covered for future Board meetings. The Board’s work plan for 2020 was attached as Appendix 2 to the report for information.

The Board discussed the frequency of the meetings and were reassured that they did cover the required topics over the three meetings, however there was a view that holding four shorter meeting per year may be beneficial, with the possibility of one of the meetings being held remotely.

The frequency of the Pensions Committee meetings was also under review and details were provided on this.

- Resolved** - a) That the Board hold four meetings per year in the future, and
- b) that the following items be added to the annual work programme:
- The Pensions Regulator data scoring and data improvement plans.
 - An update on administration performance and key performance indicators.
 - A review of Internal Disputes Resolution Procedure and Ombudsman cases.
 - A review of compliments and complaints.

208 ACTUARIAL VALUATION AS AT 31 MARCH 2019 - The Director of Corporate Resources submitted a report which provided the final report of the actuarial valuation of the East Riding Pension Fund (the Fund) as at 31 March 2019. It confirmed the initial draft results of the 2019 actuarial valuation which were presented to the Pensions Committee and the Local Pension Board on 1 November 2019 and subsequently issued to scheme employers during December 2019.

The scheme employer contribution rates for 2020-23 had been set and confirmed by the Fund's actuary, Hymans Robertson, in the Rates and Adjustments certificate section of the 2019 Actuarial Valuation Report. The Report was issued to all scheme employers on 31 March 2020 and published on the East Riding Pension Fund website www.erpf.org.uk.

Resolved - That the report be noted.

209 DRAFT ANNUAL REPORT OF THE LOCAL PENSION BOARD - The Director of Corporate Resources submitted a report which reminded the Board that East Riding of Yorkshire Council, as administering authority with prime responsibility for establishing the East Riding Pension Fund Local Pension Board (the Board), considered it appropriate and consistent with good governance for the Board to produce an annual report for inclusion in the East Riding Pension Fund (the Fund) Annual Report and Accounts for 2019/20.

The reporting requirements were for the Board and the Fund to determine. In order to help members consider these requirements, a draft annual report was attached as Appendix 1 to the report.

Resolved - That the format and content of the annual report for inclusion in the Fund Annual Report and Accounts for 2019-20 be approved, subject to any further comments from the Chairman.

210 COMMUNICATIONS POLICY - The Board received a verbal update on the communications policy.

Resolved - That the update to the communications policy be noted.

211 PENSION FUND RISK REGISTER REVIEW - The Board received a verbal update on the Pension Fund Risk Register review. Details were given on the risk areas.

Members raised a number of questions, which officers responded to.

Resolved - That the update to the Pension Fund Risk Register be noted.

212 ITEMS FOR INFORMATION - The Board was presented with the Pensions Committee minutes from 13 March and 7 May 2020.

Resolved - That the minutes of the Pensions Committee held on 13 March and 7 May 2020 be received.

213 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of the following items (Minutes 214 and 215) on the grounds that it is 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 this decision, the Board confirmed that having regard to all the circumstances it was satisfied the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

214 CORPORATE GOVERNANCE AND VOTING RECORDS - QUARTER ENDED 31 MARCH 2020 - The Director of Corporate Resources submitted a report that informed the Board of the voting record of the internal and external investment managers for the quarter ended 31 March 2020.

Of the 24 proposals voted, the internal manager voted in accordance with the UK Corporate Governance Code on 100% of occasions.

Schroders Investment Management had provided the voting record for its discretionary equity portfolios for the quarter ended 31 March 2020. Of the 169 proposals voted, the manager voted in accordance with its stated policy on 92.3% of occasions.

Border to Coast Pensions Partnership (Border to Coast) had provided its voting record for the quarter ended 31 March 2020. Of the 878 proposals voted, the manager voted in accordance with its stated policy on 100% of occasions.

Resolved - That the report be noted.

215 UPDATE ON BORDER TO COAST PENSIONS PARTNERSHIP - The Director of Corporate Resources submitted a report which informed the Board that the latest governance timeline for the development of new sub-funds showed that the next funds to be launched would be Index Linked Gilts in July followed by Multi-Asset Credit and Emerging Markets equities hybrid in November. The Pension Fund had already committed to the Multi Asset Credit sub-fund and had also made an initial investment in the Emerging Market sub-fund. In the medium term further sub-funds, covering Equities, Fixed Income and Alternatives would be considered depending on demand from partner funds. The scheduled launch of some of the Fixed Income sub-funds remained somewhat uncertain although the Investment Grade Credit sub fund was launched in February. Delays in other fixed income sub-funds could create timing issues for the East Riding

Pension Fund (ERPF) and the Pensions Committee would need to consider alternative investment management arrangements for the internally managed portfolios in the medium term.

Border to Coast's Strategic Business Plan 2020-2022 had been prepared in accordance with the Shareholder Agreement and had received the required approvals. The budget and operating charge contained within the Plan were comparable with the levels indicated to shareholders in 2019.

Border to Coast had appointed three new members of its Board – Andrew November, Councillor John Holtby and Councillor Jeffrey Watson. Two existing non-executive directors, Enid Rowlands and Sue Ellis, had also announced their decision to retire from the Board. The required Shareholder Resolution was completed and returned by the Head of Finance, as authorised, to confirm the new appointments

Resolved - That the report be noted.

216 RETIREMENT - The Board noted that this would be the last meeting for Kevin Dervey, Head of Investments. The Board placed on record their thanks to Kevin for all his service to the East Riding Pension Fund over the years.