

# EAST RIDING OF YORKSHIRE COUNCIL

## LOCAL PENSION BOARD

21 MAY 2021

**PRESENT:** Guy Lonsdale (Chairman), Lynda Bowen, Jayne Karlsen, Natasha McLaren and Councillor J Holtby.

**Officers Present:** Benita Boyes (Head of Internal Audit), Julian Neilson (Head of Finance), Graham Ferry (Pensions Manager), Tom Morrison (Head of Investments) and Liz Vollans (Pensions Manager).

The remote meeting took place via video conference (Zoom) and was streamed live to the Council's Committee Meetings YouTube channel: <https://www.youtube.com/channel/UCR6ExCx8bLOJUyRfmClIMeQ>

**1/21 APOLOGIES** - There were no apologies for absence.

**2/21 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST** - Councillor Holtby declared an interest in that he was a Non-Executive Director of Border to Coast Pensions Partnership Limited.

**3/21 MINUTES - Resolved** - That the minutes of the meeting of the Local Pension Board held on 26 February 2021 be approved as a correct record.

**4/21 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:

- Schroders 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, and the Pensions Administration Section were that each of these managers had adequate risk controls and procedures in place. The report on the Investments Section was not included in the report but had been circulated to members of the Local Pension Board (the Board) before the meeting.

The Investments Section, Schroders and Border to Coast had provided statements to say they had adhered to the principles set out in the Fund's Investment Strategy Statement.

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

The Head of Investments highlighted key points in the report in relation to Border to Coast's internal control report, which noted that three controls had not operated properly during 2020. These controls had been addressed and were working appropriately by the end of 2020. Officers had reviewed the report and considered the issues to be minor, and were comfortable with the position.

Attention was also drawn to the Pension Fund's custodian State Street Global Services, whose role it was to safeguard the assets, collect income from assets and advise on any corporate actions. The controls reports were received two days before this meeting, and stated that the control arrangements for the year to 31 March 2021 had been effective.

The Head of Internal Audit reported that, in accordance with the Council's internal audit plan for 2020/21, SWAP Internal Audit Partnership, the Council's internal audit service provider, reviewed the operation of the Investments and Pensions Administration sections to ensure that there were adequate controls and procedures in place. Attention was drawn to key points of the reports in terms of the change in format and style and the findings. In common with many Council services, there had been additional Covid related challenges in the last year, which accelerated the Investments team move from a manual office based system to electronic.

It was queried if it was the best time of year for the Board to consider the reports and if the Border to Coast controls report had already been considered by Border to Coast Pension Partnership. It was confirmed that the report had been considered by the Border to Coast Board, but the Joint Committee had last met in March and the report had been produced since then.

The Board welcomed comments about capacity in the Pension Investments report and recognised the huge workload of the Pensions Administration team. Over the last few years there had been an increase on demand on the team and work was underway to deal with these resources issues, which had been exacerbated as a result of Coronavirus.

The Head of Internal Audit described how each finding was assigned with one of the following priorities, reflecting their level of importance:

- Priority 1 - action required immediately.
- Priority 2 - action looked at over three to six months.
- Priority 3 - action to be taken within a year.

Confirmation was provided on State Street, as custodian of shareholdings, had legal responsibilities in respect of investments to ensure legal rights were retained and eligibility relating to were received by the Fund.

The Head of Internal Audit confirmed that resilience was considered in both reviews. Further work was required to look into whether all operational controls were in place right up to the year end. The review also the complex landscape and interdependences and future reviews would look at process mapping.

**Resolved** - That the Board notes the report.

**5/21 REVIEW OF INTERNAL DISPUTE RESOLUTION PROCEDURE CASES, COMPLAINTS AND COMPLIMENTS** - The Director of Corporate Resources submitted a report, to brief the East Riding Pension Fund Local Pension Board (the Board) on the East Riding Pension Fund's (the Fund) procedure for dealing with complaints. Scheme members who were dissatisfied with decisions made by the East Riding of Yorkshire Council (the Council), as the

administering authority for the Fund, or their scheme employer had the right to make a complaint under the Fund's Internal Dispute Resolution Procedure (IDRP). Details of the procedure and time-scales were attached at Appendix 1 of the report.

The report also provided the Board with a summary of the outcomes of the IDRP Stage 2 applications that had been received by the Fund in the last five years, together with details of the number of complaints and compliments received by the Fund through the Council's feedback procedure "Tell Us How It Is" during the same period.

A discussion took place about training Board members on the McCloud judgment. It was reported that the impact of the McCloud judgement on the workloads of the Pensions section was being proactively monitored.

**Resolved** - That the Board notes the report

**6/21 THE PENSIONS REGULATOR DATA SCORING AND DATA IMPROVEMENT PLAN** - The Pensions Regulator's guidance required that pension schemes should continually review their data and carry out a data review exercise at least annually. Where a review of the pension scheme's data identifies incorrect or missing data, the scheme should put in place a data improvement plan to address these issues.

The data score was the percentage of members in the scheme that had full and accurate data. As at October 2020, the Fund had a data score of 99% for common data and 93% for scheme specific data.

The Data and Employer Governance Team was in the process of developing a Data Improvement Plan, which would set out clear objectives to achieve ongoing data improvement. The draft Data Improvement Plan would be brought to the Board meeting on 5 November 2021 for review and comment.

**Resolved** - That the Board notes the report

**7/21 ANNUAL REPORT OF THE LOCAL PENSION BOARD 2020-21** - 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 2020/21.

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

A discussion took place about reporting on the training undertaken by Board members. Individual records were kept on training undertaken by Board members, but this not disclosed publically within the annual report. It was suggested that the report should include assurance that an assessment of Board members' skills to carry out their roles had been undertaken and it was proposed that a review of the content of other Local Pension Boards' annual reports be undertaken.

**Resolved** - (a) That the Board approves the format and content of the annual report for inclusion in the Fund Annual Report and Accounts for 2020-21, and

(b) that a review be undertaken to compare the content of the annual report to those of other Local Pension Boards.

**8/21 TRAINING STRATEGY AND PROGRAMME** - The Director of Corporate Resources submitted a report, which set out a training strategy for the East Riding Pension Fund (the Fund), applying to both members of the Pensions Committee and the Local Pension Board (the Board).

East Riding of Yorkshire Council, as administering authority, recognised the importance of training of the Pensions Committee and Local Pension Board members in relation to pension matters. In recent years, the Chartered Institute of Public Finance and Accountancy (CIPFA) had developed a framework covering the knowledge and skills requirements for Pensions Committee and Local Pension Board members. The Fund considered it appropriate and consistent with good governance to establish a training strategy and produce an annual training programme.

The training strategy, attached at Appendix 1, and the training programme, both attached at Appendix 2, of the report, were approved by the Pensions Committee at its meeting on 30 April 2021.

**Resolved** - That the Board notes the training strategy and training programme for 2021/22.

**9/21 PENSION FUND RISK REGISTER** - The Pension Fund Risk Register was updated twice a year. Board members were given the opportunity to raise anything on the risks. Attention was drawn to the McCloud judgment and what was being undertaken to prepare for this by monitoring and ensuring that the systems were in place to support the outcomes of McCloud. There had been a written Ministerial statement confirming key elements of the scheme, however, a formal response was expected later in 2021. Quarterly reviews on active membership had been carried out, with no concerns highlighted. A record of quarterly reviews were retained for audit purposes, which related to membership and contributions coming into the fund. A review had also been carried out on the flexibilities that would help employers manage their scheme liabilities on exiting the Local Government Pension Scheme. The current funding strategy statement was found to have adequate securities and helped manage the risk well. The Good Governance Project was underway with discussions taking place with Hymans to prepare. Consideration was being given to staff in the Pensions Administration team returning to the workplace and how this would be managed.

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

**10/21 PENSIONS COMMITTEE MINUTES - ITEMS FOR INFORMATION** - The minutes of the Pensions Committee on 12 March and 30 April 2021 were submitted for information.

**Resolved** - That the minutes of the Pensions Committee meetings held on 12 March and 30 April 2021 be received.

**11/21 EXCLUSION OF THE PRESS AND PUBLIC - Resolved** - That the press and public be excluded from the meeting for consideration of the following items (minutes 12/21 and 13/21) 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 this 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.

**12/21 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE** - The Director of Corporate Resources submitted a report, which reminded the Board that Border to Coast was an investment fund manager wholly owned by eleven Local Government Pension Scheme (LGPS) administering authorities including East Riding of Yorkshire Council. The company operates investment funds for these administering authorities to invest pension fund assets, based on their strategic asset allocation.

The Board was provided an update on the East Riding Pension Fund's assets, which were managed by Border to Coast.

**Resolved** - That the report be noted.

**13/21 RE-ELECTION OF BOARD MEMBERS** - Members of the Board were informed that the recruitment to the current Board vacancy had been unsuccessful and a further advertising campaign to encourage expressions of interest from unions and employers would be undertaken. Three Board members were approaching an end to their terms of office and they would need to consider if they wished for this to be extended.

A discussion also took place about the venue for the next meeting of the Local Pension Board, which was taking place on Friday, 10 September 2021 at 2.00 pm. There were a number of options, depending on the restrictions that might still be in place as a result of Covid-19.

**Resolved** - That the update be noted.