

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

22 FEBRUARY 2019

PRESENT: Guy Lonsdale (Chairman), Councillor A Burton, Julie Davey, Jayne Karlsen and Natasha McLaren.

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 at Goole Leisure Centre.

139 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All members of the Board declared a non-pecuniary interest in Minutes 141 to 153 as members of the Local Government Pension Scheme.

140 MINUTES - Resolved - That the minutes of the Local Pension Board held on 2 November 2018 be approved as a correct record.

141 REVIEW OF THE FUNDS INVESTMENT STRATEGY STATEMENT - The Director of Corporate Resources submitted a report that informed the Board that an Investment Strategy Statement (ISS) was required to be published and should be reviewed at least every three years or where there was a material change. The current ISS was reviewed by the Local Pension Board on 23 February 2018 and was formally approved by the Pensions Committee on 16 March 2018. There were a number of potential revisions to be reviewed by the Local Pension Board and the Pensions Committee. These updated the Fund's corporate governance and voting Policies, as well as a review of the Fund's statement of investment beliefs.

The Pensions Committee would consider the revised ISS for approval at its meeting on 15 March 2019.

Resolved - That the potential revisions to the Investment Strategy Statement be noted.

142 REVIEW OF THE GOVERNANCE POLICY STATEMENT - The Director of Corporate Resources submitted a report which sets out the Pension Fund's Governance Policy Statement which will be reviewed by the Pensions Committee at its meeting on 15 March 2019. The Local Government Pension Scheme Regulations 2013 (regulation 55), as amended by Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, required the administering authority to publish a Governance Policy Statement and specified what should be included in the statement. The statement and evidence of compliance, published in accordance with the "Governance Compliance Statement Statutory Guidance - November 2008", were reviewed annually to ensure compliance with the regulations.

Resolved - (a) That the Governance Policy Statement and evidence of compliance be noted, and

(b) that no further recommendations be made to the Pensions Committee in respect of the proposed Governance Policy Statement.

143 REVIEW OF THE COMMUNICATIONS POLICY - The Director of Corporate Resources submitted a report which informed the Board that the Local Government Pension Scheme Regulations (LGPS) 2013 stated that administering authorities must prepare, maintain and publish a written statement of policy detailing how they communicate with members, representatives of members, prospective members and scheme employers.

The Policy should pay particular regard to:

- The provision of information and publicity;
- The format, frequency and method of delivery;
- The promotion of the scheme.

The report contained a draft revised policy and covered the communication activities of the East Riding Pension Fund and the ongoing development of digital services and communications.

Resolved - That the updated communications policy be noted.

144 PENSION FUND RISK REGISTER - The Director of Corporate Resources submitted a report that presented a six monthly review of the Pension Fund's Risk Register. No new strategic risk areas had been identified during this latest review. There had been reductions to the scoring of two risks since the last review. The inherent and residual risk scores for Risk 2 (Securities Lending activities) had been reduced to 6 and 4 respectively due to the reduced level of activity by the internal manager following the transfer of the equity portfolios to Border to Coast Pension Partnership (BCPP). Due to the low risk rating, this risk was no longer considered to be a key strategic risk to the East Riding Pension Fund and it was agreed by the Pensions Committee at its meeting on 1 February 2019 that this risk be removed from the risk register.

The inherent and residual risk scores for Risk 4 (the potential for disruption, monetary losses, and adverse investment performance from the transfer of assets and personnel in the BCPP) had been reduced to 12 and 8 respectively following the successful transfer of the internally managed equity holdings with no significant issues arising.

The Risk Register would continue to be reviewed and reported to the Pensions Committee and Local Pension Board every six months.

Resolved - (a) That the updates to the Pension Fund Risk Register be noted, and

(b) that no recommendations be made to the Pensions Committee in respect of the revised Risk Register.

145 2019 ACTUARIAL VALUATION - The Director of Corporate Resources submitted a report which informed the Board that the Local Government Pension Scheme (LGPS) Regulations 2013 required an administering authority to obtain an actuarial valuation of the assets and liabilities of its Pension Fund every three years. To meet those requirements, the East Riding Pension Fund (the Fund) had started preparations for the 2019 actuarial valuation with scheme employers earlier than in previous valuations to ensure the Fund had greater awareness of the individual circumstances of scheme employers.

A training session on the 2019 actuarial valuation by the Fund's Actuary was held for members of the East Riding Pension Fund Local Pension Board, the Pensions Committee and representatives of scheme employers on 22 February 2019.

The report set out the timetable for the 2019 actuarial valuation and the Board were asked to comment on appropriate methods of communicating the importance of the 2019 actuarial valuation to scheme employers to encourage the submission of accurate year end returns by 14 June 2019.

Resolved - That the report be noted.

146 UPDATE ON THE GUARANTEED MINIMUM PENSION RECONCILIATION PROJECT - The Director of Corporate Resources submitted a report that provided an update on the Guaranteed Minimum Pension (GMP) reconciliation exercise which was a national project comparing the GMP information recorded at pension schemes with that held by Her Majesty's Revenue and Customs (HMRC). The reconciliation exercise aimed to agree the contracted out liabilities held by the East Riding Pension Fund (the Fund) with those held by HMRC to identify and resolve any discrepancies between the two sets of data, so that the Fund could be confident that the scheme records matched HMRC records and that the correct level of pension was paid. The report set out the progress to date made by the Fund and detailed the number of queries made to date with HMRC.

Resolved - That the report be noted.

147 REGULATIONS UPDATE - The Director of Corporate Resources submitted a report which informed the Board that there had been considerable activity with regard to changes in the Local Government Pension Scheme (LGPS) recently with the issue of new Regulations, proposed changes to benefits and the New Fair Deal consultation.

The Local Government Pension Scheme (LGPS) (Miscellaneous Amendment) Regulations 2018 came into force on 10 January 2019 to allow deferred members of the 1995 LGPS to be able to access their benefits without their employer's consent from age 55 and to provide survivors of registered civil partnerships or same sex marriages with benefits that replicate the benefits provided to widows. Administering authorities had been informed of the recommendations arising from the cost management process undertaken by the Local Government Pension Scheme Advisory Board (SAB) and that there would be a consultation on these proposals including:

- To remove Tier 3 of Ill Health.
- A minimum lump sum Death in Service benefit of £75,000 per member.
- Amendments to the contribution bands for 2019-20.

The SAB had consequently informed administering authorities that proposals were now on hold following a recent Court Judgement.

The Ministry for Housing, Communities and Local Government (MHCLG) had issued a consultation on the proposed amendments to the LGPS that were intended to implement the New Fair Deal policy protecting the pensions position of local government workers who were compulsory transferred as part of outsourcing arrangements. The closing date for responses to the consultation was 4 April 2019.

The Fund had issued an employer bulletin to all scheme employers with details of the new regulations, the SAB recommendations and the MHCLG consultation on New Fair Deal.

Resolved - That the report be noted.

148 CIPFA PENSIONS ADMINISTRATION BENCHMARKING CLUB 2018 - The Director of Corporate Resources submitted a report which informed the Board of the East Riding Pension Fund's (the Fund) performance in the 2018 Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration benchmarking club which compared the administration performance of the Fund in 2017-18 with other Local Government Pension Scheme (LGPS) funds.

The two key performance benchmarks were the cost of administering the LGPS per member and the annual cost of employing a full-time equivalent member of staff to administer the LGPS. As in previous years, the Fund achieved lower costs than the group average for both benchmarks and an executive summary of the Fund's performance in the benchmarking club was contained within the report.

Resolved - That the report be noted.

149 LGPS PENSION MANAGER'S CONFERENCE 2018 - The Director of Corporate Resources submitted a report that summarised the key messages from the Local Government Pension Scheme (LGPS) Pension Managers Conference. The two main themes were data quality and scheme employers with an emphasis on LGPS funds having data improvement plans in place. The East Riding Pension Fund was currently undertaking several projects which required data cleansing and an improvement plan had been drafted to ensure a high level of data quality.

The conference was held in November 2018 and was attended by representatives from 46 LGPS funds. There were also representatives from the actuarial, insurance and legal professions as well as IT software providers.

Resolved - That the report be noted.

150 ITEMS FOR INFORMATION - The Board were presented with the Pension Committee Minutes from 2 November 2018, 14 December 2018 and 1 February 2019 and the LAPFF Business Meeting reports from October 2018 and January 2019.

Resolved - (a) That the minutes of the Pensions Committee held on 2 November 2018, 14 December 2018 and 1 February 2019 be received, and

(b) that the reports on the LAPFF Business Meetings held in October 2018 and January 2019 be noted.

151 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of Minutes 152 and 153 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. In making its decision the Board confirmed having regard to all the circumstances it was satisfied that the public interest in maintaining the exemption outweighed the public in disclosing the information.

152 SHAREHOLDER VOTING RECORDS - QUARTER ENDED 31 DECEMBER 2018 - The Director of Corporate Resources submitted a report that informed the Committee of

the voting record of the internal and external investment managers for the quarter ended 31 December 2018.

Of the 74 proposals voted, the internal manager voted in accordance with the UK Corporate Governance Code on 100% of occasions.

Schroder Investment Management had provided a voting record for its discretionary equity portfolios for the quarter ended 31 December 2018. Of the 27 proposals voted, the manager voted in accordance with its stated policy on 100% of occasions.

Border to Coast Pension Partnership had provided its voting record for the quarter ended 31 December 2018. Of the 586 proposals voted, the manager voted in accordance with its stated policy on 100% of occasions.

Resolved - That the report be noted.

153 UPDATE ON BORDER TO COAST PENSIONS PARTNERSHIP - The Director of Corporate Resources submitted a report which informed the Board that Border to Coast Pensions Partnership Limited was an alternative investment fund manager, authorised by the Financial Conduct Authority (FCA) and wholly owned by 12 Local Government Pension Scheme (LGPS) administering authorities, which included the East Riding of Yorkshire Council. Border to Coast operated investment funds for these administering authorities to invest pension fund assets, based on their strategic asset allocation. The assets under management across the 12 partner funds total approximately £46 billion, based on asset values as at 31 March 2018.

On 21 November 2018, the Border to Coast Pensions Partnership Joint Committee approved a report which outlined its investment proposition and process in respect of Alternative investment classes e.g. Private Equity, Infrastructure, etc. Partner funds had been asked to provide an annual monetary commitment to each asset class as well as an indicative three to five year view to enable resource planning. At its meeting on 1 February 2019 the East Riding Pensions Committee agreed that Border to Coast was given indicative levels of investment for the next five financial years of £25-£35m per annum for Private Equity and £20- £30m per annum for both Infrastructure and Multi Asset Credit.

Border to Coast had circulated its Strategic Business Plan 2019-21, which was attached to the report, for shareholder approval, and this had been completed by the Head of Finance as authorised. The budget and operating charge contained within the plan were comparable with the levels indicated to shareholders in 2018.

Resolved - That the report be noted.