

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

22 JUNE 2018

PRESENT: Councillor A Burton (in the Chair), Guy Lonsdale, Julie Davey and Martin Eaden.

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

Also in attendance: Press - 0
Public - 0

The Board met at Goole Leisure Centre.

108 APOLOGIES FOR ABSENCE - Apologies for absence were submitted on behalf of Caroline Bell and Natasha McLaren.

109 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All Board members declared a non-pecuniary interest in Minutes 111 to 122 as either members of the Local Government Pension Scheme or in receipt of a Local Government Pension.

110 MINUTES - Resolved - That the minutes of the Local Pension Board held on 23 February 2018 be approved as a correct record.

111 RE-ELECTION OF BOARD MEMBERS - The Director of Corporate Resources submitted a report that informed the Board that the Terms of Reference required members of the Board to serve for three years. As members may seek a nomination for a further term, the report sets out the process for re-election should members of the Board wish to seek a nomination for a further term. The Board was now requested to agree the process for the re-election of employer representatives and scheme member representatives and the number of times a member may seek re-election. The Board were reminded of the composition of the membership and were asked to inform the Pensions Manager by 31 July 2018 whether they wished to seek a nomination for a further term of three years.

Resolved - (a) That the process for the re-election of employer representatives and scheme member representatives be agreed, and

(b) that further consideration be given to the number of times a member may seek re-election.

112 REVIEW OF INTERNAL CONTROLS AND ASSURANCE REPORTS - The Director of Corporate Resources submitted a report that 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;
- the Investments Section, the Pension Fund's internal investment manager; and
- the Pensions Administration section.

The conclusions of the reports were that each of these managers had adequate risk controls and procedures in place. The Investment Strategy Statement (ISS) effective from 1 April 2017 required an annual written statement from the Investment Managers that they had adhered to the principles as set out in the ISS. Attached to the report were the letters of compliance with the ISS, for the financial year ended 31 March 2018, from the Director of Corporate Resources and Schroder Investment Management. The Pension Fund's independent adviser would periodically provide an updated list of directorships and shareholding. Any potential conflict of interest with the Pension Fund would be disclosed in the Investment Risk Management schedule for the relevant Quarterly report.

Resolved - That the report be noted.

113 UPDATE ON PENSION ADMINISTRATION STRATEGY - The Director of Corporate Resources submitted a report which provided an update on the Pension Administration Strategy (PAS) which was endorsed by the Board at its meeting on 30 June 2017. The PAS was drafted in accordance with Regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013 and agreed by the Pensions Committee at its meeting on 29 September 2017, and following consultation with scheme employers, came into force on 1 January 2018. The scheme employer performance statistics would be reviewed for Quarter one during July 2018 and an update would be provided to the Board at its meeting on 2 November 2018. The update would include details of any instances of scheme employers having been issued with an improvement notice or having had a fine levied.

Resolved - That the report be noted.

114 THE LGPS (AMENDMENT) REGULATIONS 2018 - The Director of Corporate Resources submitted a report that informed the Board that following the consultation opened in May 2016 by the Department for Communities and Local Government (DCLG) (now the Ministry for Housing Communities and Local Government (MHCLG)), the Local Government Pension Scheme (LGPS) (Amendments) Regulation 2018 were issued on 19 April 2018. The regulations made amendments to LGPS 2014 with a number of provisions having effect from 1 April 2014.

The report detailed the key changes in the regulations compared to the initial proposals issued by DCLG in May 2016. The new policy changes included the introduction of exit credits and the right for deferred members under earlier regulations to draw their benefits from age 55 without requiring their former employer's consent. However, there were key proposals including the New Fair Deal and freedom and choice for AVC Funds that did not proceed.

Resolved - That the report be noted.

115 UPDATE ON ERPF ONLINE SERVICES FOR SCHEME EMPLOYERS - The Director of Corporate Resources submitted a report that informed the Board that since 1 April 2018, ERPF online services had been the primary method of communication and scheme member data transfer between East Riding Pension Fund and the scheme employers. Using ERPF online services ensured that the Fund was compliant with the General Data Protection Regulation (GDPR) by providing scheme employers with a secure platform to exchange scheme member data. Following the roll out of ERPF online services to all employers, the Fund no longer accepted emails or paper forms as a method of communication. Of the 291 scheme employers active in the Fund as at 1 April 2018, only 14 had not signed up for an account.

Resolved - That the report be noted.

116 SCHEME EMPLOYER END YEAR RETURN EXERCISE 2017-18 - The Director of Corporate Resources submitted a report that detailed the progress to date of the 2017-18 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.

Resolved - That the report be noted.

117 COMPLIANCE WITH THE GENERAL DATA PROTECTION REGULATION (GDPR) - The Director of Corporate Resources submitted a report that informed the Board that the Data Protection Act 2018 directly replaced the existing Data Protection Act 1998 on 25 May 2018 to take account of a new European Union Regulation, the General Data Protection Regulation (GDPR). The legislation brought in a number of changes which needed to be considered to ensure the East Riding Pension Fund was compliant from 25 May 2018. The report set out the changes that the Fund had made to ensure compliance with the GDPR including the issue of a memorandum of understanding to the scheme employers and the updating of the Fund's Information Asset Register and Data Retention Schedule. The report also highlighted further changes that were required to ensure the Fund's procedures relating to data processing were compliant including the ongoing development of the ERPF online services to make the transfer of all personal data easier and more secure.

Resolved - That the report be noted.

118 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 is 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 2017/18. 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 to the report to inform discussion. Members gave consideration to the report and agreed with its contents.

Resolved - That the draft annual report of the Local Pension Board be approved for inclusion in the Pension Fund Annual Report and Accounts for 2017/18.

119 ITEMS FOR INFORMATION - The Board were presented with the Pension Committee minutes from 16 March and 4 May 2018 and a report of the LAPFF business meeting held in March 2018. Some concern was expressed about the lack of attendance by the Unitary Authority Representatives on the Pensions Committee. This had previously been raised and a letter had gone to those authorities to encourage attendance.

Resolved - (a) That the minutes of the Pensions Committee held on 16 March and 4 May 2018 be received, and

(b) that the report on the LAPFF business meeting held in March 2018 be received.

120 EXCLUSION OF THE PRESS AND PUBLIC - **Resolved** - That the press and public be excluded from the meeting for a consideration of Minutes 121 and 122 on the grounds

that they are likely to involve the 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.

121 SHAREHOLDERS VOTING RECORDS - QUARTER ENDED 31 MARCH 2018 - The Director of Corporate Resources submitted a report which informed the Board of the voting records of the internal and external investment managers for the quarter ended 31 March 2018. Of the 364 proposals voted, the internal manager voted in accordance with the UK Corporate Governance Code on 98.6% of occasions.

Schroders had provided the voting record for their discretionary equity portfolios for the quarter ended 31 March 2018. Of the 221 proposals voted the manager voted in accordance with its stated policy on 96.7% of occasions.

Resolved - That the report be noted.

122 UPDATE ON BORDER TO COAST PENSIONS PARTNERSHIP - The Director of Corporate Resources submitted a report which reminded the Board that the new LGPS Investment Regulations 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 Pensions Partnership. Following further information and clarification, the Financial Conduct Authority (FCA) had approved Border to Coast as an Alternative Investment Fund Manager (AIFM). This removed an element of the uncertainty around “go live”. The implementation plan was running slightly behind schedule but was still targeted a go live date of 2 July 2018. Protected implementation costs remained in line with the revised budget. It was anticipated that the transfer of fund assets to Border to Coast would take place ahead of the next Pensions Committee meeting and therefore the Committee had authorised the Director of Corporate Resources to approve the transfer of fund assets to Border to Coast, in consultation with the Chair of the Pensions Committee. Following the TUPE transfer of Investments staff, an Investment Advisory Agreement (IAA) with Border to Coast was required to allow them to provide investment advice on the assets retained by the Fund until transition was complete, and this needed to be finalised before the “go live” date. The Pension Committee had authorised the Director of Corporate Resources to finalise the approval and execution of the IAA.

Resolved - That the report be noted.