

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

26 FEBRUARY 2016

PRESENT: Brendan Arnold (in the Chair), Caroline Bell, Councillor A Burton, Julie Davey, Martin Eaden and Natasha Halsall.

Also in attendance: Caroline Lacey (Director of Corporate Resources), Julian Neilson (Interim Head of Finance), Graham Ferry (Pensions Manager) and Mark Lyon (Head of Investments).

Also in attendance: Press - 0
Public - 0

The Board met at Goole Leisure Centre.

14 DECLARATION OF PECUNIARY AND NON PECUNIARY INTERESTS -

All members of the Board declared an interest in Minutes 16-23 as either members of the Local Government Pension Scheme or a recipient of a local government pension.

15 MINUTES - Resolved - That the minutes of the Local Pension Board held on 2 October 2015 be approved as a correct record.

16 REVIEW OF THE EAST RIDING PENSION FUNDS STATEMENT OF INVESTMENT PRINCIPLES -

The Director of Corporate Resources submitted a report which sets out the Fund's current Statement of Investment Principles (SIP), as approved by the Pensions Committee at its meeting on 20 March 2015, that was in effect for the year ended 31 March 2016, its compliance with the Myners' Principles 2008, as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and Statement of Compliance with the Financial Reporting Councils (FRC) UK Stewardship Code for Institutional Investors, as approved by the Pensions Committee at its meeting on 20 March 2015, and the Pension Fund Investment Managers Compliance with the SIP.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 required the administering authority to prepare, maintain and publish a written Statement of the Investment Principles (SIP) governing their policy on investments. The SIP must state the extent to which the Administering Authority complies with guidance given by the Secretary of State.

Members raised a number of questions regarding the Statement of Investment Principles which the Head of Investments responded to.

Resolved - (a) That the Pension Fund's current Statement of Investment Principles, its compliance with the Myners' Principles 2008, its Statement of Compliance with the UK Stewardship for Code of Institutional Investors, and the Pension Fund Investment Managers compliance with the SIP be noted, and

(b) that no amendments be proposed to the Statement of Investment Principles.

17 REVIEW OF THE GOVERNANCE POLICY STATEMENT - The Director of Corporate Resources submitted a report which set out the Pension Fund's current Governance Policy Statement, which was approved by the Pensions Committee at its meeting on 20 March 2015 along with proposed amendments to reflect changes in regulations and guidance.

The Local Government Pension Scheme Regulations 2013 (Regulation 55) 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 were reviewed annually to ensure compliance with the regulations.

The current Pension Fund Policy Statement was attached to the report along with evidence of compliance. The revised Governance Policy Statement and evidence of compliance would be reviewed by the Pensions Committee at its meeting on 18 March 2016.

Members raised some questions regarding representation of scheme members and pensioners interests on the Pensions Committee, which the Director of Corporate Resources responded to.

Resolved - (a) That the Pension Fund's Governance Policy Statement and evidence of compliance be noted;

(b) that no recommendations be made to the Pensions Committee in respect of the Governance Policy Statement, and

(c) that the Pension Committee be requested to write to the Unitary Authorities and Unions represented on the Pensions Committee to encourage attendance at the committee meetings.

18 REVIEW OF EMPLOYERS' PERFORMANCE - The Director of Corporate Resources submitted a report which informed the Board that the East Riding Pension Fund as at 31 December 2015 had 236 employers actively providing data and a key challenge for the Fund was to ensure that all employers met their responsibilities to provide accurate data within statutory deadlines. It was vital therefore that the Fund engaged proactively with all employers and the report looked at the options for ensuring that employer engagement was effective and timely.

All Local Government Pension Scheme Funds had experienced a significant increase in the number of employers participating in the LGPS. The Scheme Advisory Board Annual Report for 2013 highlighted that there were 9,340 employers participating in the LGPS across England and Wales and this number increased by 14% to 10,671 by 2014. This was mainly due to the acceleration of the Academy Conversion Programme which started in 2010. Locally the Fund has seen the number of employers increase from 103 in 2012 to the current number of 236 employers.

The Board considered the possibility of the introduction of a Service Level Agreement between the Fund and the 236 employers as a means of maximising employer engagement and improving the accuracy and timeliness of data from employers and also considered the option of issuing "Performance Improvement" notices as a precursor to reporting the employer to The Pensions Regulator for a late payment of pension contributions and late submission of year end returns.

Resolved - (a) That the introduction of a Service Level Agreement between the Fund and Fund employers be approved, and

(b) that the issuing of “Improvement Notices” to employers who fail to meet the deadline for year-end returns together with the imposition of fines where The Pensions Regulator had fined the Fund as a consequence of such a failure by an employer be approved.

19 PENSION FUND RISK REGISTER - The Director of Corporate Resources submitted a report which presented the six monthly review of the Pension Fund’s Risk Register and associated scoring matrix. Following a regular review, minor amendments had been made to the existing risks and two new risks had been identified. The Risk Register was attached to the report with proposed changes highlighted, as was the record of breaches of the legal requirements that governed the Pension Fund.

The Pensions Committee reviewed the Pension Fund risk register at its meeting on 11 December 2015.

The Risk Register identified the key risks inherent in the Pension Fund, an estimate of the severity of each risk, a summary of current control measures and the identification of additional control measures. Controls and procedures for the Pension Fund continue to be effective, as evidenced by the latest audit and assurance reports.

The Board considered each of the risks contained within the report and it was proposed that some risks covering the same areas could be amalgamated.

Resolved - (a) That the contents of the Risk Register be noted, and

(b) that the Risk Register be further reviewed to amalgamate some of the risks.

20 ITEMS FOR INFORMATION - The Board were presented with the Pensions Committee Minutes from 6 November and 11 December 2015 and 5 February 2016 along with a report regarding the LAPFF Annual Conference 2015.

Resolved - (a) That the minutes of the Pensions Committee held on 6 November 2015, 11 December 2015 and 5 February 2016 be received and,

(b) that the report on the LAPFF Annual Conference 2015 be noted.

21 EXCLUSION OF PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of Minutes 22 and 23 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.

22 ANNUAL PERFORMANCE REPORT AND REVIEW 2014/15 - The Director of Corporate Resources submitted a report which provided a detailed analysis of the internal and external managers’ performance for the financial year ended 31 March 2015 including an analysis of the longer term track record. The Pensions Committee reviewed this performance report at its meeting on 6 November 2015.

Resolved - That the performance of the Funds Investment Managers be noted.

23 GOVERNMENT CONSULTATION ON LGPS REFORM - The Director of Corporate Resources submitted a report which considered the publication of two consultations relating to LGPS Reform that were issued on 25 November 2015 and the proposed responses from the Pension Fund. The Pensions Committee received this report at its meeting on 5 February 2016. The proposed response to the consultation on revoking and replacing the LGPS Investment Regulations was approved subject to minor amendment. The Pensions Committee also delegated the approval of the response to the consultation on the LGPS Investment Reform, as well as further amendments to the consultation on revoking and replacing the LGPS Investment Regulations to the Director of Corporate Resources in consultation with the Chair of the Pensions Committee.

Resolved - That the report be noted.