

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

26 FEBRUARY 2021

PRESENT: Guy Lonsdale (Chairman), Julie Davey, Jayne Karlsen, Natasha McLaren and Lynda Bowen.

Officers Present: Julian Neilson (Head of Finance), Graham Ferry (Pensions Manager), Jennifer Gregory (Assistant Pensions Manager), Tom Morrison (Head of Investments) and Liz Vollans (Assistant 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/UCR6ExCx8bLOJUyRfmCIIMeQ>

229 APOLOGIES - Apologies for absence were submitted on behalf of Councillor L Healing and Darren Stevens.

230 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - There were no declarations of interest.

231 MINUTES - Resolved - That the minutes of the meeting of the Local Pension Board held on 6 November 2020 be approved as a correct record.

232 REVIEW OF THE FUND'S INVESTMENT STRATEGY STATEMENT - The Director of Corporate Resources submitted a report, which introduced an updated Investment Strategy Statement detailing the Fund's approach to investing and compliance with the Regulations. A small number of minor changes were proposed to raise the profile of the Fund's arrangements, particularly in relation to the oversight of investments and the approach to risks such as climate change.

Since March 2020 there had been no issues arising that required the investment strategy to be amended, although some minor changes were proposed. These amendments would clarify pre-existing arrangements such as referring to the expert advice available to support the management of the investment strategy and the consideration of environmental and governance risks. The proposed amendments were highlighted as part of the Board's consideration of the Statement.

Discussion took place on issues relating to carbon neutral investments. It was confirmed that although a number of local authorities had made climate emergency declarations, only one Pension Fund had done so. It was also noted that the opportunities to invest in renewable energies were not widespread and therefore Funds tended to invest in the real world as it evolved, at the same time being cognisant of Government regulations and the duty of ensuring the best financial return within certain risk limits. The Board reviewed the document and provided feedback, prior to it being submitted to the Pensions Committee in March 2021 for approval.

Resolved - (a) That the Board notes the report, and

(b) that the Board endorses the Statement as submitted and that it be referred to the Pensions Committee for adoption.

233 REVIEW OF THE GOVERNANCE POLICY STATEMENT - The Director of Corporate Resources submitted a report, which set out the Pension Fund's Governance Policy Statement (Appendix 1 of the report) and provided evidence of compliance with the guidance issued by the Secretary of State (Appendix 2). There were minor updates to the Statement to reflect the decision to increase the frequency of meetings.

The Board last reviewed the Governance Policy Statement and associated evidence of compliance on 21 February 2020 (Minute 187 refers).

Resolved - That the Governance Policy Statement be approved.

234 RESTRICTION OF PUBLIC SECTOR EXIT PAYMENTS REGULATIONS 2020 - The Exit Cap Regulations, which came into force on 4 November 2020, imposed a £95,000 exit payment cap to the total amount payable when an employee left a public sector employer. This included any pension strain cost for Local Government Pension Scheme members who were aged 55 or over. As this created a conflict between the Exit Cap Regulations and the 2013 Scheme regulations, a policy was approved to offer a deferred fully reduced pension to a member where the exit cap was breached. After extensive review of the application of the Exit Cap Regulations, the Government had concluded that the legislation may have had unintended consequences and that the regulations should be revoked. On 12 February 2021, HM Treasury published the Exit Payment Cap Directions 2021. These Directions dis-applied regulations 3, 9 and 12 of the Restriction of Public Sector Exit Payments Regulations 2020 with immediate effect. This meant the £95,000 exit payment cap would not apply to exits that took place on or after 12 February 2021. HM Treasury had provided further guidance for any individuals and public sector authorities who were affected by the Exit Cap Regulations while they were in place, including anyone who had an exit date between 4 November 2020 and 12 February 2021. The Government had made it clear that HM Treasury would bring forward proposals at pace to tackle unjustified exit payments. Public sector employers planning future workforce reform would need to be aware that an exit cap may be in force later in 2021 along with further reforms to the pension scheme.

Resolved - That the report be noted.

235 UPDATE ON THE COMMUNICATIONS POLICY - The Director of Corporate Resources submitted a report informing the Board that the Local Government Pension Scheme Regulations 2013 stated that administering authorities must prepare, maintain and publish a written statement of policy detailing how they communicated with members, representatives of members, prospective members and scheme employers. It was indicated that this policy should pay particular regard to the provision of information and publicity, the format, frequency and method of delivery and the promotion of the Scheme.

A draft revised policy had been circulated to members of the Board which covered the communication activities of the Pension Fund and the ongoing development of digital services and communications. The Board was informed that a digital telephony system had been introduced enabling the Fund to operate a fully functional remote call centre. East Riding Pension Fund Member Self Service had gone live and had been well received with encouraging levels of interest and take up. This facility would be the subject of more fulsome publicity now that its launch had shown that it was functioning effectively and there would be monitoring of the take up.

Resolved - That the Board endorses the updated communications policy.

236 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. No new strategic risk areas had been identified during this latest review. The risk scores had also been considered as part of the review to ensure that they reflected the current position of each risk. From August 2020 to January 2021 a total of three risks had reduced in score. Details of the residual risk total score was provided for the Board.

The risk register had been updated since the previous review and was attached for information. The key issues were also summarised. The controls in place to mitigate risk had also been considered as part of the review and for each risk area updates had been made.

The report also detailed any breaches of the law which required reporting to the Pensions Regulator. There were no new breaches to report since the last review on 31 July 2020. It was also reported that a full review would be undertaken to consider all risk aspects.

Resolved - That that the Board notes the updates to the Pension Fund risk register.

237 LGPS PENSION MANAGERS' CONFERENCE 2020 - The Director of Corporate Resources submitted a report, which summarised the key messages from the Local Government Pension Scheme Pension Managers' Conference held virtually in November 2020.

The main themes were the LGPS response to the Covid-19 pandemic and regulatory change, with an emphasis on McCloud and the exit payment cap. A summary of the key points by Hymans Robertson was circulated as part of the report submitted to the Board.

Resolved - That the Board notes the contents of this report.

238 PENSIONS COMMITTEE MINUTES - ITEMS FOR INFORMATION - The minutes of the Pensions Committee on 6 November, 11 December 2020 (including the AGM) and 5 February 2021 were submitted for information.

Resolved - That the minutes of the Pensions Committee meetings held on 6 November, 11 December 2020 (including the AGM) and 5 February 2021 be noted.

239 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of the following items (Minutes 240 and 241) 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.

240 ASSESSING CYBER SECURITY RISK - Further to Minute 221 when the Board considered the work being done to ensure compliance with the cyber security principles published by the Pensions Regulator, work was ongoing to consider key risks and the mitigation in place. Given the scale of this work it was anticipated further time was required to complete this assessment in order to provide assurance for the Board. It was also intended that training in this area would be scheduled for Board members.

Resolved - That the report be noted.

241 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 administering authorities including East Riding of Yorkshire Council. The company operated investment funds for these administering authorities to invest pension fund assets, based on their strategic asset allocation.

Resolved - That the report be noted.

242 VOTE OF THANKS - The Chairman advised that Jenny Gregory, the Assistant Pensions Manager was attending her last meeting of the Board. On behalf of the Board he thanked Jenny for her input, advice and guidance which had been greatly appreciated by all members and wished her well for the future.