

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

30 JUNE 2017

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

Also in attendance: Darren Stevens (Interim Director of Corporate Resources), Julian Neilson (Head of Finance), Graham Ferry (Pensions Manager), Mark Lyon (Head of Investments) and Jennifer Gregory (Assistant Pensions Manager).

Also in attendance: Press - 0
Public - 0

The Board met at Goole Leisure Centre.

65 APOLOGIES FOR ABSENCE - Apologies for absence were submitted on behalf of Peter Doherty and Natasha Halsall.

66 ELECTION OF CHAIRMAN - Nominations were sought for the position of Chair however in the absence of two members of the Board it was considered appropriate to elect a Chairman for this meeting only.

Resolved - (a) That Councillor Burton be elected Chairman for this meeting, and
(b) that the election of Chairman be added to the agenda for the next meeting.

67 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST - All members of the Board declared a non-pecuniary interest in Minutes 69 to 79 as members of the Local Government Pension Scheme.

68 MINUTES - Resolved - That the minutes of the meeting of the Local Pension Board held on 17 February 2017 be approved as a correct record.

69 REVIEW OF INTERNAL CONTROLS AND ASSURANCE REPORTS - The Interim 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.
- Investments Section, the Pension Fund's internal Investment Manager, and
- Pensions Administration section.

The conclusions of each of the reports were that each of these managers had adequate risk controls and procedures in place.

The reports provided assurance that controls in place over investment and cash operations, custody, and pension administration were effective.

Resolved - That the report be noted.

70 REVIEW AND OUTCOME OF THE PROCUREMENT PROCESS FOR ACTUARIAL SERVICES - The Interim Director of Corporate Resources submitted a report which informed the Board that the contract for the provision of actuarial services to the East Riding Pension Fund was awarded to Hymans Robertson for the period from 1 April 2017 to 31 March 2020 with an option to extend until 31 March 2023 through Norfolk County Council's National LGPS Framework for Actuarial, Benefits and Governance Consultancy Services.

The Fund was looking to introduce further initiatives with Hymans Robertson to further improve Fund performance, some of which would enable the Fund to encourage employers to have a greater understanding of their ongoing funding position rather than have it assessed once every three years as part of the triennial valuation.

Following the 2016 valuation, the Fund was commended by Hymans Robertson for the high quality of data submitted by the Fund. The Fund would continue to develop methods of regular data cleansing using the Hymans software tools to ensure data remained of the highest quality.

Resolved - That the report be noted.

71 ACTUARIAL VALUATION AS AT 31 MARCH 2016 - The Interim Director of Corporate Resources submitted a report which provided the Actuarial Valuation for the East Riding Pension Fund as at 31 March 2016. It confirmed the initial draft results of the 2016 Actuarial Valuation which were presented to the Pensions Committee and the Local Pension Board on 4 November 2016 and subsequently issued to Scheme employers during December 2016.

The employer contribution rates for 2017-20 had been set and confirmed by the Fund's Actuary, Hymans Robertson, in the Rates and Adjustments Certificate section of the 2016 Actuarial Valuation Report. The Report was issued to all Scheme employers on 31 March 2017 and published on the East Riding Pension Fund website.

Resolved - That the report be noted.

72 PENSION FUND RISK REGISTER - The Interim Director of Corporate Resources submitted a report which presented the six monthly review of the Pension Fund's risk register and associated scoring matrix. Minor amendments had been made to the existing risks and no new risks had been identified.

As well as the Risk Register, the report contained the record of breaches of the legal requirements that govern the Pension Fund. There were two new breaches recorded as a result of failure to provide the relevant information to Scheme members.

Resolved - That the contents of the Risk Register be noted.

73 UPDATE ON SERVICE LEVEL AGREEMENTS WITH SCHEME EMPLOYERS - The Interim Director of Corporate Resources submitted a report which reminded the Board that on 26 February 2016 approval was given for the introduction of a Service Level Agreement between the East Riding Pension Fund and its Scheme employers to

help manage the performance of Scheme employers and to improve engagement due to the increasing numbers of Scheme employers within the Fund. On further investigation, the Fund would like the Board to consider using a Pension Administration Strategy as allowed under Regulation 59 of the Local Government Pension Scheme Regulations (2013) as an alternative to an SLA. The draft Pension Administration Strategy was attached to the report and outlined key methods of communications between the Fund and its Scheme employers and set out the levels of performance required from both parties. Under Regulation 59, the Fund was required to consult with the Scheme employers regarding the contents of the Pension Administration Strategy which will increase employer engagement and encourage ownership of their statutory responsibilities. The Board was requested to consider a formal process for Scheme Employers identified as underperforming so that unsatisfactory performance could be well managed and the risk to the Fund minimised.

Resolved - (a) That the Board approve the implementation of a Pension Administration Strategy for all Scheme employers instead of an SLA;

(b) that a formal process for underperformance be agreed and implemented to deal with the Scheme employers that consistently underperform the targets agreed in the Pension Administration Strategy, and

(c) that the Board note the proposal to introduce a charge for the additional administration caused by the underperformance and that it is levied on the Scheme Employer.

74 SCHEME EMPLOYER YEAR END RETURN EXERCISE 2016-17 - The Interim Director of Corporate Resources submitted a report which detailed the progress to date for the 2016-17 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. The Board was reminded that in 2014-15 the Fund had breached Regulation 89 by not issuing Annual Benefit Statements by 31 August 2015 and this was reported by the Fund to The Pensions Regulator.

As at 30 June 2017, of the 260 data files required, 206 files had been accepted, 10 were currently being processed, 34 had been rejected and a further 10 had not been received from the employer.

Resolved - (a) That the report be noted, and

(b) that a further update be brought to the next meeting.

75 DRAFT ANNUAL REPORT OF THE LOCAL PENSION BOARD FOR THE PENSION FUND REPORT AND ACCOUNTS - The Interim Director of Corporate Resources submitted a report which informed the Board that East Riding of Yorkshire Council as administrating Authority had the prime responsibility for establishing the East Riding Pension Fund Local Pension Board and it was 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 2016-17. The reporting requirements were for the Board and the Fund to determine. A draft report had been prepared for consideration and members gave their views on the contents.

As part of the Board's ongoing training requirements it was suggested that the Board attend the Pensions Committee meeting and Annual General meeting to be held on 3 November 2017.

Resolved - (a) That the draft annual report be approved, and

(b) that the autumn meeting of the Local Pension Board be rescheduled to coincide with the Pension Committee meeting and Annual General meeting on 3 November 2017.

76 ITEMS FOR INFORMATION - The Board were presented with the Pension Committee minutes from 17 March 2017 and 5 May 2017 and the reports of the LAPFF business meetings held in January 2017 and April 2017.

Resolved - (a) That the minutes of the Pensions Committee held on 17 March 2017 and 5 May 2017 be received, and

(b) that the reports on the LAPFF business meetings held in January 2017 and April 2017 be noted.

77 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for considerations of Minutes 78 and 79 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.

78 CORPORATE GOVERNANCE AND VOTING ACTIVITY FOR THE QUARTER ENDED 31 MARCH 2017 - The Interim Director of Corporate Resources submitted a report which informed the Board of the voting record of the Internal and External Investment Managers for the quarter ended 31 March 2017.

Schroders had provided the voting record for the discretionary equity portfolios for the quarter ending 31 March 2017. All proposals were voted in line with the stated policy.

Resolved - That the report be noted.

79 UPDATE ON BORDER TO COAST PENSION PARTNERSHIP - The Interim 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 Pension Partnership (BCPP). The Government had confirmed that the BCPP's proposal meets its requirements for pooling and was content for the implementation of the proposal to progress. Partner Funds had approved the creation of the BCPP Limited corporate entity which now had been incorporated, the acquisition of an equal shareholding, and have executed the legal documentation in their capacity as shareholders. External advisors had been appointed for all workstreams which has enabled detailed work to progress further. The expected operational date has been moved back from April 2018 to June 2018 due to the delay in the receipt of Government approval.

Resolved - (a) That the report be noted, and

(b) that further reports on progress be brought to future Local Pension Board meetings.