

EAST RIDING OF YORKSHIRE COUNCIL

LOCAL PENSION BOARD

6 NOVEMBER 2020

PRESENT: Guy Lonsdale (Chairman), Councillor Healing, 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>

217 APOLOGIES - There were no apologies for absence.

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

219 MINUTES - Resolved - That the minutes of the meeting of the Local Pension Board held on 19 June 2020 be approved as a correct record.

220 REVIEW OF THE LOCAL PENSIONS BOARD'S TERMS OF REFERENCE - In accordance with the Public Service Pensions Act 2013, the East Riding Pension Fund Local Pension Board (the Board) was established in 2015 to assist the East Riding of Yorkshire Council, as administering authority, with all aspects of governance and administration of the Local Government Pension Scheme (LGPS). The inaugural meeting had taken place on 2 October 2015 and the Board approved the Terms of Reference.

The Terms of Reference were reviewed annually and, on 4 November 2016, the Board agreed to increase the annual frequency of meetings from two to three in 2017. On 19 June 2020, the Board considered the annual frequency of meetings taking account of the number of meetings held by the other Local Pension Boards within the Border to Coast Pension Partnership (Border to Coast). The Board resolved to hold four meetings per year in the future. Section 5 of the Terms of Reference was subsequently amended and the current Terms of Reference are attached as Appendix 1 of the report.

On 2 November 2018, the Board also considered the number of times a Board member may seek re-election and agreed that a member may serve for a period of two terms. However, in the circumstances where no replacement could be found, that member could be re-appointed for a third term of office.

The Board was requested to review the Terms of Reference and consider any required amendments.

The consistency between the Terms of Reference and the Annual Report was queried in terms of the number of meetings and venue; it was suggested that it should be clear that meetings were currently being held virtually. Reference was also made to the knowledge and skills required for each member of the Board to be conversant with.

It was reported that the language used in the Terms of Reference had been taken from the Local Government Pension Scheme regulations, which the Council and the Board were subject to abide by. There was a need to be clear about the role of Board members so that it did not impinge on the remit of the Pensions Committee.

Resolved - (a) That consideration be given to ensuring consistency of the Terms of Reference and the Annual report;

(b) that the Terms of Reference be clear when meetings are held virtually;

(c) that clarification of the expectation of Board members knowledge and skills be provided, and

(d) that the Terms of Reference continue to be reviewed on an annual basis.

221 ASSESSING CYBER SECURITY RISK - The Director of Corporate Resources submitted a report, which detailed the work that had taken place to ensure that East Riding Pension Fund (the Fund) was compliant with the cyber security principles published by the Pensions Regulator (TPR) in April 2018 and the further TPR recommendations following the engagement with ten Local Government Pension Scheme (LGPS) funds in July 2019. The Fund was now in the process of collating a cyber security risk assessment document to identify and assess the inherent cyber risks and establish the current controls and mitigations in place. This would allow the Fund to calculate the residual risks and assess whether the current controls and mitigations in place are sufficient.

During the period October 2018 and July 2019, TPR engaged with ten LGPS funds to further understand the approach that scheme managers took to key risks within the scheme. Cyber security was identified as a key risk. The findings within the report suggested that most scheme managers were heavily reliant on the security systems put in place by the Local Authority and did not engage with how these systems affected the pension scheme.

In order to understand the cyber security risks to the scheme, consideration had been given to the data and cyber assets held by the Fund. This included servers and software systems as they were key to the Fund's processes and functions.

Scheme managers and Local Pension Boards needed to be aware of their own scheme's data and cyber assets and assess the risks in relation to these. The risks should be mitigated and documented in the scheme's risk register.

Where security systems were provided by the Local Authority, scheme managers and the Local Pension Boards should have an awareness of these procedures and ensure that they were effective in negating the pension schemes risks.

Work would continue in engaging the Council's Digital Change and Technology service to assist in reviewing the current controls in place. The cyber risk assessment would then be updated and the likelihood of a cyber breach could be established.

An assessment needed to take place in order to identify the residual risk of a cyber event taking place. This would take into consideration the inherent risk, the likelihood of a cyber breach occurring and the impact to the Fund if the risk materialised.

Clarification was given in relation to risks that the risk owner was not personally responsible for, for example the security of servers, which fell within the expertise of East Riding

of Yorkshire Council's IT Services. There was a reliance and confidence that East Riding of Yorkshire Council was undertaking this role on the risk owner's behalf.

The draft Cyber Risk Assessment would be submitted to the next Board meeting in February 2021 for further consideration and comment. In addition to this, members of the Board would receive training on this topic.

Resolved - (a) That the report be noted;

(b) that an update on how identifying current controls was progressing at the February 2021 meeting of the Local Pension Board, and

(c) that the draft Cyber Risk Assessment be submitted to the February 2021 meeting of the Local Pension Board, along with further information/training on this topic.

222 LOCAL PENSION BOARD WORK PLAN 2021 - The Public Service Pensions Act 2013 required Local Pension Boards to be established to assist administering authorities with all aspects of governance and administration of the Local Government Pension Scheme (LGPS). To meet those requirements, the East Riding Pension Fund Local Pension Board (the Board) determined its own work plan for 2020 and covered a number of topics at each meeting.

To enable the Board to consider issues and make recommendations to the Pensions Committee at the appropriate time, the following draft work plan and timing of meetings were proposed:

26 February 2021

- (i) Review of the Fund's Investment Strategy Statement (ahead of consideration by the Pensions Committee on 12 March 2021)
- (ii) Review of the Governance Policy Statement (ahead of consideration by the Pensions Committee on 12 March 2021)
- (iii) Review of Communications policy
- (iv) CIPFA Pensions Administration Benchmarking Club 2020

21 May 2021

- (i) Review of internal controls and assurance reports
- (ii) The Pensions Regulator data scoring and data improvement plan
- (iii) Review of Internal Dispute Resolution Procedure cases, complaints and compliments
- (iv) Draft Annual Report of the Local Pension Board for Pension Fund Report and Accounts

10 September 2021

- (i) Review of Responsible Investment policies
- (ii) Administration performance and key performance indicators
- (iii) Update on Member Web
- (iv) Review of Procedure on Reporting Breaches of the law to the Pensions Regulator

5 November 2021

- (i) ISA 260 plus Annual Report and Accounts

- (ii) Review of Terms of Reference
- (iii) Local Pension Board Work Plan 2022
- (iv) Local Pension Board Training Programme 2022

Each meeting should also consider the following:

- (i) Review of the Fund's risk register
- (ii) Minutes from Pensions Committee
- (iii) Update on Border to Coast Pensions Partnership

It was noted that it was still important for members of the Local Pension Board to have engagement with the Pensions Committee through continuation of being involved with joint training, so that there could be an understanding of each other's perspectives. This would be built in to the Board's work programme.

The work plan and future meeting dates would be published on the East Riding Pension Fund website (www.erpf.org.uk). A discussion took place about how to encourage Local Government Pension Scheme members' interest in the work of the Local Pension Board and it was suggested that information about the work/remit of the Local Pension Board could be expanded on its website. Work had also been undertaken through unions to boost interest, along with encouraging diversity.

- Resolved** - (a) That the dates of meetings be 2021 be agreed;
- (b) that the items to be included on the Local Pension Board's work plan for 2021 be agreed, and
- (c) that content on the Local Pension Board's website be reviewed.

223 LOCAL PENSION BOARD TRAINING PROGRAMME 2021 - The Director of Corporate Resources submitted a report for Members of the East Riding Pension Fund Local Pension Board (the Board) to consider specific Local Government Pension Scheme (LGPS) topics for their Training Programme for 2021. Training sessions, based on the agreed topics, would be arranged to meet individual and group training requirements.

Board members were asked to complete a questionnaire, which would determine their current level of understanding of the eight subject areas. The questionnaire had been attached at Appendix 1 of the report, but would also be emailed out to Board members and should be returned by 31 December 2020. This would enable officers to assess the effectiveness of the training that board members had undertaken to date and to identify the key topics to be covered in the training sessions in 2021.

- Resolved** - (a) That Local Pension Board members assess their current level of knowledge and understanding by completing the training questionnaire and return this by 31 December 2020, and
- (b) that, following the results of the questionnaire, a training programme for 2021 be established to meet Local Pension Board members' knowledge and understanding.

224 PENSION FUND RISK REGISTER - The Director of Corporate Resources submitted a report, which presented a quarterly update of the Pension Fund's risk register to the Local Pension Board. A full review of the Pension Fund's risk register, which would consider the

strategic risk areas, the inherent and residual risk scores and the effectiveness of controls, was carried out on a six monthly basis.

The risk register had been updated for news/issues since the previous update and was attached at Appendix 1 of the report.

It was recognised that, with regards to Risk 2 - “The potential for disruption, monetary losses, and adverse investment performance from the transfer of assets into Border to Coast Pensions Partnership Limited”, this risk was heightened as a result of the effects of the Coronavirus pandemic. Investment performance had, however, recovered since 31 March 2020, though a higher level of volatility was expected over the short to medium term. It was reported that Border to Coast had been aspirational in terms of the new products which would become available to partner funds over the next few years.

In terms of Risk 8 “Significant reduction in individual scheme employer membership”, it was confirmed that there had been no significant changes of membership as a result of the Coronavirus pandemic. This would continue to be monitored.

Concern was expressed about evaluating the strategic asset allocation on a triennial basis. It was reported that the Investment Strategy was reviewed annually, with a more comprehensive evaluation being carried out every three years. Any significant concerns would be communicated to members of the Local Pension Board, following the review of the investment portfolio by the Pensions Committee every quarter. Also confirmed was that the Risk Register was reviewed before each Local Pension Board meeting and fully twice a year before the Pensions Committee.

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

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

225 PENSION FUND ANNUAL REPORT AND ACCOUNTS 2019-20 - The Director of Corporate Resources submitted a report, which included the latest draft of the Pension Fund Annual Report and Accounts 2019-20. The audit of the accounts was approaching completion. The process had taken much longer than usual due to Covid-19. Recognising the circumstances, the Government had extended the statutory deadline from 30 September 2020 to 30 November 2020. The final version would be considered at the Pension Fund’s Annual General Meeting, re-scheduled for 11 December 2020.

It was expected that Mazars would issue an unqualified audit opinion and that there should be no significant amendments to the attached draft Annual Report and Accounts.

Resolved - That the Committee approves the draft Annual Report and Accounts of the East Riding Pension Fund for 2019-20.

226 ITEM FOR INFORMATION - PENSIONS COMMITTEE MINUTES OF 31 JULY 2020 - The Board was presented with the Pensions Committee Minutes 31 July 2020.

Resolved - That the minutes of the Pensions Committee held on 31 July 2020 be received.

227 EXCLUSION OF THE PRESS AND PUBLIC - Resolved - That the press and public be excluded from the meeting for consideration of the following item (minute 228) on the grounds that it is 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 Committee

confirmed 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.

228 BORDER TO COAST PENSIONS PARTNERSHIP UPDATE - The Director of Corporate Resources submitted a report which reminded the Committee that Border to Coast was an investment fund manager wholly owned by eleven Local Government Pension Scheme (LGPS) 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.

The East Riding Pension Fund's assets managed by Border to Coast were valued at approximately £2 billion. This was 38% of the total assets of the Fund. Further transfers of assets are planned for 2021/22 and later years. These transfers were expected to take a number of years, eventually resulting in all of the Fund's assets being managed by Border to Coast.

Investments had been made into the UK Equities, Overseas Equities and Corporate Bonds funds, and commitments had been made to the Private Equity, Private Credit and Infrastructure funds. The next fund to be launched by Border to Coast would be the Multi Asset Credit fund, in which East Riding was intending to invest.

Funds for Property and Listed Alternatives were also being developed, and the Emerging markets Equities fund was being restructured. East Riding was actively involved in each workstream to ensure the funds would meet our needs.

The Border to Coast Annual Conference took place by videoconference on 2 October 2020. There had been nine East Riding representatives from the Committee, Pension Board and officers in attendance.

Resolved - That the report be noted.