

ANNUAL REPORT OF THE NORTHUMBERLAND COUNTY COUNCIL LGPS
LOCAL PENSION BOARD FOR 2016/2017

1 Constitution, Representation and Attendance

1.1 The Northumberland County Council LGPS Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members. In addition it has a non-voting independent Chair. The Board met formally on two occasions during the year, with its planned third meeting deferred from March 2017 until the following month. However, as a matter of urgent business arose, and as permitted by the Board’s Terms of Reference, a special meeting was convened by teleconferencing and email, concluding on 7 March 2017.

All meetings were quorate.

<u>Membership and attendance</u>	at the meeting held on	
	8 July 2016	3 November 2016
Gerard Moore Independent Chair (Non-voting)	✓	✓
Councillor Bernard Pidcock Employer Representative, Northumberland County Council	✓	✓
Mrs Helene Adams Employer Representative, Northumberland National Park Authority	✓	✓
Ms Sue Dick Scheme Member Representative, active member then pensioner member during 2016/2017	✓	✓
John Clark Scheme Member Representative, pensioner member	x	✓

All Board members participated in the **7 March 2017** urgent business meeting.

1.2 To facilitate the operations of the Board, its members are invited as observers to meetings of the Northumberland County Council Pension Fund Panel (“the Panel”). The Chair of the Board presents the minutes of Board meetings to the Panel, highlighting any recommendations. This arrangement is reciprocated, with the Chairman and Vice Chairman of the Panel being invited to attend Board meetings, also in an observer capacity. With both arrangements there is a strong record of cross-observing, resulting in transparency, improved understanding and mutual trust and respect. Furthermore, witnessing the Panel discussions enables the Board to be more

focussed and effective when reviewing the processes for decisions (such as regarding pooling of investments and the Triennial Valuation) and when probing wider topics in more depth (such as breaches of regulations, risk register and compliance with the Code of Practice).

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS
 - ensure compliance with relevant laws and regulation.
- 2.2 It therefore has a monitor/assist/review purpose, rather than being a decision making body. It could be seen as being a critical and supportive friend. As such, the general approach of the Board is to seek assurances, with evidence from the Fund, that it is meeting its objectives (as set out in the Statement of NCC Pension Fund's Objectives approved by the Panel on 26 February 2016), producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above.
- 2.3 In so doing, the Board is helping manage the reputational risk of the Fund, and of the Administering Authority, which is more critical now that the LGPS in England and Wales has both the Department for Communities and Local Government (DCLG) and the Pensions Regulator as its regulators.
- 2.4 The Board operates under Terms of Reference which were agreed by Northumberland County Council on 25 February 2015.
http://committeedocs.northumberland.gov.uk/MeetingDocs/8857_M1029.pdf
On 3 November 2016, the Board reviewed these Terms of Reference and concluded that they remained appropriate.
- 2.5 The Board is supported by the Board Secretary.
- 2.6 The Board is not a Committee of the Council, but is established under the Public Service Pensions Act 2013.
- 2.7 Members of the Board can be fined by the Pensions Regulator, as indeed can the Administering Authority. As at 31 March 2017, the issue of providing insurance cover for Board members was still unresolved.
- 2.8 The agenda and minutes of meetings of the Local Pension Board are available at the following link:
<http://committee.northumberland.gov.uk/Committee.aspx?BodyID=173>
- 2.9 The establishment of the Board coincided with a period of great pressure on senior staff and Pension Fund Panel elected Members in the LGPS, with the Administering Authority having to make its preferred choice partner authorities with whom to pool its investments, and then, once selected, to develop jointly appropriate governance and staffing structures with a target implementation

date of 1 April 2018. These developments placed a relatively higher level of workload on smaller funds like Northumberland. It was clear that an over-ambitious Board could have had the opposite effect to its purpose of “assisting the Administering Authority” by over-commissioning reports from the Board Secretary. The Board has therefore continued its policy of functioning effectively, but in a less intrusive way.

- 2.10 Mindful of the sheer range of issues and papers which it could consider within its governance budget and its Terms of Reference, the Board recognised the need to prioritise and continues to differentiate in its agenda between items for detailed discussion, and those for awareness or noting, and prioritises its time budget accordingly.
- 2.11 The direct costs of operating the Board in 2016/2017, covering travel and training expenses relating to Board members as well as the fees and expenses of the Independent Chair, amounted to £12,375 and were met by the Fund. These costs do not include any indirect costs relating to officer time nor apportioned costs for the use of the Council’s premises, systems and services which are recharged to the Fund by the Council. The Board is mindful of delivering value for money, and has identified means of working in a cost-effective manner. By so doing, it is seeking ways of saving administration and printing costs, plus the valuable time of officers, without compromising the functionality of the Board. Should the Board feel the need to bring in a specific external specialist, it can do so with the agreement of the Board Secretary. No such expertise has yet been brought in. However, the Board (and Panel) has received presentations by senior pensions staff of both the Northumberland and neighbouring Funds, including on social responsible investing.

3 Detailed Work of the Board

- 3.1 The Scheme Advisory Board for England and Wales (SAB) has a two way role: giving advice both upwards to the DCLG and down to individual funds. There is expected to be a two way flow of information between the SAB and individual Funds and it is the aim of the Northumberland Board to be seen as an example of good practice. The SAB examined the establishment of Local Pension Boards and Northumberland complied with the requirements and timescales.
- 3.2 As indicated in Paragraph 2.3 above, the Administering Authority is now accountable to the Pensions Regulator. The Regulator has issued Code of Practice 14, and expects Administering Authorities both to measure themselves against and comply with the detailed elements of the Code. The main focus of the Code is administration and benefits, rather than investment issues. Whilst the processes regarding investment strategies, statements and decisions can and indeed have been considered by the Board, the Board’s primary focus is administration issues, reflecting the Regulator’s priorities. As such the Board endeavoured to incorporate into its work programme for 2016/2017 the Regulator’s priorities of basic compliance, focussing on the top three risks of record keeping, internal controls and poor and inefficient

communications. The only contact between the Regulator and the Administering Authority in 2016/2017 was the submission of information to the Regulator in response to a survey of all public sector schemes.

- 3.3 A standing item on each Board agenda is the review of recorded and reported breaches. The Board and its members, as with other players, all have a responsibility to report breaches of law to the Pensions Regulator. Training has been provided in this area, and reporting and recording procedures are in place. The Board is able to supplement the keen interest of the Panel by probing in depth some of the specific cases, and where appropriate, make recommendations.
- 3.4 A key aspect of the Board's work, reflecting the priorities set out in 3.2, was its in depth review on 3 November 2016 of the late distribution of Annual Benefit Statements to Councillors and deferred members due by 31 August 2016. These constituted breaches of relevant legislation, and were duly recorded as such. The Board agreed with the conclusions of the Panel that neither breach was reportable, having considered the cause, effect, reaction and wider implications of the breach. To support the Panel in its desire to meet the equivalent deadlines regarding issuing the statements for 31 March 2017, the Board made five specific recommendations to the Panel and officers which were accepted.
- 3.5 The Board recognises that the Pension Fund is dependent on receipt of accurate and timely information from scheme employers: indeed lack of the above is a common cause of breaches. To reinforce this message, the Chair of the Board makes a presentation at the employers' meetings.
- 3.6 The Board commissioned a report (8 July 2016) to review the controls and local history regarding unauthorised payments and gained assurances on behalf of the Panel that such controls were operating effectively and that no known unauthorised payments had been made in the period examined (1 April 2015 to date).
- 3.7 Reference is made in Paragraph 2.9 to the pooling of investments with other administering authorities. Board members had been present at scheduled and additional meetings of the Panel and witnessed the depth, breadth and scale of input into this crucial decision, from senior officers, Panel members, external advisors and other relevant contacts. On 8 July, the Board concluded that the process culminating in the decision to join the Border to Coast Pensions Partnership Pool had been thorough and robust.
- 3.8 Members of the Board also witnessed the process leading up to the completion of the triennial actuarial valuation of the Pension Fund as at 31 March 2016. The Board was satisfied that the process was robust, that the Panel members had received adequate support, training and guidance and that no undue risks had been taken. The Fund actuary issued the valuation by the deadline of 31 March 2017.

- 3.9 The Board reviewed the Pension Fund Annual Report and Final Accounts for 2015/2016. Specifically probed were statements on the policy for lending securities and two sets of investment performances of portfolios relative to their benchmarks. In all cases, satisfactory explanations were received.
- 3.10 Following a previous recommendation of the Board, a separate risk register is being compiled which should be ready for scrutiny later in 2017.
- 3.11 Other topics covered included employer covenant risk, communications with scheme members regarding changes to state pensions and national insurance contributions and the new LGPS Management and Investment of Funds Regulations 2016 and Investment Strategy Statement Guidance. Via presence at meetings of the Panel, Board members gained assurances that work on Guaranteed Minimum Pension reconciliations is progressing satisfactorily. The Board also considered possible ways to help mitigate key person risk in relation to the potential loss of Panel members following the local elections to be held in May 2017.
- 3.12 The subject of the governance structure within the Border to Coast Pensions Partnership Pool prompted an approach from the Chair of another Local Pension Board (LPB) for other LPBs in the Pool to consider the issue of representation on behalf of scheme members. Via an electronic meeting of the Board, concluding on 7 March 2017, five recommendations were made to the Panel regarding wider observer status at the Joint Committee of the Pool, including supporting observer status for both a scheme member representative from one of the thirteen Local Pension Boards and also a Chair of one of the Local Pension Boards, with both expected to cascade feedback to their peers.
- 3.13 In addition to the above, the Chair of the Board has on occasions attended industry conferences, and peer group meetings of Pension Board members, and given verbal and written feedback for the information of the Panel and Board.

4 Training

Each Board member has to be conversant with the details of the Scheme, which translates as having a good working knowledge. Specific external training has previously been provided for Board and Panel members on the role and purpose of Board, and on the reporting and recording of breaches.

- Assessment of training needs, and how they are met, is a standing item and examined on an ongoing basis. Both formal and informal (cascade) training is being considered.
- The Board was represented at the June 2016 annual LGA/LGPS Trustees Conference and will be represented at the equivalent event in 2017, which provides a good high level perspective to supplement the greater level of detail in training in individual areas.

- The Board was well represented at the Fund-specific training in May and September 2016 on the 31 March 2016 actuarial valuation process. The Board concluded that it was receiving the guidance and level of information necessary to meet the knowledge and understanding standard expected of them by the Pensions Regulator.
- Discussion of a more formal training needs analysis is on the agenda of the Board meeting on 24 April 2017 (i.e. the meeting postponed from 16 March).
- Board members attended a joint training and networking peer event on 1 March 2017 which enabled them to meet LPB members from other Funds and compare notes.

5 Work plan

5.1 The work plan for 2016/2017 took account on the following areas:

- Accounts
- Administration and record keeping;
- Audit and risk management
- Communications with scheme members
- Compliance with the regulations
- Governance
- Developments in pooling
- Investments
- Triennial actuarial valuation as at 31 March 2016;
- Training.

5.2 There will be a degree of flexibility in future work plans to allow for any additional reviews by either the Scheme Advisory Board or the Pensions Regulator.

6 Thanks

The Chair of Northumberland County Council's LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies for their roles, and for their ongoing support. Thanks are also expressed to the Board Secretary, Chairman and Vice Chairman of the Pension Fund Panel, and to the Democratic Services Officers.



Gerard Moore
Independent Chair
Northumberland County Council LGPS Local Pension Board
24 April 2017