

**NORTHUMBERLAND COUNTY COUNCIL**

**LGPS LOCAL PENSION BOARD**

At a meeting of the LGPS Local Pension Board held at County Hall, Morpeth on Monday, 24 April 2017 at 9.30 a.m.

**PRESENT**

**G. F. Moore**  
Independent Chair  
(Non-voting member of the Board)

**VOTING MEMBERS**

**Employer Representatives**

Adams, Ms. J.H.

Cllr Pidcock, B.

**Scheme Member Representatives**

Clark, J.P.

Dick, Ms. S.

**CHAIRMAN OF PENSION FUND PANEL (AS OBSERVER)**

Cllr Reid, A.W. (up to 11.40 a.m.).

**OFFICERS IN ATTENDANCE**

M. Coleran

Pensions Team Leader (Items 1-4 only)

Mrs. C. Gorman

Principal Accountant (Pensions)

C. Johnson

Senior Accountant (Pensions)

Ms. N. Turnbull

Democratic Services Officer

**ALSO PRESENT AS OBSERVER**

A. Lister

Observer

The Chair reported that this would be the last meeting of the Board attended by Councillor Reid as an Observer. He thanked Councillor Reid for his warm welcome and helpful input when the Board had been created and wished him well for the future.

Ch.'s Initials.....

He also introduced Andrew Lister who had recently been appointed as Principal Accountant (Pensions) and would be commencing his employment at Northumberland County Council in the near future.

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Tebbutt (Vice-Chairman of Pension Fund Panel, as observer).

#### **2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST**

None were declared. It was noted that the declaration of interest forms had been renewed in September 2016.

#### **3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD**

A copy of the previously agreed and signed minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Thursday 3 November 2016 and by email concluding on Tuesday 7 March 2017, were circulated at the meeting and received for information.

The Chair sought confirmation that the 2016/17 Annual Benefit Statements would be issued in accordance with 31 August 2017 deadline. Mark Coleran, Pensions Team Leader, gave a brief update on the current position and confirmed that they were on target to issue statements to all parties prior to the deadline. This was further discussed under item 4H.

Reference was made to the Board recommendations from 7 March 2017. Councillor Reid, Chairman of the Pension Fund Panel and the Panel's representative on the Member Steering Group / Joint Committee of the Border to Coast Pensions Partnership reported that the matter had not yet been considered as decisions were being made on more urgent matters.

#### **4. ITEMS FOR IN DEPTH ANALYSIS**

The Chair reminded Board members to retain all Pension Fund Panel meeting papers to consider at each Board meeting.

##### **4A Reporting breaches: progress and quarterly monitoring**

- Report A4 and breaches log enclosures of the Pension Fund Panel 24 February 2017 meeting papers

Ch.'s Initials.....

LGPS Local Pension Board, 24 April 2017

John Clark reported that he had reviewed the breaches log and had received clarification obtained from the Pensions Team Leader by email in advance of the meeting. He stated that there was no consistent pattern amongst the listed breaches and only 2 repetitions by the same employer. He was therefore satisfied that there were no underlying problems that needed to be addressed in the breaches he had investigated. He suggested that it would be useful if the Employer Number was included within the breaches log. The Board Secretary agreed to circulate the clarification provided by the Pensions Team Leader to all Board Members following the meeting.

The Board discussed the involvement and jurisdiction of the Pensions Regulator in breaches, particularly those included as a result of actions or inaction by Employers. The Chair made reference to a particular breach of an employer participating in the Teachers' Pension Scheme that was known to him and agreed that he would share such information that was within the public domain with Board members.

In response to a question as to whether training for the employers in breach was required, the Pensions Team Leader confirmed that he had provided training to a number of employers that had experienced problems in administering the Scheme in the previous year, and issues had now been resolved.

It was also noted that NCC's breaches policy (and the Pensions Regulator's code of practice) made it clear that responsibility for reporting any breach to the Pensions Regulator was an individual responsibility.

#### **4B NCC's Funding Strategy Statement**

- Report A9 and Appendix 8 of the Pension Fund Panel 24 February 2017 meeting papers

The Chair made reference to the importance of the Funding Strategy Statement and requested that Board members make themselves familiar with the content. He highlighted the responsibilities of key parties identified on page 5 of Appendix 8, including the need for the administering authority to ensure that cash was available to meet liabilities when they fell due.

#### **4C AAF 01/06 reports on internal controls operated by fund managers and the custodian**

- Report A10 of the Pension Fund Panel 24 February 2017 meeting papers

The Board gained assurance from the exercise that had been undertaken by officers to obtain and review the AAF 01/06 reports for the Fund's investment

managers and custodian, and commented that in all of them the reporting accountants noted no significant control weaknesses.

It was noted that one fund manager, GIP, does not have an AAF 01/06 or equivalent report but its custodian had sent a report on the Suitability of the Design and Operating Effectiveness of its controls for the six month period up to 30 September 2016. The Board Secretary explained that GIP manages a relatively small portfolio on behalf of the Fund and officers would continue to request an AAF 01/06 report in the hopes that GIP would produce an AAF 01/06 report in the future.

#### **4D KPIs for the Pensions Administration Team**

- Report A11 and Appendix 9 of the Pension Fund Panel 24 February 2017 meeting papers

Consideration was given to Key Performance Indicators (KPI) for the Pensions Administration Team. The Board Secretary stated that a small number of KPIs had been identified, with assistance from Aon Hewitt, that were viewed as the most relevant and important targets to achieve. It was noted that for some KPIs shorter timescales had been set than were specified in the Regulations and it was therefore agreed that it would be helpful to have an additional column which set out the team's performance against the legal (regulatory) requirement.

A member enquired about the achievement in the quarter to 31 December 2016 being below target in relation to the payment of death benefits. The Pensions Team Leader provided clarification regarding notification to beneficiaries in that documentation had been issued on time but without including the amount of benefit. It was noted that only a relatively small number of death benefits were paid each year, so an error of this type on only one notification could impact on the indicator. He also provided an explanation regarding the processing of new member information, which had been below target in the last quarter.

It was **recommended** that explanations should be included where this would provide clarification and that use of traffic light colours to help in the monitoring of performance could be considered in the future.

#### **4E TPR's Code of Practice 14 review, including the separate enclosure, as modified at the Panel meeting**

- Report A3 of the Pension Fund Panel 31 March 2017 meeting papers and the enclosure, as modified at the Panel meeting

The Board reviewed the Pension Regulator's and Scheme Advisory Board code compliance checklist which had been completed with assistance from

Aon Hewitt, with particular emphasis on items that were highlighted in red i.e. not started or not compliant.

The Board Secretary reported that the Panel had revised B9 'Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?' from red to amber (partially compliant). Board members agreed with the revision and in addition some support was given to changing this to green or 'compliant'.

A member commented on the speed on which he attended several national training events following his appointment to the Board. The Chair also commented that he would be happy to provide training on the role of the Board for any new members.

The Board Secretary explained that the checklist applied to lots of different public sector schemes and commented on the different processes for appointing members of the Board. It was also noted that the employer representative for NCC was a Councillor, and this member would be selected by the Appointments Panel following the election on 4 May 2017 and pre-appointment training could not be offered in these circumstances.

It was noted that:

- Work was being undertaken on the risk register (E2 and E3) and it was suggested that a report be considered by the Panel in November 2017.
- Internal dispute resolution leaflets (I2) would be updated as part of the work on shared service arrangements with Tyne and Wear Pension Fund.

The Board Secretary gave a brief update on the potential process and timeline for implementing a shared service with Tyne and Wear Pension Fund.

#### **4F LGPS Pooling, summary of the Board's recommendations re representation on BCPP Joint Committee**

The Board received report B3 confidential of 31 March 2017 Panel meeting papers, page 13 paragraphs 3.29 to 3.31, and tabled item, extract from Scheme Advisory Board website statement on Pool Governance.

They also debated the possible impact of the local elections in May 2017 on the representatives on the BCPP Joint Committee. The Chairman of the Pension Fund Panel reported that the Chair and Vice-Chair should remain unchanged by the elections in May 2017.

#### **4G BCPP Member Steering Group Agenda for 24 March 2017 meeting**

- Separate enclosure with the Pension Fund Panel 31 March 2017 meeting papers

**(i) Project Delivery Risk Register (pages 21 to 24 of the enclosure, described as Appendix 4)**

The Board acknowledged the contents of the BCPP Project Delivery Risk Register contained within Appendix 4 of the BCPP agenda papers on 24 March 2017 (pages 21-24).

The Board Secretary explained that BCPP Ltd was unlikely to meet the Government's 1 April 2018 target start date and that it had been estimated that an additional three months would be required to reach start up given the work involved in building BCPP Ltd.

Board Members discussed the practicalities and complexity in establishing BCPP Ltd and supported the approach that was being taken to ensure that the company was set up correctly. Whilst it was agreed that a target date was required to ensure that the process was progressed, flexibility was also needed.

The Board **agreed** that a draft form of words be circulated and agreed electronically prior to the Chair communicating with the other Board Chairs of administering authorities in the Border to Coast Pensions Partnership, regarding the commitment to establishing BCPP Ltd on a realistic timetable.

**(ii) Update on development of engagement with BCPP stakeholders (pages 47 to 55 of the enclosure, described as Agenda Item 4c, Paragraphs 3.2 to 3.4 and 3.22)**

The Board **noted** the contents of the report and the recommendations regarding stakeholder engagement and the provision to co-opt additional non-voting members, if required.

**4H Timetable of key dates in 2017 re Annual Benefits Statements**

- Appendix 8 of the confidential Pension Fund Panel 31 March 2017 meeting papers

The Board **noted** the timetable of key dates for the production of Annual Benefit Statements in 2017.

**5. Draft 2016/2017 Annual Report of the NCC LGPS Local Pension Board**

A copy of the draft 2016/17 Annual Report of the NCC Local Pension Board, composed by the Board Chair, was tabled for discussion at the meeting.

Ch.'s Initials.....

LGPS Local Pension Board, 24 April 2017

The Board Secretary stated that the only contact she was aware of from the Pensions Regulator had been regarding a survey sent to all administering authorities which she had completed, but she would confirm the position with regard to contact with the Pensions Administration Team.

The Board confirmed that the annual report be **agreed** subject to the above clarification and amendment of the last sentence in paragraph 3.5 to remove reference to the word 'annual' and now read: "To reinforce this message, the Chair of the Board makes a presentation at employers' meeting."

## **6. NCC Pension Fund cash flow information 2016/2017**

A copy of cash flow data to and from the NCC Pension Fund bank account for the period April 2016 to March 2017 was tabled at the meeting.

The Board Secretary explained the information shown and how and when money was transferred between the NCC Pension Fund bank account and the Council's bank accounts. There were a number of payments or call for monies which were predictable and some which were not, such as capital payments or payments of transfers in and out of the Scheme. If further monies were required the Fund could redeem units held with Legal and General, relatively cheaply, quickly and easily, but it was cost effective to minimise the number of transactions of this type, so over the last few years redemptions had been implemented only once or twice per year.

The treasury management function was undertaken by NCC on the Fund's behalf due to the need for daily monitoring. The aim, for the Fund, was to have as little excess cash in the bank account as possible, as only minimal interest was earned on this cash and there was an opportunity cost of potentially higher income being earned in other Fund investments.

The Board gained assurance from the information provided that the cash flow arrangements were sufficiently robust and flexible to ensure the payment of pensions every month.

It was noted that detailed cash flow information of this type had not been provided to the Pension Fund Panel in prior years, and it was **recommended** that the Panel would gain assurance from the Board's in depth analysis of the Fund's the cash management process.

## **7. NCC insurance for members of the Board: update from Board Secretary**

An extract of an exchange of emails between Zurich Insurance and the Board Secretary was tabled at the meeting.

The Board Secretary explained the background which sought to clarify the position with regard to insurance cover for Board members and whether fines levied on Board members by the Regulator would be covered by insurance. It was confirmed that personal fines would not be covered.

It was noted that whilst fines could potentially be issued to individual Local Pension Board Members, an Improvement Order would be issued first and time allowed for a situation to be rectified, prior to it being deemed necessary for a fine to be issued.

Board Members discussed the wording of the email and were pleased that, although clarification was still needed, progress had been made. The wording received on 10 April 2017 referred to employees or members, which did not cover any of the NCC LGPS Local Pension Board members, with the exception of Councillor Pidcock.

The Board Secretary confirmed the process for the appointment of the Councillor representative by the Appointments Panel, which comprised the Lead Elected Member for Finance, Chairman of the Pension Fund Panel, Monitoring Officer and Chief Financial Officer. If Councillor Pidcock was re-elected on 4 May 2017, his appointment would be reconsidered by the Appointments Panel.

It was **agreed** that the Board Chair would write to the Political Group Leaders, after the election on 4 May 2017, to request continuity of elected members on the Panel and Board and refer to the need for knowledge and training.

## **8. Training Needs Assessment (TNA)**

The Board considered the requirement for Training Needs Assessments. Reference was made to the following documents:

- TWPF's approach to TNA
- NCCPF's Training Policy
- CIPFA Barnett Waddingham LPBs Two Years On event 28 June 2017

The Chair highlighted the importance of training and the need to undertake training needs assessments given the 'non compliant' status of item number B10 'Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role responsibilities and duties?' on The Pension Regulator's and Scheme Advisory Board Compliance Checklist, discussed earlier in the meeting.

Board Members discussed the training they had attended and their opinions on their own level of knowledge which varied depending on their background and the length of their involvement. Generally, they felt that they had a good



level of understanding and had benefitted from the training events they had attended.

The Board Secretary referred to the composition of the Board and the advantages of them having different backgrounds and perspectives when discussing issues at meetings. It was necessary to provide training and they could not be expected to retain everything.

Training also took place during meetings with cash flow given as an example earlier in the meeting. Some Board Members had undertaken some of the modules available in the Pension Regulator's Trustee Toolkit.

Reference was made to the possibility of forthcoming changes and whether time and effort should be spent on assessments. Some training would be provided for any new elected members after 4 May 2017 and as was normal practice, this could be made available to all Board Members with a decision being made on whether further assessments would be required in 6 months.

It was **agreed** that the training logs be kept up to date.

The Board Chair was of the view that some action was required and it was agreed that, as a minimum, all Board members complete the Pension Regulator's Trustee Toolkit by the next meeting on 17 July 2017. Training would be made available if anyone experienced difficulties completing any of the modules.

#### **CIPFA and Barnett Waddingham event 28 June 2017**

Information was circulated about the above event. It was agreed that those who were able to attend should do so which included Mr Clark and Ms Dick. Councillor Pidcock would liaise with officers after the election. Ms Adams was unable to attend due to holidays.

#### **9. Feedback from 1 March 2017 CIPFA LGPS Spring Seminar for Local Pension Board Members**

Board Members commented on the value of the above seminar and including the information obtained regarding changes to legislation. They had also found it a good opportunity to network, particularly with other members of the BCPP. The Chair noted that an event for officers was scheduled in London on 6 November 2017 with a further event in Liverpool on 10 November, subject to there being sufficient demand.

#### **10. Board Work Programme 2017/2018**

The Board agreed the inclusion of the following items in the work programme:

Ch.'s Initials.....

*LGPS Local Pension Board, 24 April 2017*

**17 July 2017**

Reporting breaches: quarterly monitoring  
Shared services  
Annual benefit statements update  
Stocktake on training

**2 November 2017**

Risk register  
Code of practice review

Members were invited to refer matters for inclusion to future meetings to the Board Chair, the Board Secretary, officers with the Pensions Team or Democratic Services.

**11. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS**

The Chair requested that Board members familiarised themselves with the following documents:

**11A Investment Strategy Statement** (Report A1 of 24 February 2017 Panel meeting papers)

**11B Formal assessment of the effectiveness of the Pension Fund Panel** (Report A7 of 24 February 2017 Panel meeting papers)

**11C Actuarial valuation as at 31 March 2016** (Report B1 confidential of 24 February 2017 Panel meeting papers and Report B1 confidential of 31 March 2017 Panel meeting papers and enclosure relating to covenant risk control)

The Board Secretary confirmed that the actuarial valuation had been completed and signed by 31 March 2017.

**11D Analysis of pension breach** (Report A1 of 31 March 2017 Panel meeting papers and Appendix 1)

The Board **noted** that the pension breach had not been reportable to the Pensions Regulator and agreed with this decision..

**11E Councillors' LGPS** (Report A5 of 31 March 2017 Panel meeting papers)

The Board Secretary confirmed that correspondence would be issued to Councillors participating in the LGPS when their term of office ended on 4 May 2017.

**12. Future meeting dates**

Members received a list of dates for meetings of the Local Pension Board in 2017/18. It was agreed that future meetings would commence at 9.30 a.m.

**13. Any other business**

**Confirmation of the term of appointment of the elected Member on the Board**

An update had been given within item 7, earlier in the meeting.

There were no additional items.

(The meeting ended at 1.08 p.m.)



**CHAIR**

**DATE**      6 May 2017



## **NORTHUMBERLAND COUNTY COUNCIL**

### **LGPS LOCAL PENSION BOARD**

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Friday, 6 October 2017 at 1.00 p.m.

#### **PRESENT**

G.F. Moore  
Independent Chair  
(Non-voting member of the Board)

#### **VOTING MEMBERS**

##### **Employer Representatives**

Pidcock, Cllr B

##### **Scheme Member Representatives**

Clark, J.P.

Dick, Ms. S.

#### **CHAIR OF PENSION FUND PANEL (AS OBSERVER)**

Watson, J.G. (up to 3.05 p.m.)

#### **OFFICERS IN ATTENDANCE**

Mrs. H. Chambers	Principal Administration Manager (Tyne and Wear Pension Fund) - attending in her capacity as provider of shared pensions administration service with NCC
Mrs. C. Gorman	Principal Accountant (Pensions) - Project Officer
C Johnson	Senior Accountant (Pensions)
A Lister	Principal Accountant (Pensions) and Board Secretary
Ms. N. Turnbull	Democratic Services Officer

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mrs. J.H. Adams (Employer Representative)

Ch.'s Initials.....

## **2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST**

None were declared, although the Chair referred to a potential conflict which could arise should Board members' attendance at CIPFA events be discussed, due to his association with CIPFA.

## **3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD**

A copy of the finalised minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Monday 17 July 2017, were circulated at the meeting and received for information.

## **4. ITEMS FOR IN DEPTH ANALYSIS**

The Chair reminded Board members to retain all Pension Fund Panel meeting papers to consider at each Board meeting.

### **4A Outcomes of the July 2017 meeting of the LGPS Local Pension Board**

- Report A7 of 4 September 2017 Panel meeting papers

It was noted that a mechanism had now been adopted to allow formal consideration of the Board's recommendations by the Panel, and that this process would now be followed at each quarterly Panel meeting.

The Chair confirmed that he had now responded to the Scheme Advisory Board survey on behalf of the Board, as discussed at the July 2017 Board meeting.

### **4B Recent Actions taken by the Pensions Regulator**

- Report A4 of 4 September 2017 Panel meeting papers plus Appendix 3 and Appendix 4

The Board referenced the recent actions taken by the Pensions Regulator (tPR), as discussed at the September 2017 NCC Pension Fund Panel meeting, and agreed that this was a clear indication that the Regulator was transitioning to more of an 'enforcer' role. They agreed that it was important for all Board members and officers to be aware of any engagement with tPR, and suggested that all correspondence from the Regulator to the Scheme Manager and to Board members be shared with each other.

The Chair agreed to forward relevant emailed correspondence he received in

the future from tPR to the Scheme Manager, with Board members copied in.

#### **4C Aon Hewitt's review of NCC's breaches recording procedures**

- Report B4 confidential of 4 September 2017 Panel meeting papers plus Appendix 12

The Board considered the recommendations made by Aon Hewitt, actuary to both NCC Pension Fund and Tyne and Wear Pension Fund (TWPF), regarding the breaches recording procedure of both. The Board noted the report's recommendation that NCC Pension Fund adopt Tyne and Wear Pension Fund's breaches recording procedures following the implementation of the proposed shared pensions administration service between the two funds, from January 2018.

The Principal Administration Manager (TWPF) explained that due to the size of the Tyne and Wear Pension Fund and the volume of data processed, TWPF adopts a "high level" approach in relation to the reporting of breaches to the Committee/Board and does not provide individual breach information. However, detailed information can be provided, upon request, should the Committee/Board have areas of concern to investigate.

The Principal Accountant (Pensions) - Project Officer confirmed that the current method of reporting breaches would continue, up to and including the quarter to 31 December 2017. Following the commencement of shared services, a report would be produced for NCC Pension Fund employers using the TWPF format, with enhancements to be considered at a later date once the full shared service was up and running. Information was to be provided to members of the Scheme regarding the move to shared administration service, and to employers at the meeting held on 17 October 2017.

The Board recognised that the level of detailed information produced on breaches at NCC was exceptionally high and also praised the effort made by members of the Pensions Administration Team to provide that level of detail.

It was **agreed** that an example of the Tyne and Wear Pension Fund breaches reporting be emailed to the Board following the meeting.

#### **4C Reporting breaches: progress and quarterly monitoring reports**

- Report A8 of 4 September 2017 Panel meeting papers plus Appendix 10 and Enclosures

The Board considered a report tabled at the meeting which analysed the outstanding breaches for the quarter to 30 June 2017. These fell into 2 categories: where information had not been supplied by an employer and where there was a delay performing calculations.

Members noted that whilst the payroll service for some employers was provided by third parties, this did not negate the employer's responsibility to ensure that the information was provided. The breaches were analysed with the Board looking for patterns that suggested an endemic problem.

The Board gained assurance from the information provided which indicated no systematic causes of breaches, but instead a series of isolated incidents.

#### **4E Key Performance Indicators (KPIs) for LGPS administration**

- Report A9 of 4 September 2017 Panel meeting papers plus Appendix 11

The Board noted the improvement in KPIs for the Pensions Administration Team in the quarter to 30 June 2017 and the additional reporting column which had been added to the report following a recommendation from the Board at its July 2017 meeting.

The Board discussed whether there should be a specific set of KPIs for the Board itself as a way of managing its own performance. Whilst inputs were relatively easy to measure objectively, outcomes were less so. The recently adopted protocol of reporting back to the Pension Fund Panel sets out explicitly the Board's recommendations, the assurances gained, and any other items of relevance to the Panel. As such it could reasonably be considered as a transparent proxy for KPIs. Councillor Jeff Watson, Chair of the NCC Pension Fund Panel, commented that the Panel was satisfied with the operation of the Local Pension Board and its interaction with the Pension Fund Panel since its inception, and felt that specific KPIs for the Board may be unnecessary. The Chair agreed to make reference to this in his next Board report to Panel in November 2017 with a **recommendation** not to give further consideration to devising KPIs for the LGPS Board at this time.

#### **4F Training Needs Analysis**

- Report A13 of 4 September 2017 Panel meeting papers plus Appendix 20 and Appendix 21

Following the introduction of a Training Needs Analysis (TNA) for all Panel and Board members at the September 2017 Panel meeting, the Senior Accountant (Pensions) reported that the majority of TNA questionnaires had been completed and returned by Board and Panel members, with three yet to be completed.

It was noted that many pensions committees had lost a significant number of experienced members following local government elections earlier in the year and that many administering authorities were losing key personnel as a result of retirements and recruitment to the newly forming pool entities. It was



therefore essential that consideration was given to succession planning and training. The Chair made reference to a new online training programme on investments arranged by CIPFA and a training specialist, which would be announced shortly.

Whilst it was noted that the Annual Report of the Pension Fund Panel was presented to County Council, Councillor Pidcock questioned why Council did not receive the minutes of the Panel following each meeting held. The Board Secretary and Democratic Services Officer undertook to investigate further and discuss with the Chair of the Panel the reporting lines to Full Council.

## **5. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS**

### **5A Proposed changes to State Pension Age**

- Report A5 of 4 September 2017 Panel meeting papers plus Appendix 5 and Appendix 6

The Board noted that the proposed changes to the State Pension Age would reduce the employer cost of the LGPS. It was noted that the changes were still at the proposal stage and would still have to go through the necessary government approval process.

### **5B Implications of the Brewster decision for the LGPS**

- Report A6 of 4 September 2017 Panel meeting papers plus Appendix 7 and Appendix 8

The Board noted the implications for the LGPS of the recent Supreme Court ruling in the Brewster Case, whereby it was determined that the requirement to nominate a cohabiting partner was discriminatory. Initial analysis at both NCC Pension Fund and TWPF suggested that, whilst there could be instances where retrospective claims for survivor pensions are made following the ruling, the monetary impact of such claims to the Fund would likely be small.

### **5C Northumberland County Council Pension Fund draft Annual Report and Accounts 2016/17**

- Report A1 of 4 September 2017 Panel meeting papers and enclosure

### **5D External Audit of Northumberland County Council Pension Fund 2016/17 Accounts**

- Report A2 of 4 September 2017 Panel meeting papers and enclosure

Items 5C and 5D were considered together.

The Principal Accountant Pensions - Project Officer provided an update on the Northumberland County Council and NCC Pension Fund Annual Report and Accounts. Both reports were noted and received by the Board.

#### **6. Scheme Advisory Board Survey of LGPS Local Pension Boards**

The Chair gave a brief update on the initial indications for the Scheme Advisory Board's survey of LGPS Local Pension Boards.

Reference was made to a discussion at a previous meeting regarding the role of a board member as an observer on BCPP Ltd. The Principal Accountant (Pensions) - Project Officer confirmed that, although this issue had been previously raised at the BCPP Member Steering Group, it was not currently on the Joint Committee's agenda.

#### **7. Breaches reporting – How will it work within shared service? Protocol – do we need a joint procedure with TWPF?**

This agenda item had been discussed as part of item 4C.

#### **8. ITEMS FOR UPDATE**

##### **8A Risk Register**

A verbal update was provided to the Board on NCC Pension Fund's Risk Register. The Principal Accountant (Pensions) confirmed that the Fund's Risk Register had not been updated for some time and would require updating to add risks around cyber security, General Data Protection Regulations (GDPR), MiFID II, as well as the data transfer risks around the proposed shared services arrangement with TWPF. He confirmed that the register would be updated for those new risks shortly. The Chair indicated that the Risk Register is seen as a priority by the Board.

The Board discussed the risk which would be shared by NCC and TWPF in relation to the transfer of data for the shared administration service. Contractual arrangements would set out the liability of both parties.

##### **8B GMP Reconciliations**

The Principal Administration Manager (TWPF) gave an update on the progress made to date by NCC in regard to the reconciliation of Guaranteed Minimum Pension (GMP) data, which compared pension records held by NCC with those held by HMRC. Whilst almost 12,000 discrepancies had been

identified by ITM, the company commissioned by NCC to carry out the initial data reconciliation, significant progress had been made to resolve these (61%). The deadline for raising queries with HMRC was October 2018.

The Principal Administration Manager (TWPF) clarified that the work undertaken to date on NCC's behalf by ITM and the follow up work by NCC's Pensions Administration Team only covered the Fund's pensioner and deferred pensioner member records. Ideally, all queries coming out of ITM's work would be dealt with before NCC's administration service moved to TWPF, but if this was not possible, it would be continued following the move. She added that ITM had been asked to quote for carrying out a closure scan for NCC for the Fund's active members.

The Principal Administration Manager (TWPF) explained that the whole industry was awaiting detailed guidance on the treatment of any under or overpayments of pensions which may emerge from the reconciliation exercise. She added that, to date, she was aware of only one fund that had started rectification work, and that TWPF is reserving its position on this, awaiting guidance.

The Board **gained assurance** that the process of GMP reconciliation at NCC Pension Fund had begun, and would be continued following implementation of the full shared administration service with TWPF.

#### **8C 2016/17 ABS deadline 31 August 2017**

The Principal Accountant (Pensions) – Project Officer confirmed that all Annual Benefit Statements (ABSs) had been issued to members by the statutory deadline of 31 August 2017. The final ABSs for deferred pensioner members had been issued on 31 August 2017, the majority having been issued in July 2017. The ABSs for active members had been issued on 25 August 2017.

It was reported that a small number of erroneous statements had been issued due to a use of software error that had been discovered following a telephone call from a member who queried the level of benefits in her statement. Following an investigation, 21 ABSs were identified where the error had arisen as a result of the same software issue, out of 17,921 statements issued in total. The recipients of the incorrect ABSs had been sent a revised statement and a letter of explanation within days of the error being identified.

The Board agreed that the correct steps had been taken once the error had been identified and that the officers involved had acted diligently.

Whilst the Board considered that the error should be recorded as a breach, they agreed it was not of material significance to the Regulator. It was agreed, however, that the formal "traffic light" analysis should be carried out on this

breach and the results documented.

The Board **requested that** the logic for deeming the 31 August 2017 ABS breach to be unreportable to tPR be documented.

#### **8D Scheme annual return for tPR**

Item deferred. An update will be provided at the appropriate time.

### **9. Review of meeting: open discussion**

The Chair thanked everyone for their participation. It was agreed that it had been beneficial to bring forward the meeting to consider the papers from the 4 September 2017 Panel meeting in a more timely way.

### **10. Future meeting dates**

Members received an updated list of dates for meetings of the Local Pension Board in 2017/18.

### **11. Any other business**

#### **Training**

The Chair gave a brief outline of a training event he had attended with the Tyne and Wear Pension Fund in September 2017. The event had been well organised, with good engagement by participants.

The Principal Accountant (Pensions), who had also attended the training event, agreed that the event was very engaging, with the training segment on pooling particularly interesting.

#### **MiFID II**

It was noted that the deadline to complete the opt up process to achieve 'elective professional status' was 3 January 2018. The Chair enquired whether the process was on schedule for NCC Pension Fund, what remained to be done, and if there was anyway the Board could help.

The Principal Accountant Pensions - Project Officer agreed that, in view of the potential risks and impact of failing to complete the full opt up process by the due date, updates would be included to the Board and Panel at their meetings in November 2017, and subsequently by email if required to help ensure that the deadline was met.

### **Conflicts of Interest Policy for NCC Pension Fund**

- Report A3 of 4 September 2017 Panel meeting papers plus Appendix 1

The Board noted that the Conflicts of Interest Policy had been brought to the attention of new members of the Pension Fund Panel.

(The meeting ended at 4.05 p.m.)



**CHAIR**

**DATE** 14 November 2017

Ch.'s Initials.....

*LGPS Local Pension Board, 6 October 2017*



## **NORTHUMBERLAND COUNTY COUNCIL**

### **LGPS LOCAL PENSION BOARD**

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Monday, 11 December 2017 at 9.30 a.m.

#### **PRESENT**

GF Moore  
Independent Chair  
(Non-voting member of the Board)

#### **VOTING MEMBERS**

##### **Employer Representatives**

Pidcock, Cllr B

Adams, Ms JH

##### **Scheme Member Representatives**

Clark, JP

Dick, Ms S

#### **OFFICERS IN ATTENDANCE**

C Gorman

Principal Accountant (Pensions) -  
Project Officer

C Johnson

Senior Accountant (Pensions)

A Lister

Board Secretary

D Taylor

Operations Team Manager (TWPF)

N Turnbull

Democratic Services Officer

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor JG Watson (Chair of Pension Fund Panel, as observer).

#### **2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST**

None were declared, although the Chair referred to a potential conflict which could arise should Board members' attendance at CIPFA events be discussed, due to his association with CIPFA.

Ch.'s Initials.....

### 3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD

A copy of the previously agreed minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Monday 6 October 2017, were circulated at the meeting and received for information.

### 4. ITEMS FOR IN DEPTH ANALYSIS

The Chair reminded Board members to retain all Pension Fund Panel meeting papers to consider at each Board meeting.

#### 4A NCC Pension Fund's Administration Strategy

- Report A1 of 3 November 2017 Panel meeting papers plus Appendix 1

#### 4B Shared pensions administration service with Tyne and Wear Pension Fund (TWPF)

- Report B2 confidential of 3 November Panel meeting papers and B2 confidential of 24 November 2017 Panel meeting papers

Items 4A and 4B were considered together.

The Chair highlighted sections of the Pension Fund Administration Strategy and discussed changes implemented in readiness to facilitate the efficient running of the shared service with Tyne and Wear Pension Fund (from early 2018), and discussed the LGPS administration functions which were being retained by Northumberland County Council and those that would be transferred to TWPF as part of the joint administration service.

Under the new Administration Strategy, monthly contribution payments from NCC Pension Fund employers to the Fund would be payable by 14th of the month following deduction, and the year end data would be required by 23 April to enable work to be carried out to produce the annual benefit statements by the 31 August deadline.

The Board discussed the impact of the changes, particularly the provision of year end data in April 2018 and the potential impact of the timing of the Easter holiday period (which could be particularly problematic for schools and academies). It was **recommended** that employers be given plenty of advance notification to prepare for the change of dates, and information was provided by officers about the communications to employers already sent and planned to ensure employers are fully aware.

The Operations Team Manager (TWPF) confirmed that TWPF would work with



NCC Pension Fund employers and could agree reasonable deadline extensions, if necessary.

She outlined the approach adopted at TWPF, the number of teams, and the allocation of a Client Manager to each employer which enabled working relationships to be established. Due to the number of employers in TWPF, the deadlines had to be quite rigid.

The change of dates for NCC Pension Fund employers had been discussed at the employers' meeting held on 17 October 2017 and a further meeting had been scheduled for 12 January 2018.

A 'year end' training event for NCC Pension Fund employers would be arranged in early 2018. TWPF's year end data capture requirements had already been shared with employers by email. Officers were conscious of the volume of correspondence being sent to employers during this transition stage and were trying to strike a balance that ensured employers would not miss important changes, without sending so much that the important messages were lost.

In response to a question on data security, the Principal Accountant (Pensions) - Project Officer commented that she hoped to have the opportunity to feed in views to the annual review of the TWPF Administration Strategy in February 2018, to address the differences between the NCC and TWPF strategies highlighted in paragraph 1.14 of the report.

The Board discussed the option of fines being levied on employers that failed to comply with regulatory requirements, recognising that fines should be used only as a last resort. To date, neither NCC Pension Fund nor TWPF had utilised fines at all and the pros and cons of their use was debated.

The Operations Team Manager (TWPF) referred to discussions that had been taking place with the NCC Employee Services Manager to ensure that procedures were in place to enable a smooth transition to the new joint pensions administration service. It had already been recognised by Employee Services at NCC that implementing the shared service for LGPS would necessitate a number of changes to the way that department must operate.

The Principal Accountant (Pensions) - Project Officer asked one of the Employer Representatives on the Board to provide feedback, over the next few weeks, to NCC Pension Fund and TWPF officers on the clarity of the information that was being sent out to all employers about the impact on them of the shared service. It was noted that employers would need to submit forms electronically and the practical arrangements for authorisation of those forms were discussed. A demonstration of the TWPF software was planned as part of the NCC Pension Fund Employers' Meeting on 12 January 2018.

In response to a concern raised, the Board gained **assurance** that following implementation of shared services, there would be no adverse impact on the access to advice for members of the Scheme.

It was noted that the shared service would provide an improved service to members' telephone enquiries, given the larger team at South Tyneside Council and the provision of a specialist helpline staffed by knowledgeable LGPS administrators.

#### **4C General Data Protection Regulation (GDPR)**

- Report A1 of 24 November 2017 Panel meeting papers

The Board discussed the implications of GDPR which takes effect on 25 May 2018. It was noted that national level guidance was awaited, which would help LGPS administering authorities to comply with GDPR, whilst also ensuring they could fulfil their legal obligations under the LGPS Regulations. Further reports on GDPR would be brought to the Panel in due course.

A Board member commented that when implementing GDPR changes, administering authorities must not lose sight of the most important duty to members, which was ensuring that data was held securely and used only for the correct purpose.

#### **4D Implementation of MiFID II**

- Report A3 of 24 November 2017 Panel meeting papers) and opt up progress position update

An update on the opt up to professional client status position as at 11 December 2017 was tabled at the meeting. It was noted that there had been significant progress since the Panel meeting held on 24 November, and there were now only two responses from service providers outstanding. Of the two responses awaited, the one of most concern was the response from the Fund's investment adviser, Mercer.

Members discussed the importance (for the Fund obtaining and retaining elective professional client status) of evidencing the knowledge and understanding of investments / investment related risk of members of the Pension Fund Panel and senior officers. The maintenance of detailed training records had been of assistance when answering a query from the Fund's investment adviser.

The Board **recommended** that an email be issued at the earliest opportunity to the Fund's investment adviser, to enquire about the progress of the awaited response. The Board Secretary confirmed that he would do so immediately following the meeting.

He reported that a status summary was available on the Scheme Advisory Board website, and to date, only one LGPS fund was recorded on the website as fully opted up.

#### **4E Key Performance Indicators (KPIs) for LGPS administration**

- Report A8 of 24 November 2017 Panel meeting papers plus Appendix 12

The Board was pleased to note that performance against KPIs in the quarter to 30 September 2017 was good in many areas and that there had been significant improvement on previous quarters where performance had been below target, particularly with regard to the provision of information to members who leave the Scheme on their rights and options available (increased from 56% to 72% in the quarter to 30 September 2017).

The Board Secretary reported that the results for the quarter to 30 June 2017 had been impacted by the number of leavers at that time.

It was recognised that performance may well fall in the quarter to 31 December 2017 due to the volume of priority work being undertaken by the Pensions Administration Team on the data transfer to TWPF, in preparation for the shared service.

In response to a question from the Board Chair, it was noted that members of the Pensions Administration Team had been working substantial levels of overtime for some months now, to ensure the additional work caused by implementing the shared service could be undertaken.

It was noted that as a result of moving to the shared service, KPIs would not be monitored for the month of January 2018 (assuming a go-live date of 29 January 2018). It had already been agreed that the performance monitoring by TWPF on NCC Pension Fund's data for the period following go-live to 31 March 2018 would be provided to the Chair of the Pension Fund Panel in advance of the next scheduled Panel meeting after 31 March in June 2018.

In response to a question, the Operations Team Manager (TWPF) confirmed that TWPF monitors performance against the regulatory requirements, as shown in the final column of the KPIs in Appendix 12. She also confirmed that the 31 August deadline had been met in 2017 by TWPF for the provision of annual benefit statements. The April deadline for employers (in 2017), as previously discussed in the Board meeting, assisted in achieving this deadline.

The Board **noted** that employees in NCC's Pension Administration Team had worked voluntary overtime to help manage the transition to shared services and asked that the Board's appreciation be conveyed to the staff.

#### **4F Breaches logs**

The Board had received an updated copy of the breaches log and were pleased to note that a significant number of the earlier breaches were now complete.

The transition to shared services had identified a number of areas where there needed to be clearer separation of duties between NCC's Pensions Administration Team and NCC's Employee Services department, and that starter and leaver information needed to be provided to Pensions Administration shortly after the triggering event, without exception.

The Operations Team Manager (TWPF) commented that NCC's Employee Services section was working with her (and others) to implement the changes that were required.

Post implementation of the shared service, TWPF would provide quarterly reports to all employers showing an analysis of performance.

The Board discussed the risks to the pensions administration service during the transition period, and the impact on the transferring staff who would have a longer commute, but would become part of a larger, more supportive team.

In response to questions it was confirmed that the Scheme Manager viewed none of the breaches recorded on the log as being close to materially significant and therefore reportable to the Pensions Regulator. Some of the older breaches could not be completed until information was supplied by the Scheme member or until a member was located where their current whereabouts was unknown.

The Chair acknowledged that the information contained in the NCC breaches log was very detailed and the level of detail would reduce following the introduction of the shared service. Aon Hewitt had recommended that the reports used at TWPF be utilised in the future.

#### **4G Training needs analysis (TNA) for Board members**

The Board Secretary provided each Board member with a copy of his/her own training needs analysis record, completed in September 2017. The TNA questions had been based on the CIPFA knowledge and skills framework then tailored to NCC's needs.

It was noted that Board members *individually* are required to achieve a level of knowledge and understanding to satisfy the Pensions Regulator's Code of Practice requirements.

It was **agreed** that it would be beneficial for members to be given the

opportunity to review the TNA scores they had given in September, and reassess them in light of the information provided at Panel and Board meetings in the intervening period. Board members commented that the earlier discussions regarding MiFID II under Item 4D had enhanced their understanding of the related processes and risks. Once that exercise was completed, TNA results for each Board member would be reconsidered by the Board Secretary, in consultation with the Board Chair, to assess whether further training was needed and whether it should be delivered individually or via group training session(s).

The Chair recommended that the:

- training material provided at the 16 June 2017 induction event by Karen McWilliam of Aon Hewitt on Governance and Administration and
  - NCC Pension Fund's draft Administering Authority Discretions Policy
- be circulated electronically to the Board, for information.

The Chair reminded Board members that they should complete the Regulator's Toolkit.

A Board member requested that a reading list be circulated.

Following analysis of the TNAs, the Board Secretary highlighted a number of areas where training was required:

- knowledge of the Principles for Investment Decision Making and Disclosure (Myners' principles) and
- awareness of the role and statutory responsibilities of the S151 Officer and Monitoring Officer.

He reminded Board members that the Myners' principles had also been identified by Panel members as an area for more training and this training (for members of the Panel and Board) would be provided in February 2018.

The potential impact of pooling was also identified by some Board members as an area where they felt they would benefit from increasing their knowledge and understanding.

The Board discussed the governance arrangements of BCPP Ltd, the possible role of a Board member as an observer on the BCPP Joint Committee, and opportunities for boards to engage with BCPP Ltd in the future.

The Board also briefly discussed how social, environmental or corporate governance considerations (known as ESG factors) are taken into account in the selection, non-selection, retention and realisation of investments in LGPS funds. The Board Chair referred to DCLG guidance on preparing and maintaining an investment strategy statement (ISS) which stated that when formulating policy an administering authority (among other things) "*should*

*explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.”*

The Principal Accountant (Pensions) - Project Officer confirmed that policy on ESG had been considered by the Panel, with advice from the investment adviser on many occasions in the past. She referred to guidance from DCLG which stated that non-financial factors could be taken into account if “*there is no risk of significant financial detriment to the fund*”. She also confirmed that ESG and non-financial factors would be on the Panel agenda in February 2018 for a number of reasons, including the need to consider an ESG policy to apply to all funds within the BCPP grouping.

The Chair agreed to circulate a number of articles he had collected that would aid discussions of the Panel at the meeting in February 2018.

#### **4K Proposed additions to risk register**

- Report A9 of 24 November 2017 Panel meeting papers plus Appendix 13 and Risk and controls combined report

The Board Secretary outlined the approach adopted in assessing and scoring the following risks, initial consideration of which had been delegated to the Board by the Pension Fund Panel on 24 November 2017:

- cyber security
- GDPR legislation
- potential increased costs and reduced performance arising from pooling
- failure to achieve or maintain elective professional client status under MiFID II
- LGPS membership records’ accuracy post implementation of shared administration service
- performance of shared administration service
- retention of expertise in LGPS administration pre implementation of shared administration service

He explained that assessment of the risk took into consideration the current status of controls and their effectiveness and made reference to the scoring grid on page 7 of the appendix which considered the potential impact if a risk occurred against likelihood of it occurring.

The Board **gained assurance** that the risks were being managed by key personnel at a senior level. They also discussed the controls in place to manage those risks, such as increasing passively managed investment (to reduce the risk from pooling of incurring high transition costs) or the ability to defer the transfer to shared services by one month if problems arise with the data transfer. Whilst the costs of moving to the pool were not yet known, it

was noted that savings had already been achieved as a result of working together with pooling partners, and up to date information would be provided to the meeting of the Panel in February 2018.

It was confirmed that an item on new risks and changes to existing risks would now become a standing item on future Board meeting agenda.

#### **4I Review 2016/17 annual benefit statement communication**

The Board reviewed samples of the annual benefit statements communications issued by NCC and the TWPF. Although there was a desire to keep the communication simple, it was necessary to provide a great deal of detailed information to avoid misleading the members. It was hoped that in the near future, scheme members would be able to access statements online.

#### **4J Compliance with Code of Practice 14 re conflicts of interest**

The Board **agreed** that members would consider the requirements of Code of Practice number 14 with regard to conflicts of interest prior to the next meeting of the Board in March 2018.

### **5. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS**

#### **5A Revised Governance Policy and Compliance Statement**

- Report A2 of 3 November 2017 Panel meeting papers plus Appendix 2

The Board **endorsed** the changes to the Governance Policy and Compliance Statement, including the proposal to request a change in NCC's Constitution to remove the delegation to exercise the administering authority discretion over the recipient of a death grant to Staff (Appeals) Committee, noting the reasons for this change, as discussed at the Panel meeting on 3 November. The Principal Accountant (Pensions) - Project Officer noted that at its next meeting on 3 January 2018, the County Council would be considering a report requesting this change to the remit of the Staff (Appeals) Committee.

#### **5B Administering Authority Discretions Policy**

- Report B1 confidential of 3 November 2017 Panel meeting papers plus tabled Appendix 1

The Board noted the draft Administering Authority Discretions Policy agreed by the Pension Fund Panel on 3 November 2017.

## **5C BCPP pooling arrangement**

- Report B3 confidential of 24 November 2017 Panel meeting papers

The Board noted the update with regard to the progress in developing BCPP Ltd.

## **5D Scheme 2017 annual governance survey for tPR**

The Board noted the responses provided in the tPR 2017 annual survey.

### **6. Wellington performance information (tabled by Wellington at 24 November 2017 Panel meeting) with fee level information**

The Board received information regarding the fees charged by Wellington. The Board also noted that information presented by Wellington to the Panel on 24 November 2017 had included returns shown gross of fees, so members had been unable to consider Wellington's net of fees performance and compare like with like.

The Principal Accountant (Pensions) - Project Officer stated that unfortunately Wellington's presentation had not been received in advance of the meeting which would have allowed the opportunity for officers to query the data included and request that it be changed.

The Board **recommended** that, where possible, all investment returns information presented by investment managers and advisers to the Panel be shown net of fees so that valid comparisons could be made.

### **7. Letter to active and deferred members to provide information about shared administration services**

A copy of the latest draft letter to be sent to active and deferred Scheme members was tabled at the meeting. Members of the Board had been provided with an earlier version and asked to comment and the Principal Accountant (Pensions) - Project Officer thanked Board members for their input and explained which suggestions had been incorporated, which had not, and why.

Clarification was still awaited from Eversheds regarding the proposed wording in the letter on data protection, which was highlighted in grey. Confirmation was also awaited regarding the shared service go-live date as this could still be subject to change.

It was agreed that the letter should be no longer than two sides of A4 paper and if it could not be finalised in the next couple of days, the Board



**recommended** that it be issued early in January 2018, after the Christmas break.

**8. Internal audit following shared service implementation**

The Principal Accountant (Pensions) - Project Officer explained that the internal audit service at TWPF was outsourced to Deloitte, as South Tyneside Council had recognised it did not have the appropriate specialist LGPS expertise to undertake this work in-house. TWPF's Head of Pensions had undertaken to ensure officers at NCC would be given the opportunity to review and comment on the internal audit work programme for 2018.

**STANDING AGENDA ITEMS**

It was proposed that the following items be included on future agendas in order that issues could be discussed, if required.

**9. New risks and changes to existing risks**

This agenda item had been discussed as part of item 4K.

**10. Review of meeting: open discussion**

The Chair thanked everyone for their participation at another busy meeting.

**11. Future meeting dates**

Members received an updated list of dates for meetings of the Local Pension Board in 2017/18.

A copy of the presentation slides were available in advance for the meeting with the Regulator on 21 December 2017 at Durham County Council. Members were asked to bring the slides with them on 21 December.

**12. Any other business**

None

(The meeting ended at 1.22 p.m.)



**CHAIR**

**DATE** 2 January 2018



## **NORTHUMBERLAND COUNTY COUNCIL**

### **LGPS LOCAL PENSION BOARD**

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Monday, 24 April 2017 at 9.30 a.m.

#### **PRESENT**

G. F. Moore  
Independent Chair  
(Non-voting member of the Board)

#### **VOTING MEMBERS**

##### **Employer Representatives**

Adams, Ms. J.H.

Cllr Pidcock, B.

##### **Scheme Member Representatives**

Clark, J.P.

Dick, Ms. S.

#### **CHAIRMAN OF PENSION FUND PANEL (AS OBSERVER)**

Cllr Reid, A.W. (up to 11.40 a.m.).

#### **OFFICERS IN ATTENDANCE**

M. Coleran

Pensions Team Leader (Items 1-4 only)

Mrs. C. Gorman  
C. Johnson

Principal Accountant (Pensions)  
Senior Accountant (Pensions)

Ms. N. Turnbull

Democratic Services Officer

#### **ALSO PRESENT AS OBSERVER**

A. Lister

Observer

The Chair reported that this would be the last meeting of the Board attended by Councillor Reid as an Observer. He thanked Councillor Reid for his warm welcome and helpful input when the Board had been created and wished him well for the future.

Ch.'s Initials.....

He also introduced Andrew Lister who had recently been appointed as Principal Accountant (Pensions) and would be commencing his employment at Northumberland County Council in the near future.

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Tebbutt (Vice-Chairman of Pension Fund Panel, as observer).

#### **2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST**

None were declared. It was noted that the declaration of interest forms had been renewed in September 2016.

#### **3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD**

A copy of the previously agreed and signed minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Thursday 3 November 2016 and by email concluding on Tuesday 7 March 2017, were circulated at the meeting and received for information.

The Chair sought confirmation that the 2016/17 Annual Benefit Statements would be issued in accordance with 31 August 2017 deadline. Mark Coleran, Pensions Team Leader, gave a brief update on the current position and confirmed that they were on target to issue statements to all parties prior to the deadline. This was further discussed under item 4H.

Reference was made to the Board recommendations from 7 March 2017. Councillor Reid, Chairman of the Pension Fund Panel and the Panel's representative on the Member Steering Group / Joint Committee of the Border to Coast Pensions Partnership reported that the matter had not yet been considered as decisions were being made on more urgent matters.

#### **4. ITEMS FOR IN DEPTH ANALYSIS**

The Chair reminded Board members to retain all Pension Fund Panel meeting papers to consider at each Board meeting.

##### **4A Reporting breaches: progress and quarterly monitoring**

- Report A4 and breaches log enclosures of the Pension Fund Panel 24 February 2017 meeting papers

Ch.'s Initials.....

*LGPS Local Pension Board, 24 April 2017*

John Clark reported that he had reviewed the breaches log and had received clarification obtained from the Pensions Team Leader by email in advance of the meeting. He stated that there was no consistent pattern amongst the listed breaches and only 2 repetitions by the same employer. He was therefore satisfied that there were no underlying problems that needed to be addressed in the breaches he had investigated. He suggested that it would be useful if the Employer Number was included within the breaches log. The Board Secretary agreed to circulate the clarification provided by the Pensions Team Leader to all Board Members following the meeting.

The Board discussed the involvement and jurisdiction of the Pensions Regulator in breaches, particularly those included as a result of actions or inaction by Employers. The Chair made reference to a particular breach of an employer participating in the Teachers' Pension Scheme that was known to him and agreed that he would share such information that was within the public domain with Board members.

In response to a question as to whether training for the employers in breach was required, the Pensions Team Leader confirmed that he had provided training to a number of employers that had experienced problems in administering the Scheme in the previous year, and issues had now been resolved.

It was also noted that NCC's breaches policy (and the Pensions Regulator's code of practice) made it clear that responsibility for reporting any breach to the Pensions Regulator was an individual responsibility.

#### **4B NCC's Funding Strategy Statement**

- Report A9 and Appendix 8 of the Pension Fund Panel 24 February 2017 meeting papers

The Chair made reference to the importance of the Funding Strategy Statement and requested that Board members make themselves familiar with the content. He highlighted the responsibilities of key parties identified on page 5 of Appendix 8, including the need for the administering authority to ensure that cash was available to meet liabilities when they fell due.

#### **4C AAF 01/06 reports on internal controls operated by fund managers and the custodian**

- Report A10 of the Pension Fund Panel 24 February 2017 meeting papers

The Board gained assurance from the exercise that had been undertaken by officers to obtain and review the AAF 01/06 reports for the Fund's investment

managers and custodian, and commented that in all of them the reporting accountants noted no significant control weaknesses.

It was noted that one fund manager, GIP, does not have an AAF 01/06 or equivalent report but its custodian had sent a report on the Suitability of the Design and Operating Effectiveness of its controls for the six month period up to 30 September 2016. The Board Secretary explained that GIP manages a relatively small portfolio on behalf of the Fund and officers would continue to request an AAF 01/06 report in the hopes that GIP would produce an AAF 01/06 report in the future.

#### **4D KPIs for the Pensions Administration Team**

- Report A11 and Appendix 9 of the Pension Fund Panel 24 February 2017 meeting papers

Consideration was given to Key Performance Indicators (KPI) for the Pensions Administration Team. The Board Secretary stated that a small number of KPIs had been identified, with assistance from Aon Hewitt, that were viewed as the most relevant and important targets to achieve. It was noted that for some KPIs shorter timescales had been set than were specified in the Regulations and it was therefore agreed that it would be helpful to have an additional column which set out the team's performance against the legal (regulatory) requirement.

A member enquired about the achievement in the quarter to 31 December 2016 being below target in relation to the payment of death benefits. The Pensions Team Leader provided clarification regarding notification to beneficiaries in that documentation had been issued on time but without including the amount of benefit. It was noted that only a relatively small number of death benefits were paid each year, so an error of this type on only one notification could impact on the indicator. He also provided an explanation regarding the processing of new member information, which had been below target in the last quarter.

It was **recommended** that explanations should be included where this would provide clarification and that use of traffic light colours to help in the monitoring of performance could be considered in the future.

#### **4E TPR's Code of Practice 14 review, including the separate enclosure, as modified at the Panel meeting**

- Report A3 of the Pension Fund Panel 31 March 2017 meeting papers and the enclosure, as modified at the Panel meeting

The Board reviewed the Pension Regulator's and Scheme Advisory Board code compliance checklist which had been completed with assistance from

Aon Hewitt, with particular emphasis on items that were highlighted in red i.e. not started or not compliant.

The Board Secretary reported that the Panel had revised B9 'Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?' from red to amber (partially compliant). Board members agreed with the revision and in addition some support was given to changing this to green or 'compliant'.

A member commented on the speed on which he attended several national training events following his appointment to the Board. The Chair also commented that he would be happy to provide training on the role of the Board for any new members.

The Board Secretary explained that the checklist applied to lots of different public sector schemes and commented on the different processes for appointing members of the Board. It was also noted that the employer representative for NCC was a Councillor, and this member would be selected by the Appointments Panel following the election on 4 May 2017 and pre-appointment training could not be offered in these circumstances.

It was noted that:

- Work was being undertaken on the risk register (E2 and E3) and it was suggested that a report be considered by the Panel in November 2017.
- Internal dispute resolution leaflets (I2) would be updated as part of the work on shared service arrangements with Tyne and Wear Pension Fund.

The Board Secretary gave a brief update on the potential process and timeline for implementing a shared service with Tyne and Wear Pension Fund.

#### **4F LGPS Pooling, summary of the Board's recommendations re representation on BCPP Joint Committee**

The Board received report B3 confidential of 31 March 2017 Panel meeting papers, page 13 paragraphs 3.29 to 3.31, and tabled item, extract from Scheme Advisory Board website statement on Pool Governance.

They also debated the possible impact of the local elections in May 2017 on the representatives on the BCPP Joint Committee. The Chairman of the Pension Fund Panel reported that the Chair and Vice-Chair should remain unchanged by the elections in May 2017.

#### **4G BCPP Member Steering Group Agenda for 24 March 2017 meeting**

- Separate enclosure with the Pension Fund Panel 31 March 2017 meeting papers

Ch.'s Initials.....

LGPS Local Pension Board, 24 April 2017

**(i) Project Delivery Risk Register (pages 21 to 24 of the enclosure, described as Appendix 4)**

The Board acknowledged the contents of the BCPP Project Delivery Risk Register contained within Appendix 4 of the BCPP agenda papers on 24 March 2017 (pages 21-24).

The Board Secretary explained that BCPP Ltd was unlikely to meet the Government's 1 April 2018 target start date and that it had been estimated that an additional three months would be required to reach start up given the work involved in building BCPP Ltd.

Board Members discussed the practicalities and complexity in establishing BCPP Ltd and supported the approach that was being taken to ensure that the company was set up correctly. Whilst it was agreed that a target date was required to ensure that the process was progressed, flexibility was also needed.

The Board **agreed** that a draft form of words be circulated and agreed electronically prior to the Chair communicating with the other Board Chairs of administering authorities in the Border to Coast Pensions Partnership, regarding the commitment to establishing BCPP Ltd on a realistic timetable.

**(ii) Update on development of engagement with BCPP stakeholders (pages 47 to 55 of the enclosure, described as Agenda Item 4c, Paragraphs 3.2 to 3.4 and 3.22)**

The Board **noted** the contents of the report and the recommendations regarding stakeholder engagement and the provision to co-opt additional non-voting members, if required.

**4H Timetable of key dates in 2017 re Annual Benefits Statements**

- Appendix 8 of the confidential Pension Fund Panel 31 March 2017 meeting papers

The Board **noted** the timetable of key dates for the production of Annual Benefit Statements in 2017.

**5. Draft 2016/2017 Annual Report of the NCC LGPS Local Pension Board**

A copy of the draft 2016/17 Annual Report of the NCC Local Pension Board, composed by the Board Chair, was tabled for discussion at the meeting.

Ch.'s Initials.....

LGPS Local Pension Board, 24 April 2017



The Board Secretary stated that the only contact she was aware of from the Pensions Regulator had been regarding a survey sent to all administering authorities which she had completed, but she would confirm the position with regard to contact with the Pensions Administration Team.

The Board confirmed that the annual report be **agreed** subject to the above clarification and amendment of the last sentence in paragraph 3.5 to remove reference to the word 'annual' and now read: "To reinforce this message, the Chair of the Board makes a presentation at employers' meeting."

#### **6. NCC Pension Fund cash flow information 2016/2017**

A copy of cash flow data to and from the NCC Pension Fund bank account for the period April 2016 to March 2017 was tabled at the meeting.

The Board Secretary explained the information shown and how and when money was transferred between the NCC Pension Fund bank account and the Council's bank accounts. There were a number of payments or call for monies which were predictable and some which were not, such as capital payments or payments of transfers in and out of the Scheme. If further monies were required the Fund could redeem units held with Legal and General, relatively cheaply, quickly and easily, but it was cost effective to minimise the number of transactions of this type, so over the last few years redemptions had been implemented only once or twice per year.

The treasury management function was undertaken by NCC on the Fund's behalf due to the need for daily monitoring. The aim, for the Fund, was to have as little excess cash in the bank account as possible, as only minimal interest was earned on this cash and there was an opportunity cost of potentially higher income being earned in other Fund investments.

The Board gained assurance from the information provided that the cash flow arrangements were sufficiently robust and flexible to ensure the payment of pensions every month.

It was noted that detailed cash flow information of this type had not been provided to the Pension Fund Panel in prior years, and it was **recommended** that the Panel would gain assurance from the Board's in depth analysis of the Fund's the cash management process.

#### **7. NCC insurance for members of the Board: update from Board Secretary**

An extract of an exchange of emails between Zurich Insurance and the Board Secretary was tabled at the meeting.

The Board Secretary explained the background which sought to clarify the position with regard to insurance cover for Board members and whether fines levied on Board members by the Regulator would be covered by insurance. It was confirmed that personal fines would not be covered.

It was noted that whilst fines could potentially be issued to individual Local Pension Board Members, an Improvement Order would be issued first and time allowed for a situation to be rectified, prior to it being deemed necessary for a fine to be issued.

Board Members discussed the wording of the email and were pleased that, although clarification was still needed, progress had been made. The wording received on 10 April 2017 referred to employees or members, which did not cover any of the NCC LGPS Local Pension Board members, with the exception of Councillor Pidcock.

The Board Secretary confirmed the process for the appointment of the Councillor representative by the Appointments Panel, which comprised the Lead Elected Member for Finance, Chairman of the Pension Fund Panel, Monitoring Officer and Chief Financial Officer. If Councillor Pidcock was re-elected on 4 May 2017, his appointment would be reconsidered by the Appointments Panel.

It was **agreed** that the Board Chair would write to the Political Group Leaders, after the election on 4 May 2017, to request continuity of elected members on the Panel and Board and refer to the need for knowledge and training.

## **8. Training Needs Assessment (TNA)**

The Board considered the requirement for Training Needs Assessments. Reference was made to the following documents:

- TWPF's approach to TNA
- NCCPF's Training Policy
- CIPFA Barnett Waddingham LPBs Two Years On event 28 June 2017

The Chair highlighted the importance of training and the need to undertake training needs assessments given the 'non compliant' status of item number B10 'Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role responsibilities and duties?' on The Pension Regulator's and Scheme Advisory Board Compliance Checklist, discussed earlier in the meeting.

Board Members discussed the training they had attended and their opinions on their own level of knowledge which varied depending on their background and the length of their involvement. Generally, they felt that they had a good

level of understanding and had benefitted from the training events they had attended.

The Board Secretary referred to the composition of the Board and the advantages of them having different backgrounds and perspectives when discussing issues at meetings. It was necessary to provide training and they could not be expected to retain everything.

Training also took place during meetings with cash flow given as an example earlier in the meeting. Some Board Members had undertaken some of the modules available in the Pension Regulator's Trustee Toolkit.

Reference was made to the possibility of forthcoming changes and whether time and effort should be spent on assessments. Some training would be provided for any new elected members after 4 May 2017 and as was normal practice, this could be made available to all Board Members with a decision being made on whether further assessments would be required in 6 months.

It was **agreed** that the training logs be kept up to date.

The Board Chair was of the view that some action was required and it was agreed that, as a minimum, all Board members complete the Pension Regulator's Trustee Toolkit by the next meeting on 17 July 2017. Training would be made available if anyone experienced difficulties completing any of the modules.

#### **CIPFA and Barnett Waddingham event 28 June 2017**

Information was circulated about the above event. It was agreed that those who were able to attend should do so which included Mr Clark and Ms Dick. Councillor Pidcock would liaise with officers after the election. Ms Adams was unable to attend due to holidays.

#### **9. Feedback from 1 March 2017 CIPFA LGPS Spring Seminar for Local Pension Board Members**

Board Members commented on the value of the above seminar and including the information obtained regarding changes to legislation. They had also found it a good opportunity to network, particularly with other members of the BCPP. The Chair noted that an event for officers was scheduled in London on 6 November 2017 with a further event in Liverpool on 10 November, subject to there being sufficient demand.

#### **10. Board Work Programme 2017/2018**

The Board agreed the inclusion of the following items in the work programme:

Ch.'s Initials.....

*LGPS Local Pension Board, 24 April 2017*

**17 July 2017**

Reporting breaches: quarterly monitoring  
Shared services  
Annual benefit statements update  
Stocktake on training

**2 November 2017**

Risk register  
Code of practice review

Members were invited to refer matters for inclusion to future meetings to the Board Chair, the Board Secretary, officers with the Pensions Team or Democratic Services.

**11. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS**

The Chair requested that Board members familiarised themselves with the following documents:

**11A Investment Strategy Statement** (Report A1 of 24 February 2017 Panel meeting papers)

**11B Formal assessment of the effectiveness of the Pension Fund Panel** (Report A7 of 24 February 2017 Panel meeting papers)

**11C Actuarial valuation as at 31 March 2016** (Report B1 confidential of 24 February 2017 Panel meeting papers and Report B1 confidential of 31 March 2017 Panel meeting papers and enclosure relating to covenant risk control)

The Board Secretary confirmed that the actuarial valuation had been completed and signed by 31 March 2017.

**11D Analysis of pension breach** (Report A1 of 31 March 2017 Panel meeting papers and Appendix 1)

The Board **noted** that the pension breach had not been reportable to the Pensions Regulator and agreed with this decision..

**11E Councillors' LGPS** (Report A5 of 31 March 2017 Panel meeting papers)

The Board Secretary confirmed that correspondence would be issued to Councillors participating in the LGPS when their term of office ended on 4 May 2017.

**12. Future meeting dates**

Members received a list of dates for meetings of the Local Pension Board in 2017/18. It was agreed that future meetings would commence at 9.30 a.m.

**13. Any other business**

**Confirmation of the term of appointment of the elected Member on the Board**

An update had been given within item 7, earlier in the meeting.

There were no additional items.

(The meeting ended at 1.08 p.m.)



**CHAIR**

**DATE**      6 May 2017

