NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the LGPS Local Pension Board held at County Hall, Morpeth on Tuesday, 17 April 2018 at 9.30 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Pidcock, Clir B

Adams, Ms JH

Scheme Member Representatives

Clark, JP

CHAIR OF PENSION FUND PANEL (AS OBSERVER)

Watson J.G. (up to 10.42 a.m.)

OFFICERS IN ATTENDANCE

H Chambers Principal Pensions Manager (Tyne

and Wear Pension Fund) attending

in her capacity as provider of shared pensions administration

service with NCC

C Gorman Principal Accountant (Pensions) -

Project Officer

C Johnson Senior Accountant (Pensions)

A Lister Board Secretary

N Turnbull Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms S Dick.

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 previously agreed minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Monday 11 December 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 General Data Protection Regulation (GDPR)

Report A2 of 23 February 2018 Panel meeting papers plus Appendix 1

5. Update on GDPR implementation progress

Items 4A, 5 and 6 were considered together.

The Board received copies of templates prepared for the Local Government Association (LGA) by legal advisers, Squire Patton Boggs, and an outline of the preparatory work by South Tyneside Council (STC) and Northumberland County Council (NCC) for the implementation of GDPR on 25 May 2018. The following documents were also circulated at the meeting:

- Email dated 12 April 2018 from Paul Cooper, Communications Manager, TWPF regarding GDPR and data security training at STC
- TWPF Data Protection Act 1998 Compliance Guidance
- TWPF GDPR Action Plan

The Principal Pensions Manager (TWPF) outlined the work that was in the process of being carried out to ensure GDPR compliance, which included an operation plan, review and update of data protection notices, and training to remind employees of their individual responsibilities when processing data.

Although NCCPF's LGPS member data was now being processed by STC as part of the shared service with TWPF, NCC was also a data controller for LGPS administration, and retained responsibilities for the security of data.

Whilst it was acknowledged that the GDPR gave individuals an enhanced "right to be forgotten" data held for LGPS processing was covered by the "performance of a legal obligation" exemption. This exemption also covered former members, such as optants out. The new Regulation provided an opportunity to cleanse data, and the Principal Pensions Manager (TWPF) reminded Board members that TWPF had already run an annual check on NCCPF's common data, and a scheme specific data check would be performed later in the year. Also, the process of transferring data from NCCPF's pensions administration system to TWPF's system, with the separate data cuts, had led to data cleansing for NCCPF.

The Principal Pensions Manager (TWPF) explained that TWPF was part of the Metropolitan Councils Benchmarking Group which was working with the Pension Regulator (tPR) to agree the definition of scheme specific data for the LGPS to ensure consistency of testing across LGPS pension funds.

Employers of NCCPF also retained responsibilities regarding the accuracy and retention of data, which were particularly relevant following the introduction of the Career Average Revalued Earnings (CARE) Scheme in 2014. TWPF's use of electronic forms for data upload and data validations helped prevent inaccurate information being transferred from employers to the pensions administration system operated by TWPF on behalf of both NCCPF and TWPF.

The Principal Pensions Manager (TWPF) was confident that measures were in place to manage risks and ensure GDPR compliance, but stressed that an ongoing commitment was necessary to ensure the accuracy and quality of data.

The Principal Pensions Manager (TWPF) commented that TWPF's actuary, Aon, had already provided positive feedback to TWPF on the quality of its data submitted at the 31 March 2016 actuarial valuation.

The Board gained assurance from

- the work being undertaken by TWPF to comply with GDPR, and
- the ongoing data cleansing processes undertaken by TWPF to meet the requirements of Code of Practice 14 for an annual review.

6. How GDPR may impact upon the role of the Board member: discussion

It was confirmed that, for the purposes of undertaking their roles, Board members were unlikely to receive any sensitive personal data, because information presented at meetings was normally anonymised, for example, breaches logs referred to employer numbers rather than names.

Meetings of the Board were not open to the public and therefore, if it was ever

necessary to share sensitive data with Board members, that data would be distributed and then collected back by officers at the end of the meeting.

The Principal Pensions Manager (TWPF) referred to staff guidance and the procedures in place which limited the information that would be given to anyone other than the LGPS member him/herself (including Committee or Board members) unless a letter of authority from the member had been received, or a power of attorney in place.

The Board **gained assurances** from the discussion that the issue of data security was being considered regularly by both funds.

4B Implementation of MiFID II

- Report A4 of 23 February 2018 meeting papers
- 7. Role for the Board in assisting the administering authority in maintaining MiFID II professional client status

Items 4B and 7 were considered together.

The Board Secretary made reference to the MiFID II tests which had enabled NCCPF to be granted elective professional client status by each of its relevant financial service providers, and the potential impact of NCC's appointment to the post of Executive Director of Finance (Section 151 Officer) in June 2018.

The Board discussed the requirement to keep financial service providers informed of any changes relevant to the elective professional client status, and this included changes to membership of the Panel.

It was confirmed that MiFID II status had been included on the Fund's 2018 Action Plan and would be reviewed at least annually.

The Board therefore gained assurances that procedures were in place to ensure that ongoing monitoring took place of any changes of circumstances which might call into question the granting of elective professional client status by its relevant financial service providers

4C Reporting breaches: progress and quarterly monitoring report

 Report A15 of 23 February 2018 Panel meeting papers (plus Appendix 14 and enclosures) and updated breaches log for quarter ended 31 December 2017 (enclosed)

The Board received an update on 'leaver processes' operated by NCC's Employee Services Department (i.e. payroll) since January 2018. In response to the transfer of pensions administration to TWPF, the Employee Services

Department had changed procedures so that all leaver forms were now processed and chased up by only two members of staff (rather than many, as before), to ensure consistency and potentially reduce the number of breaches.

A summary of the outstanding breaches as at 16 April 2018 was also provided to the Board.

The Board requested that a report be submitted to its next meeting to assess the impact of the recent changes to the Employee Services Department's leaver processes.

The Board discussed that a large number of individual breaches, taken together, could become of material significance to tPR, and therefore represent a reportable breach.

The Chair made reference to a number of factors which needed to be taken into consideration, including:

- identification of where the problem arose,
- was training required?
- had the breaches arisen due to it being a particular time of the year?
- was there something that could be identified as the main cause?

He referred to the traffic light analysis of breaches to determine whether they should be reported to tPR, and also that scheme members had no-individual responsibility to report breaches.

It was noted that the format of the breaches log would change in future reports to the Pension Fund Panel and Board, following implementation of shared services. Also, the breaches log for the quarter ended 31 December 2017 was the last one, for NCCPF, to be provided in the detailed format which the Panel and Board had become accustomed to.

It had been agreed that a working group of officers from TWPF and NCCPF would be established to look at best practice from both funds and come up with a format for future breaches logs.

The Principal Pensions Manager (TWPF) stated that the question of materiality and reporting to tPR was an issue being considered by the Metropolitan Councils Benchmarking Group. Reference was made to recent articles in the press and the reputational damage where authorities had self reported breaches to tPR. It was therefore essential that administering authorities were working within the same framework across the industry. Although the Group had commenced discussions with tPR, engagement was at an early stage.

4D Key Performance Indicators (KPIs) for LGPS administration

Report A16 of 23 February 2018 Panel meeting papers plus Appendix 15

It was noted that NCCPF reported on internal targets which were more stringent than the regulatory requirements, although an additional column had been added at the request of the Board to show the regulatory requirement. TWPF reported only against regulatory requirements. It had been agreed that following the implementation of shared services, discussions would be held with officers and then with the Board (and with TWPF's Board) to agree a single format for future reports. As reported previously, TWPF already produced quarterly monitoring reports for its own Committee and Board, and the equivalent would also be provided for NCCPF.

The Principal Pensions Manager (TWPF) commented that the implementation of automated systems would help improve results. Arrangements were also being made for bulk data import (known as BDI) monthly, for new joiners, which could improve performance for larger employers such as NCC.

In response to a query regarding late submission of new joiner information, it was noted that one off notifications could be input via completion of a web form, to prevent it becoming a breach. Systems were also being developed by TWPF's software provider for direct use by members, which would enable members to notify the administering authority of their own retirement.

The Board **recommended** that the revised KPIs, to be implemented in the future, continue to include equivalent indicators of the KPIs previously in place for NCCPF.

4E Shared pensions administration service with TWPF

 Report B2 of 23 February 2018 Panel meeting papers plus Appendices 3, 4 and 5

9. Shared Service Agreement with South Tyneside Council

Items 4E and 9 were considered together.

The Board considered the legal agreement between Northumberland County Council and South Tyneside Council for the shared LGPS pensions administration service.

The Principal Accountant (Pensions) - Project Officer highlighted relevant sections of the agreement, including: the twelve year term, details of functions that STC would undertake on behalf of NCC in Schedule 1, and functions retained by NCC in Schedule 2 (for example, collection of contributions, investments, and governance).

In response to a question, it was confirmed that the position with regard to insurance remained unchanged i.e. remaining with NCC. The administration of the Scheme was now carried out by STC on behalf of NCC but responsibility for oversight remained with NCC, through the Pension Fund Panel and Local Pension Board.

Employees within the NCC Pensions Administration Team had been TUPE transferred in January 2018 and were now employed by STC. The Principal Pensions Manager (TWPF) confirmed that TWPF was committed to providing a good service and there would be benefits to both funds from the shared service arrangements which she hoped would build on the long-standing excellent working relationships between the funds.

Costs of scheme administration would be charged pro rata to Scheme membership numbers, which meant that the interests of both funds were fully aligned.

It was reported that, following the implementation of the shared service, additional resource had been allocated to the pensions telephone helpline at TWPF to ensure that members received the same level of service, given the additional volume of calls from NCCPF members.

An assurance was given that all members would receive the same level of service regardless of which fund they belonged to.

TWPF officers were investigating the options for virtual communication with members, using telecommunications software such as Skype.

8. Draft 2017/18 Annual Report of NCC's LGPS LPB

A copy of the draft 2017/18 Annual Report of the NCC Local Pension Board, drafted by the Board Chair, had been circulated electronically in advance and was tabled at the meeting.

The Chair highlighted the inclusion of duties he had performed on behalf of the Board and welcomed input to the draft Report from Board members. It was agreed that Board members would be given additional time, after the meeting, to consider and comment on the content of the Board's Annual Report, with the aim of finalising it by the end of April for inclusion in the Fund's 2017/2018 Annual Report and Accounts.

Members of the Board and the Chair of the Pension Fund Panel commented on the good working relationship between the Board and the Panel which had strengthened the work of the Panel.

The Board **agreed** the Board's Annual Report subject to any requested changes from members.

10. NCC's draft Communication Strategy Statement

The Principal Accountant (Pensions) - Project Officer highlighted some of the changes to the NCC Communication Strategy Statement required as a result of the move to a shared service with STC. Most communications with LGPS members and employers would now be provided by STC, with the exception of those that related to the collection of contributions, actuarial, investment and governance matters which would continue to be provided by NCC.

The Statement set out with whom NCC and STC would communicate, how this would be done and how the effectiveness of that communication would be monitored.

The Board discussed the responsibility for promotion of the Scheme, the pros and cons of promotion, and the impact of auto-enrolment. Promotional information was available on the STC website, if required by employers for recruitment.

In response to a question, the Principal Accountant (Pensions) - Project Officer confirmed that whilst STC would provide administering authority services to the individual members of the NCCPF AVC scheme, NCC would retain responsibility for the selection and monitoring of the AVC provider, including considering its financial stability.

It was confirmed that officers at TWPF had not yet had an opportunity to review the draft NCC Strategy and therefore there could be some minor further changes before finalisation.

11. Common data scores for NCCPF

The Principal Accountant (Pensions) - Project Officer referred to the results of the NCCPF pension data validation checks, carried out in February 2018, and the small number of failures that had been identified. The TWPF results had been used as a comparator, as it was the first year for that the check had been carried out on NCCPF's data. The results for the two funds were very similar.

It was noted that:

- Further work was required with regard to 'last known' addresses for correspondence returned by Royal Mail, where it was known that the member's address per the system was no longer current. The Principal Pensions Manager (TWPF) reported that the issue was to be raised by the Metropolitan Councils Benchmarking Group, as clarity was needed as to whether these records should be treat as a fail for tPR's common data score, which would be required as part of tPR's annual survey request.
- The proportion of preserved refunds for NCCPF was significantly higher than for TWPF and this was an area where further work would be carried

out to investigate and reduce NCCPF's number.

Information was awaited on the areas of focus within tPR's annual survey for 2018 and the Chair agreed to forward any details he received.

12. Remaining issues following implementation of shared service

The Board **noted** the schedule of tasks that remained outstanding at 28 March 2018 following the implementation of shared service.

The Principal Accountant (Pensions) - Project Officer agreed to check the storage facilities at Woodhorn were compliant with the requirements of GDPR. The Principal Pensions Manager (TWPF) confirmed that TWPF stored all data electronically.

13. Meeting of the four North East LGPS funds with tPR on 21 December 2017 in Durham, and follow up meeting on 22 February 2018

The Board discussed the meeting with the Pension Regulator (tPR) and the unique nature of the LGPS as the only funded public sector scheme. It was agreed that the meeting in Durham on 21 December had been beneficial and that another meeting should be arranged in the next twelve months.

Reference was made to a national Board training event on 27 June 2018 at which Rebecca Woodley from tPR would be presenting. Members were encouraged to attend.

14. Annual pensioner mailing April 2018

The Board was provided with an example of the annual payslip and P60 received by NCCPF pensioners in April 2018.

It was noted that the LGPS Scheme Advisory Board (SAB) was considering the composition of LGPS Local Pension Boards and it was possible that the current minimum requirement of no fewer than four members in total (i.e. a "2 plus 2" structure of two employer and two member representatives), could be increased. Since the NCC Local Pension Board Terms of Reference adopted the 2 plus 2 model, should SAB request an increase, NCC would need to recruit additional members. If this happened, to minimise the cost of recruitment, NCCPF would consider utilising the annual pensioner mailing for this purpose.

The Principal Accountant (Pensions) - Project Officer commented that when the Board was first established, information had been included on pensioner payslips to recruit a Scheme member representative.

15. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

15A External audit of NCCPF 2017/18

 Report A1 of 23 February 2018 Panel meeting papers plus tabled EY report

15B Reports on internal controls operated by fund managers and the custodian

Report A11 of 23 February 2018 Panel meeting papers

15C Investment Strategy Statement

Report A12 of 23 February 2018 Panel meeting papers and Appendix 9

15D Border to Coast Pensions Partnership Ltd Progress update 31 January 2018

Enclosed presentation with 23 February 2018 Panel meeting papers

STANDING AGENDA ITEMS

The following items were included on the agenda as standing items in order that issues could be discussed, if required.

16. New risks and changes to existing risks

The Board gained assurance from the discussions earlier in the meeting and the mitigation of risks regarding:

- The role of the new Section 151 Officer (from June 2018) and the discussions around available training for him to undertake.
- Increased understanding regarding the shared service agreement.
- Work on the common data scores, which would be needed to complete the tPR annual survey 2018.

In response to a question, the Principal Pensions Manager (TWPF) stated that she was confident that the statutory deadline of 31 August 2018 would be met for the issue of 31 March 2018 Annual Benefit Statements for NCCPF. She confirmed that TWPF had met the deadline in previous years. An operation plan was in place which plotted key dates for both employers and TWPF and there was a robust system in place for issuing reminders to employers. Progress was also discussed at TWPF's weekly Senior

Management Team meetings. It was agreed that a copy of the plan would be shared with Board members.

17. Review of meeting: open discussion

The Chair thanked everyone for their participation and invited members to email him with any views.

18. Future meeting dates

Members received an updated list of dates for meetings of the Local Pension Board in 2018/19.

The Chair reported that he had recently attended a meeting of the TWPF Local Pension Board and sought agreement from members to issue a reciprocal invitation. It was agreed that the TWPF Board Chair be invited to observe at a future NCCPF Board meeting.

19. Any other business

Board observations of process followed at the 13 April 2018 Panel meeting

Members of the Board were asked for their observations on the process followed at the meeting of the Pension Fund Panel on 13 April 2018, which considered the selection of an infrastructure manager for NCCPF to make a commitment to. The Board Chair had not attended this Panel meeting (on 13 April) to ensure that he did not influence the Panel decision or compromise his role as Board Chair

Ms Adams had been unable to attend the Panel meeting although she commented that the information contained within the papers prepared for the meeting was comprehensive. Mr Clark and Councillor Pidcock made reference to the thoroughness of the Panel's discussions and the robustness of the selection process which they considered had been fair and reasonable.

The Principal Accountant (Pensions) - Project Officer agreed to contact Ms Dick by email to ascertain her views.

(The meeting ended at 1.00 p.m.)

CHAIR

DATE

6 June 2018



NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the LGPS Local Pension Board held at County Hall, Morpeth on Thursday, 26 July 2018 at 9.30 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms JH

Scheme Member Representatives

Dick, S

OFFICERS IN ATTENDANCE

H Chambers

Principal Pensions Manager (Tyne and Wear Pension Fund) attending in her capacity as provider of shared pensions administration service with NCC

C Gorman

Project Officer

C Johnson Senior Accountant (Pensions)

A Lister Board Secretary

N Turnbull Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from JP Clark, Councillor B Pidcock and Councillor Watson (observer, Chair of Pension Fund Panel).

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 previously agreed minutes of the meeting of the LGPS Local Pension Board ("the Board"), held on Tuesday 17 April 2018, 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 General Data Protection Regulation (GDPR)

 Report A4 of 22 June 2018 Panel meeting papers and Appendices 3, 4 and 5

The Principal Pensions Manager (TWPF) detailed the processes, within the shared LGPS member services function, that had been planned, implemented and those still outstanding in relation to GDPR, which came into effect from May 2018.

It was accepted that pension funds were required to hold and process data for the performance of a legal duty. As TWPF and NCCPF only share information with third parties to facilitate pension processing and statutory requirements, it had not been necessary to request authorisation from LGPS members to continue to hold their personal data. A 'post-implementation' action plan had also been put in place by TWPF, to pick up residual issues e.g. provision of specifically tailored (children's) privacy notices, as well as ongoing potential issues that could evolve with time.

A regular GDPR update would be included as a standing agenda item at all future Board meetings, with a formal review to be undertaken annually, beginning in May 2019.

Following a query on NCCPF's paper record storage and future potential issues relating to GDPR, the Principal Accountant - Pensions (Project Officer) answered that Woodhorn, NCC's archiving and records management site, was secure, and that residual records would likely remain there in the long term. Dialogue with records management officers as to whether certain information

should be stored there was ongoing. The Principal Pensions Manager (TWPF) added that there was a desire to align retention policies between NCC and South Tyneside Council (STC) moving forward. LGPS record retention was an issue which was being considered at national level.

The Board **gained assurance** with the ongoing work to comply with the General Data Protection Regulation.

4B Tabled CIPFA guide for Local Pension Board

Tabled as part of Report A5 of 22 June 2018 Panel meeting papers

The Chair recommended that the CIPFA Guide for Local Pension Boards be read by all Board members as it was a helpful reference document and training tool.

Reference was made to the issue of insurance cover for Board members, which was an ongoing issue for LGPS funds nationally. The Principal Accountant - Pensions (Project Officer) commented that this issue remained on the radar of pension fund officers, as well as NCC's insurance officers, with dialogue ongoing with the Council's insurance provider on policy wording. An update would be brought to the next meeting of the Board in November 2018.

4C Formal assessment of the performance of the investment adviser: consideration of conflicts of interest for investment adviser

Report A8 of 22 June 2018 Panel meeting papers and Appendix 9

The Board noted the results of the 2017/2018 formal assessment of the performance of the investment adviser, Mercer, by the Panel, which showed that the Panel continued to have confidence in Mercer's advice.

Members also discussed potential for conflicts of interest for the investment adviser should advice that is given by the adviser to the Fund generate significant further income for the adviser. **The Board recommends** that representatives of the Panel and officers consider whether on occasions, from a governance perspective, there is a need for either separate independent advice and/ or some form of declaration of interests and transparency, subject to commercial confidentiality.

5. Update on breaches pre 31 December 2017

The Board received an update on the breaches of the law up to and including the period ended 31 December 2017, which had mostly been resolved and indicated no real ongoing areas of concern.

The Board discussed the question of whether a breach that had been

recorded once, but then remained in breach for a number of consecutive quarters, became materially significant and therefore reportable to the Pensions Regulator (tPR).

The Chair stated the Board's view that, in principle, if the Fund had done what it could to resolve a breach and was waiting on further information or action from a Scheme member, then the breach should not be deemed reportable.

6. Update on NCCPF employer monitoring

- as at May 2018 and
- as at July 2018

The Board received reports showing anonymised data as at May and July 2018 with regard to monitoring by shared administration service of outstanding queries with NCCPF employers.

The Principal Pensions Manager (TWPF) commented that quarterly reports would be submitted to Board meetings showing employers with queries relating to more than 10% of the active membership, or if outstanding for six months or longer. It was noted that there were no employers that breached these trigger levels in July.

The Principal Pensions Manager (TWPF) explained that issues tended to arise when there was a change in personnel with the departure of experienced members of staff at an employer. Each employer had a named client manager who would work with employers to answer queries, explain the employer responsibilities and ensure that outstanding matters were resolved.

The Board gained assurances from these monitoring arrangements.

7. Update on NCCPF service standards monitoring quarter ended 30 June 2018

The Board received a service standards monitoring report for the quarter ended 30 June 2018 against Disclosure Regulations targets. The Principal Pensions Manager (TWPF) discussed the differences between this version of the report, based on TWPF's high-level approach, and the previous NCCPF reports that the Board had become accustomed to. It was acknowledged that the NCCPF quarterly record of breaches (prepared up to 31 December 2017) had been very detailed and labour intensive to provide and monitor and it would not be practical to continue to provide it going forward. TWPF would now produce the same information for both funds.

TWPF was currently undertaking a process review around its systems, with a view to improving efficiency around certain processes, for example, its death processing. It was acknowledged that some of the longstanding targets were

overly ambitious and needed to be changed, particularly with the sensitivity around deaths and obtaining information from bereaved families.

The Board discussed the feasibility of a joint meeting with the TWPF LGPS Local Pension Board, if an issue arose that both Boards needed to consider. The Chair queried:

- Whether there was a regular forum to monitor the shared service arrangements.
- The level of expectation NCCPF should have regarding monitoring. Would sufficient knowledge be retained at NCCPF regarding administration processes to enable effective review or for analysis to make decisions?

It was **agreed** that it would be useful for the Board to receive a report which contained details of the reporting mechanisms at TWPF to better understand the processes in place.

8. Teething troubles for NCC (as Scheme employer) in first year end return data submitted since implementation of the shared service

The Principal Pensions Manager (TWPF) acknowledged that there had been some minor teething troubles for NCC, as Scheme employer, in the first year end return data submitted following the implementation of shared services. Such troubles were to be expected, and this was not intended to 'single out' NCC, as they were a regular occurrence whenever any new employer joined the LGPS. A meeting had been arranged for the following week to discuss processes for the submission of data by NCC Employee Services going forward. The Board noted these developments.

9. Query raised by Helene Adams re problems encountered with the shared service in the first months

NCC LGPS Local Pension Board Employer Representative, Helene Adams, provided details of problems she had encountered in her day to day role at Northumberland National Park Authority, one of NCCPF's employers, following the implementation of the shared pensions administration service with TWPF.

The Principal Pensions Manager (TWPF) had received assurance that the matters raised in Mrs. Adams' email had now been fully resolved.

10. CIPFA and Barnett Waddingham annual Local Pension Boards event on 27 June 2018

Items 10, 18C and 18D were considered together.

The Chair requested that Board members read and consider the information circulated with the papers for the meeting to identify areas required for future

training.

Event participants had received presentations from the Scheme Advisory Board, Local Government Association, the Pensions Regulator, the Ministry of Housing, Communities and Local Government, and a legal update from Squire Patton Boggs.

18D BCPP pooling arrangement, developments re scheme member representation on pool

• Report B3 of 22 June 2018 Panel meeting papers paragraphs 3.47 to 3.49

The Principal Accountant (Pensions) - Project Officer updated the Board on developments relating to scheme member representation on the Board of BCPP Ltd, and referred to guidance issued by the Scheme Advisory Board in March 2018. The issue had been discussed by the BCPP Joint Committee in July 2018, and formal proposals would be considered by the Joint Committee at its next meeting in November.

The current and former Chairs of the NCC Pension Fund Panel were fully supportive of having member representation on the BCPP Joint Committee.

Clarification was also provided regarding the change in Chair and Vice-Chair of the Joint Committee following the appointment of the former post holders as Non-Executive Directors of BCPP Ltd.

11. Data improvement plan for "post-live" issues

Item withdrawn from the agenda as the plan was still in the process of being compiled. This would be brought to the November Board meeting

12. Data improvement plan for February 2018 NCCPF common data scores findings (enclosed)

An updated copy of the NCCPF Data Improvement Plan, which had been produced to aid improvement in the data issues which came to light as a result of the February 2018 common data validation scores run by the shared administration service for NCCPF, was circulated at the meeting.

The Board was satisfied with the timescale identified in the Plan and endorsed the principle that priority be given to leavers from the LGPS 2014 Scheme when dealing with preserved refunds.

13. The Pensions Regulator's publications:

13A quick guide to measuring data

13B quick guide to improving your data

The Principal Accountant (Pensions) - Project Officer referred to two guides available on the Pensions Regulator website which explained the differences between, and provided examples of, common data and scheme specific (or conditional) data, and recommended both as valuable resource documents for Board members.

14. LGA consultation on LGPS scheme specific data measures (enclosed)

Board members received information on the LGA's consultation on LGPS scheme specific data measures, and correspondence with administering authorities on the standard list of scheme specific data that funds should adopt as part of tPR's 2017/18 administration and governance survey.

The Principal Accountant (Pensions) - Project Officer anticipated that a low percentage score would be achieved for scheme specific data, but the lack of guidance was likely to lead to a wide variety of approaches across the LGPS.

The Board noted the constraints regarding tPR scores in 2018.

15. Update on Guaranteed Minimum Pension (GMP) reconciliation work

An update on the NCCPF GMP reconciliation, which was now being carried out by TWPF as part of the shared pensions administration service, was circulated at the meeting.

The Principal Pensions Manager (TWPF) explained that although work had commenced on the NCCPF reconciliation exercise prior to the shared service, it had not been easily transferable due to different software systems. This had led to TWPF requesting a new data file from HMRC.

The Principal Pensions Manager (TWPF) added that assurances had been given by the software provider (Civica) that the October 2018 deadline set by HMRC for submission of NCCPF's queries to HMRC, would be met, which would bring NCCPF back on track for completing this exercise in line with TWPF.

The Board **gained assurance** that the GMP reconciliation work would be carried out before the HMRC deadline.

16. Headline "Hertfordshire bungles scheme actuarial reports": NCCPF's procedures

The Board received a copy of a recent article in 'Pensions Expert' relating to Hertfordshire County Council Pension Fund (HCCPF) whereby an error in the submission of quarterly returns to the fund actuary had led to the need for

IAS19 disclosure information for certain employers being redone by the actuary.

The Chair requested clarification of the internal controls in place at NCCPF to mitigate risk of a similar occurrence at NCCPF. The Board Secretary clarified the processes in place at NCCPF which mainly involved a segregation of duties at senior officer level.

The Board **gained assurance** from the internal controls in place to ensure the accuracy of data submitted to the actuary.

17. Deferred annual benefit statement mailing July 2018

The Board received a sample of the 2017/2018 Annual Benefits Statements (ABS) recently issued by TWPF to deferred members. The Principal Pension Manager (TWPF) added that the ABSs relating to active members were tracking to be sent out before the 31 August 2018 statutory deadline. Statements were being issued in paper form in 2018 and would be available online from 2019 onwards, unless the member opted out and requested a paper statement.

Members of the Board discussed the content and layout of the deferred ABS, with points raised that certain sections of the statement the Board viewed as unclear. Officers agreed to follow up on the points raised.

In answer to a question, the Principal Pension Manager (TWPF) agreed to check the implications of the recent 'Brewster Case' high court ruling on cohabiting partners and the wording included within the statement.

18. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

18A NCCPF draft Annual Report and Accounts for 2017/18

 Report A1 of 22 June 2018 Panel meeting papers and enclosed draft Report and Accounts

It was noted that the Annual Report and Accounts document contained NCCPF policies which Board members needed to have a working knowledge of, including:

Investment Strategy Statement, Funding Strategy Statement, Communication Strategy Statement, Governance Policy and Compliance Statement.

The Board Secretary confirmed that the draft NCCPF Annual Report and

Accounts for 2017/18 had been approved by the NCC Audit Committee the previous day, meaning the draft Report would now become the final version.

The Chair commented that he had cross-checked the Report for compliance against Section 57 LGPS Regulations and was satisfied that the requirement had been met. The Board Secretary noted the Chair's comments around additional information about administration of the Scheme and would look at incorporating this in the following year's Annual Report.

18B NCCPF's Communication Strategy Statement

Report A3 of 22 June 2018 Panel meeting papers and Appendix 2

The revised NCCPF Communication Strategy Statement was noted.

18C TPR's governance and administration survey results, and tPR's focus on Funds

 Report A10 of 22 June 2018 Panel meeting papers and Appendices 13 and 14)

18D BCPP pooling arrangement, developments re scheme member representation on pool

Report B3 of 22 June 2018 Panel meeting papers paragraphs 3.47 to 3.49

Items 18C and 18D had been considered earlier in the meeting with item 10.

STANDING AGENDA ITEMS

The following items were included on agendas as standing items in order that issues could be discussed, if required.

19. New risks and changes to existing risks

Members of the Board were reminded to discuss with the Chair or officers if they believed any new risks were developing around the Fund.

The Chair referred to discussions earlier in the meeting regarding both pool governance and the 2019 valuation but was satisfied there were no new risks to be identified at this time.

20. Review of meeting: open discussion

The Chair thanked everyone for their participation in completing this very extensive and wide ranging agenda, and commented that, as the Board evolved, the agenda was less reliant on the papers from the Pension Fund

Panel.

The Principal Pension Manager (TWPF) agreed that it was helpful to her role to attend the meetings of the NCC Local Pension Board and was an opportunity to share good practice.

21. Future meeting dates

Members received an updated list of dates for meetings of the NCC LGPS Local Pension Board in 2018/2019. It was noted that the date of the March 2019 meeting was being reviewed and may be changed, with the agreement of Board members, to ensure quorum could be achieved.

The Chair referred to the commitment shown by Board members which had been demonstrated with 90% attendance at meetings in 2017/2018. He also highlighted the preparation required for meetings and willingness (on the part of Board members) to attend external training events.

22. Any other business

None.

(The meeting ended at 12.40 p.m.)

CHAIR

DATE

5 September 2018

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Thursday, 8 November 2018 at 9.00 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms JH Pidcock, Cllr B

Scheme Member Representatives

Clark, JP Dick, S

OFFICERS IN ATTENDANCE

H Chambers Principal Pensions Manager (Tyne

and Wear Pension Fund) attending

in her capacity as provider of shared pensions administration

service with NCCPF

C Gorman Principal Accountant (Pensions) -

Project Officer

A Lister Board Secretary

N Turnbull Democratic Services Officer

Observer

J Woodlingfield Chair of Tyne and Wear Pension

Fund Local Pension Board

1. APOLOGIES FOR ABSENCE

None.

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. The Board agreed that this potential conflict would be effectively managed.

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 Thursday 26 July 2018, were circulated at the meeting and received for information.

4. ITEMS FOR IN DEPTH ANALYSIS

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

4A CMA proposed changes to the investment consultancy market

Report A3 of 10 September 2018 Panel meeting papers

The Board discussed the proposed reforms to the investment consultancy market proposed by the Competition and Markets Authority (CMA) in its provisional decision report, published in July 2018.

The Principal Accountant (Pensions) - Project Officer made reference to NCCPF's Conflicts of Interest Register which included entries about potential conflicts which could arise should a Fund adviser give advice that could be viewed as much if not more in the adviser's interests than in the Fund's.

Members considered the implications which included:

- The LGPS regulatory requirement to "take proper advice" for investment decisions.
- The relationship between the Pension Fund Panel and its investment adviser as sub funds start to become available through BCPP Ltd, and the adviser's role in fund manager selection for NCCPF starts to change;
- An independent adviser could be appointed in the future should the Panel deem it necessary.

The CMA's final report was scheduled for publication in March 2019 and would be considered by the Panel and Board in due course.

4B Conflicts of Interest Policy

 Report A4 of 10 September 2018 and A1(1) of 5 October 2018 Panel meeting papers

The Chair highlighted the issue of conflicts of interest which had been raised at a recent conference by Nick Gannon, Policy lead at the Pensions Regulator (tPR), and Bob Holloway, Pensions Secretary at the Local Government Association. He welcomed discussion to explore whether the Board had a further role in the monitoring of conflicts of interest for NCCPF.

The Principal Accountant (Pensions) - Project Officer confirmed that the NCCPF Register of Conflicts of Interest is maintained for all members of the Pension Fund Panel, the Local Pension Board and key officers. Individual declarations are retained in the Register which may be viewed by any interested party and the declarations were reviewed annually. The Register was available for inspection and brought to every meeting of the Board.

It was agreed that interests identified prior to a Panel meeting should be explained for the benefit of those present at that meeting. An example was given of a Panel member who had declared an interest in one agenda item at the 5 October 2018 meeting and purposefully joined the meeting later, after the item had been discussed. At the meeting he had not explained his reason for taking this approach, though he had discussed it in advance of the meeting with the Panel Chair and lead officer.

The Board discussed conflicts which could not be avoided including a conflict for the Section 151 Officer when setting the employer contributions at the actuarial valuation.

Declaring an interest was the responsibility of each individual, but the Principal Accountant (Pensions) - Project Officer added that she would encourage individuals to consider their position should she become aware of a potential conflict arising, and would discuss with the Monitoring Officer, if necessary.

The Chair volunteered to share his Declaration of Interests with the Board at a future meeting.

It was **agreed** that the Chair and Board Secretary would review the NCC LGPS Conflicts of Interest Register together before the next Board meeting to review the processes in place for identifying and managing actual and potential conflicts within the management of NCCPF.

4C Recording breaches

 Report A8 of 10 September 2018 Panel meeting papers and Appendices 8 and 9

4D Key performance indicators

 Report A9 of 10 September 2018 Panel meeting papers and Appendices 10 and 11

12. Headline "Barnet in TPR breach as Capita misses payments"

Items 4C, 4D and 12 were considered together.

The Board had been requested by the Pension Fund Panel to review the breaches of law which had occurred in the quarter to 30 June 2018.

The Principal Pensions Manager (TWPF) stated that the timeframe for each administration process was defined in the LGPS Regulations and did not take into account the interactions between the relevant parties. She commented that there was a general acceptance that 100% compliance with timescales was not realistically achievable.

With regard to reporting breaches to tPR, the material significance (to tPR) of each breach must be assessed. Most breaches were recordable but not reportable. For recorded breaches, tPR would look for an improvement plan being in place and evidence of actions being taken in line with the plan, and timescales.

In answer to a question regarding Death in Service processing (Appendix 9), the Principal Pensions Manager (TWPF) commented that the processing within the shared administration service was being reviewed because it was recognised that improvements were needed. TWPF was in discussions with its software provider (Civica) to implement system improvements. She commented that dealing with bereaved families needed sensitive handling and that the KPI could not take into account problems in obtaining information and ensuring that the benefits were paid to the right beneficiaries and bank account(s).

The Principal Accountant (Pensions) - Project Officer confirmed that if a breach occurred as a result of a failure by a member or beneficiary to provide information, it could not be a breach of material significance to tPR and therefore would not be reportable.

Principal Pensions Manager (TWPF) confirmed that the TWPF pensions shared administration service was part of the "Tell Us Once" service which enabled individuals to report a death to one government agency for onward communication to relevant others. TWPF and NCCPF also participated in the National Fraud Initiative, an exercise which matched data to help prevent and detect fraud following pensioner deaths. TWPF had improved its tracing facilities when mail or payments to bank accounts were returned, and used

covert surveillance under the Regulation of Investigatory Powers Act 2000.

Board members discussed the breach recorded on Appendix 8. It was agreed that:

- 1. The breach was not of material significance to tPR and therefore not reportable.
- 2. The Board Secretary should inform the Ministry of Housing, Communities and Local Government (MHCLG) that a breach had been recorded by NCCPF and request that changes be made to MHCLG and Department for Education processes to prevent a recurrence. The Board was assured by the Principal Accountant (Pensions) - Project Officer that NCCPF would have worked with the other administering authority involved in this breach to ensure no detriment to any of the LGPS members or beneficiaries that were "caught in the middle" of this breach should there had been an event such as a death in service of a member before the retrospective Direction Order was made by MHCLG.

The Board **noted** the processes and checks in place for processing of death benefits.

With regard to the remaining unresolved breaches, it was confirmed that an update would be provided to the next Board meeting for any cases which required processing by the Pensions Office at TWPF. Where action or a decision was required by a member, such breaches would not be reportable. Where information was still needed from an employer, further chasing up would take place.

The Board discussed the difficulties experienced by London Borough of Barnet Council who had reported itself to tPR after failing to issue 447 annual benefits statements by the 31 August deadline. It was **noted** that a robust approach was required by the Scheme Manager with employers that fail to comply with Regulations when providing member information to the administrator.

The Principal Pensions Manager (TWPF) confirmed that TWPF monitors the performance of employers and reports on queries which had been outstanding for longer than 6 months. The Board was given assurance that TWPF took its responsibilities very seriously and had robust mechanisms in place to ensure all employers are aware of their responsibilities.

Teething issues which had occurred at the start of the shared pension administration service with TWPF in provision of data by NCC's Payroll Department continued to be resolved as they arose. The full 12 month cycle of the shared service was not yet complete. It was agreed that although the monitoring report was normally produced quarterly, an additional update would be provided to the next meeting of the Board on 10 December 2018.

Members discussed the KPIs, breaches and whether breaches should be reported, and processes in place, and cooperation between officers. The Principal Pensions Manager (TWPF) confirmed that TWPF would not report NCCPF to tPR unless all other channels had been exhausted or there was a catastrophic failure. She added that there was no clear guidance about the meaning of "material significance" and when a breach should move from being considered recordable to being reportable.

The Principal Pensions Manager (TWPF) explained that TWPF was building up additional information for reporting breaches to also record the "mitigating circumstances". This would help in understanding the *cause* of any breach, which was an important element in determining material significance.

4E GMP reconciliation: progress report

 Report B2 of 10 September 2018 Panel meeting papers and Appendices 3, 4 and 5

14. Update on GMP reconciliation work

Items 4E and 14 were considered together.

An update on GMP reconciliation work was circulated at the meeting.

The Principal Pensions Manager (TWPF) reported that all queries on NCCPF data had been raised with HMRC by the 31 October 2018 deadline. The deadline for follow up queries to be submitted to HMRC was 31 December 2018 although there was no set date for HMRC to provide its report from which those follow up queries would arise. There was increasing pressure from pension schemes for the HMRC deadline to be extended.

The Principal Pensions Manager (TWPF) reported that the process for submitting follow up queries was almost complete for the TWPF data and that TWPF pensions administrators would be able to apply what they had learned when undertaking analysis of NCCPF data which would help expedite the work. Intellica / Civica may be asked to group the data and make suggestions which would help with materiality judgements.

The Board gained assurance that the 31 October 2018 GMP deadline had been met by TWPF. Officers in the shared administration service were thanked for their efforts.

4F Migration balancing items: over or under payments

 Report B3 of 10 September 2018 Panel meeting papers and Appendices 6 and 7 and report B1(1) and Appendices 1, 2 and 3 The Principal Accountant (Pensions) - Project Officer provided a brief summary of the discussion and questions asked by the Panel at its meeting on 5 October 2018 regarding the issues at NCCPF, before implementation of the shared service, which had given rise to the migration balancing items. Migration balancing items was the term used for the differences between the NCCPF pensioner payments per the former administration system and per the former payroll records. Those differences were carried forward by NCCPF into the shared service, to be investigated and resolved later.

She explained that, due to the importance of dealing with any overpayment of pension as soon as it was identified (to avoid unauthorised payments being made) work had begun on investigating the 10 largest *potential* underpayments.

The Pensions Manager (TWPF) was pleased to confirm that for all 10 cases that had been investigated so far, it had been the payroll records that had been accurate so there was no error on those pensions in payment.

Further sample groups were to be identified for investigation with a view to enabling officers to identify any systematic issues which may be within the balancing items. A dedicated officer at TWPF was currently assigned to the project. When further work had been undertaken, a cost benefit analysis would be carried out, and further decisions may be brought to the Panel.

Members expressed concern regarding the possible impact on members in receipt of small pensions and the issue of hardship. The Principal Accountant (Pensions) - Project Officer confirmed that regard would be had to case law and Pensions Ombudsman rulings on hardship and that a further report would be brought to the Panel in due course.

The Board was **assured** that TWPF ran monthly reconciliations between payroll and pensions administration systems which would prevent further migration balancing items occurring going forward.

5. Review of (part of) the Pension Regulator's Code of Practice 14

- Conflicts of interest and representation (paragraphs 61 to 91)
- Resolving issues (paragraphs 212 to 240)
- Reporting breaches of the law (paragraphs 241 to 275)

The Principal Accountant (Pensions) - Project Officer reminded members that the Scheme Manager, with assistance from Aon, had carried out an assessment against tPR's Code of Practice number 14 ("CoP14") checklist, approximately 18 months previously.

It was good practice to review the CoP14 checklist annually. On behalf of

NCCPF, in October 2018 Aon had completed the part of the checklist which considered LGPS member processing which was now carried out by TWPF for NCCPF as part of the shared administration service. The first draft NCCPF October 2018 CoP14 checklist would be reported to the Panel on 23 November with a recommendation that it be considered in detail by the Board at the 10 December meeting.

The Board **noted** that the checklist was to be considered at its next meeting on 10 December 2018.

6. "Scheme pays" process

The Board received a report to explain the operation of Annual Allowance 'Scheme Pays'.

The Pensions Manager (TWPF) explained that following investigation of the 76 cases where NCCPF members had been close to exceeding the £40,000 Allowance, 26 Savings Statements had been issued by the 6 October 2018 deadline.

Individuals in receipt of a Savings Statement were advised to review their own tax position and liaise with HMRC as to whether any tax charge was due. If the tax payable was in excess of £2,000 members could opt for the Scheme to pay the tax charge on their behalf and an explanation of the process was provided. Where the tax payable was less than £2,000 applications for Scheme Pays would be considered by TWPF on a case by case basis.

It was confirmed that the tax due from NCCPF members was a relatively small total amount and that HMRC would be provided with a list of members and amounts paid by NCCPF at those members' requests. The tax paid for each member would be recovered from future benefits when put into payment at retirement.

It was noted that as the annual allowance had reduced from £255,000 to £50,000 in 2011, and then to £40,000 in 2014, many more LGPS members were now being caught by the rules and therefore were receiving Savings Statements.

The Principal Accountant (Pensions) - Project Officer reported that to date, request for 'Scheme Pays' had not been made by NCCPF members for amounts under £2,000. She agreed to investigate whether NCCPF should have a policy in place on exercising this administering authority discretion.

The Board gained assurance that the Pensions Savings Statements had been produced by the shared administration service by the 6 October 2018 deadline.

7. Update on insurance for Board members

The Principal Accountant (Pensions) - Project Officer reported that confirmation had finally been received of an amendment of the wording of the Council's insurance policy to include Pension Board members.

The Chair was pleased to receive the confirmation.

8. The Pensions Regulator's 2018 Scheme Return

The Principal Accountant (Pensions) - Project Officer reported that the Pension Regulator's 2018 Scheme Return had been submitted by the 6 November 2018 deadline. A data improvement plan was already in place for the data issues which came out of the common data measure carried out by TWPF for NCCPF in February 2018 (agenda item 11).

The Board **gained assurance** that the 2018 Scheme Return had been completed by the deadline.

9. Active annual benefit statement mailing August 2018

The Board received a sample of the Annual Benefit Statement (ABS) mailing issued to members in August 2018.

Whilst it was noted that the ABSs had already been issued, communication with members was an important consideration for the Board. Board members were asked to email any comments, observations or suggestions on the August 2018 ABS mailing to the Chair and / or Board Secretary in advance of the next Board meeting.

The Principal Pensions Manager (TWPF) explained that TWPF hoped to move to electronic ABSs for 2019, except where members opted to continue to receive a paper ABSs. Board members commented that there was a large volume of "template" information within the ABS mailing which added "noise/business" to the document making it difficult for Scheme members to understand. Board members were advised that electronic ABSs would be more personalised and therefore easier for the Scheme member to read.

In response to a question the Principal Pensions Manager (TWPF) commented that TWPF have received good feedback, in the past, regarding the ABSs being understandable. She agreed to bring prior year ABS survey analysis to a future Board meeting.

10. Data improvement plan for "post-live" issues

The Principal Pensions Manager (TWPF) stated that officers continued to work on providing the data improvement plan for the NCCPF post-live issues, the

most significant of which was the migration balancing items which had been discussed earlier in the meeting. Migration balancing items was being prioritised to cleanse the data for the actuarial valuation data cut as at 31 March 2019.

11. Data improvement plan for February 2018 NCCPF common data scores findings

The Principal Pensions Manager (TWPF) commented that TWPF undertook an annual exercise in February 2018 to check the accuracy of members' details (name, address etc) i.e. the "common data".

A number of issues had been identified and included within the data improvement plan (DIP). Missing postcodes had been investigated and reduced from 24 to 3. The next deadline for required action on this DIP was 31 December 2018.

In answer to a question, she confirmed that NCCPF had a higher proportion of preserved refunds (than TWPF) and TWPF had now written to former NCCPF members to ascertain what they wanted to do with their preserved benefits.

The common data score for NCCPF (at February 2018) was 99.69%

The scheme specific data (previously known as conditional data) score for NCCPF was 84.23% and a data improvement plan was being developed and would be brought to the next Board meeting in December 2018.

The Board was reminded that a standardised scoring method had not yet been implemented. However, the Principal Pensions Manager (TWPF) was confident that the scoring methodology used by TWPF on NCCPF (and TWPF) data could be justified as there was a robust audit trail of the process undertaken.

13. Changes to NCCPF risk register

The Board Secretary reported that Northumberland County Council had adopted a new format for its risk register in July 2018. The NCCPF risk register would therefore need to be transferred to the new format and brought back to the Panel and the Board at meetings in February 2019 and March 2019, respectively.

Cyber security had already been added to the risk register for NCCPF, and it was a risk shared with TWPF. It was understood to be a high priority for tPR and the LGPS Scheme Advisory Board.

The Board **gained assurance** from the seniority of officers responsible for identified risks.

15. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

15A NCCPF 2017/18 Annual Report and Accounts and external audit

Report A1 of 10 September 2018 Panel meeting papers

15B IORP II

Report A2 of 10 September 2018 Panel meeting papers and enclosure

15C Pensions Ombudsman's ruling against Northumbria Police

 Report A5 of 10 September 2018 Panel meeting papers and Appendices 3 and 4

The Chair provided a brief summary of the Ombudsman's case.

The Principal Pensions Manager (TWPF) confirmed that TWPF had very robust mechanisms in place to ensure that the circumstances in the aforementioned case would not be repeated at TWPF. This included regular review of guidance, and inclusion of updated pension "scam" awareness leaflets in communications to members, as well as appropriate due diligence of payee pension fund schemes.

The Board **gained assurance** that TWPF had robust procedures and processes in place to prevent NCCPF's (and TWPF's) members' LGPS rights being transferred to a potentially fraudulent scheme.

16. Second mailing (of three) to notify NCCPF active, deferred and pensioner members of the move to online services for ABSs and P60s

The Board received a draft letter to be sent to scheme members notifying them about 'mypension' online service and the requirement to opt out in order to continue to receive paper statements.

The Principal Pensions Manager (TWPF) commented that this was the second notification of three that TWPF was required to issue to NCCPF Scheme members before moving to electronic provision of ABSs and P60s. The mailing provided with the Board papers had been updated and it was agreed that this updated version would be emailed to Board members shortly after the Board meeting.

The first notification to LGPS active members had been included in the ABS

mailing issued in August.

Suggestions by the Board for clarification on the second mailing would need to be sent to the Board Secretary urgently as this notification would be mailed to LGPS members in the very near future. The Chair undertook, on behalf of the Board, to promptly submit any requests for changes to the drafting of the letter.

The third notification was scheduled to be issued in February 2019.

Members of the Board discussed the number of LGPS members who had registered for the online service. The Principal Pensions Manager (TWPF) reported that 9,000 members had signed up to 'mypension' and they had obtained 6,000 pension estimates, via self-service. The advantage of the online service was that it enabled members to obtain as many pension estimates as they wished to.

In answer to a question, the Principal Pensions Manager (TWPF) agreed to check whether ABSs included information about the percentage of lifetime allowance used.

STANDING AGENDA ITEMS

The following items were included on each meeting agenda as standing items in order that issues could be discussed, if required.

17. New risks and changes to existing risks

Members of the Board were requested to alert the Chair or Board Secretary if they became aware of any new risks to NCCPF.

The Board discussed the following:

- Key person risk of the pensions administration service carried out by NCC (pre shared service) had now been removed from the risk register.
- Attendance by TWPF officers at NCCPF Board meetings was a vital part
 of monitoring the shared pension administration service. The Principal
 Pensions Manager (TWPF) stated that as the service had not yet been
 implemented for 12 months, there remained some significant areas in the
 annual cycle that had not yet been tested.
- Inclusion of the triennial valuation in the risk register. The Principal Pensions Manager (TWPF) reported that TWPF had received confirmation from the actuary for TWPF (Aon) that the quality of TWPF's data at the 2016 valuation was very good. She added that TWPF had already commenced the cleansing process for NCCPF and TWPF data the 2019 valuation.
- Clarification was still awaited regarding the change to a four yearly valuation cycle for the LGPS in line with other public sector pension

schemes.

18. Future meeting dates

Members received an updated list of dates for meetings of the Local Pension Board in 2019/20.

19. Any other business

1. The Pension Regulator's Public Service Governance and Administration Survey 2018

A copy of the recently issued survey was circulated to members of the Board at the meeting. It was noted that whilst completion of the survey was not compulsory, it was good practice. NCCPF officers would liaise with TWPF regarding the survey to ensure consistency in the relevant sections, then consult with the Board Chair before submitting before the 30 November deadline.

2. BCPP Ltd's Responsible Investment (RI) and Share Voting Policies

A copy of an exchange of emails was circulated at the meeting to update members on discussions held between the Chair and Principal Accountant (Pensions) - Project Officer on BCPP Ltd's RI and Share Voting Policies.

It was anticipated that the Pension Fund Panel would consider the aforementioned policies at its meeting on 21 February 2019. It was suggested that the Board consider BCPP Ltd's RI and Share Voting Policies which were reported to the 21 November 2018 BCPP Joint Committee at its meeting on 10 December 2018 to make recommendations to the Panel in February 2019.

(The meeting ended at 12.05 p.m.)

CHAIR

DATE 26 November 2018



NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Monday, 10 December 2018 at 9.30 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms JH

Pidcock, Cllr B (Item no 1 - 10)

Scheme Member Representatives

Clark, JP

Dick, \$

OFFICERS IN ATTENDANCE

H Chambers (HC)

Principal Pensions Manager (Tyne and Wear Pension Fund) attending in her capacity as provider of shared pensions administration

service with NCCPF

C Gorman (CG)

Principal Accountant (Pensions) -

Project Officer

C Johnson (CJ)

Senior Accountant (Pensions)

Board Secretary

N Turnbull (NT)

A Lister (AL)

Democratic Services Officer

Observers

D Burnett

Chair of Cumbria County Council LGPS Local Pension Board

G Welbourn

Technical Finance Officer-Pensions

at Cumbria County Council

Ch.'s Initials......

Definition of Terms

ABS Annual Benefit Statement

AVC Additional Voluntary Contributions

BCPP Border to Coast Pensions

Partnership

CIPFA The Chartered Institute of Public

Finance and Accountancy

GAD Government Actuary's Department
GMP Guaranteed Minimum Pension
LGIM Legal and General Investment

Management

MIFID II Markets in Financial Instruments

Directive II

NCCPF NCC in its Scheme Manager role
PFP NCC's Pension Fund Panel
RI Responsible Investment

SAB LGPS Scheme Advisory Board STC Administration Shared administration service for

NCCPF and TWPF

ToR Terms of Reference
tPR The Pensions Regulator
TWPF Tyne and Wear Pension Fund

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Watson (Observer, Chair of NCC's Pension Fund Panel).

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. The Board agreed that this potential conflict would be appropriately managed.

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 Thursday 8 November 2018, were circulated at the meeting and received for information.

4. ITEMS FOR IN DEPTH ANALYSIS

The Chair reminded Board members to retain previous PFP meeting papers to consider at each Board meeting.

4A NCC LGPS the Pensions Regulator's Code compliance checklist

 Report A8 of 23 November 2018 Panel meeting papers and "CoP 14 checklist" enclosure

The Board had been requested by the PFP to review NCCPF's third assessment against the standards set out in tPR's Code of Practice number 14 (CoP 14).

CG explained that this annual review of Cop 14 had been due in February 2018 but had been deferred to allow a 'bedding in' process following the implementation, in January 2018, of the shared pension administration service with STC. Aon had once again been appointed to undertake an independent review of the processes in place at STC Administration and governance at NCCPF, and assessed NCCPF using its CoP 14 compliance checklist model.

The following areas of the checklist assessed as 'amber', i.e. 'partially compliant' were discussed:

- B1 Addition to narrative that the training policy was to be reviewed in February 2019.
- B4 Discussions ongoing with Aon regarding the "2+2" board structure model and the concerns about quorum. It was noted that the flexibility of a small number of members allowed meeting dates to be moved if it looked like there would be a quorarcy issue.
- B9 CG expressed a preference for this to remain amber as although new Councillors were offered pre-attendance training, it was not possible to offer pre-appointment training due to the uncertainty around the election process. It was agreed that reference would be made to made to the one-to-one pre-attendance training from the Board Chair and officers.
- B12 One Board member indicated non-completion of the tPR toolkit, but would endeavour to complete in the foreseeable future. Records to be updated that all other Board members had now completed.
- D4 Clarification would be requested by officers from Aon to better understand why Aon had assessed this as partially compliant. Board agendas and minutes were all published on the NCC website. ToR to be discussed later in the agenda.

- E3,4,5 Updated risk register to be considered by the PFP in February 2019.
- G5 Information would be requested by officers from Aon regarding additional processes recommended to document the AVC contribution monitoring in place at NCCPF.
- H2, 4 Clarification was being obtained by officers from Aon regarding compliance as the LGA's ABS template format was used. HC added that in future years, online statements would allow more information to be provided via the use of hyperlinks.
- I2, 5, 8, 9 IDRP process and leaflets to be updated following Aon's recommendations. Monitoring reports to be requested from West Yorkshire Pension Fund (NCCPF's first stage appeal adjudicator).
- J3 Discussions with STC administration to be finalised regarding an agreed format as it had been previously acknowledged that the former NCCPF format for recording breaches had been too detailed.
- K3 Training policy to be updated.

The Board **noted** the progress. It was confirmed that a further report and updated version would be presented to the next meeting of the Board in March 2019 when clarification had been obtained on the items highlighted.

4B Recording breaches

 Report A11 of 23 November 2018 PFP meeting papers and Appendices 12, 13 and 14

4C Key performance indicators

 Report A12 of 23 November 2018 PFP meeting papers and Appendices 15 and 16

Items 4B and 4C were considered together.

The Board had been requested by the PFP to review the breaches of the law that had occured, and key performance indicators (KPIs) for LGPS administration, in the quarter to 30 September 2018.

CG gave a brief synopsis of a breach detailed in Appendix 12 which had occurred as a result of an employer failing to pay monthly contributions within 19 days of the month end for August 2018.

The Board **agreed** that the breach was recordable but not of material significance to constitute reporting to tPR. It was also **noted** that employer

878 was included within the latest list of poorly performing employers and would therefore be closely monitored.

CG also provided a summary of a technical breach contained within Appendix 13 which had arisen due to requested scheme trust deeds not being provided to STC administration within 6 months by an external scheme administrator, and the Regulator being unable to formally grant an extension.

The Board **agreed** that it was not of material significance and that technical breaches of this nature were unavoidable due to tPR processes which do not allow for a timely, formal decision around extension requests.

Members discussed the timescale for processing pension transfers and the optimum time to request an extension. It was confirmed that extensions could not be requested early as it would result in tPR being inundated with requests. Only those with 2 or less weeks remaining should request extensions. The Board **suggested** that tPR should consider amendment to its current process.

HC circulated the following additional information, which had been requested by the Board, following discussion, at its November 2018 meeting. The information was to be read in conjunction with Appendix 14:

- Circumstances for processes breaching disclosure
- Employer monitoring as at November 2018

Following a request from the Board, HC provided a brief description of the escalation processes at STC administration.

It was noted that employer 878 was a relatively new employer in the Fund and that improvements would be expected when it familiarised itself with the STC administration processes. The Board **noted** that the employer was being monitored closely. Members agreed that where an employer was performing poorly in several areas it required closer monitoring to ensure there was not an underlying cause within the employer's management or governance systems.

The Board recommended that its concern be conveyed to employer 999 with suitable wording to be agreed by CG and HC.

Concern was expressed regarding the low percentage of some of the performance indicators within Appendix 14 which were statutory requirements. A request was made for cumulative or rolling performance indicator data to be provided so that a relevant comparison could be made with previous periods.

HC agreed to provide information which would assist with monitoring trends, as well as a definition of terms. She believed that an improvement in performance would be seen when the report was considered in March 2019. It was confirmed that both Boards i.e. NCCPF and TWPF, received the same

reports although the data was only in respect of their own funds. Future joint meetings between both Boards were being considered where appropriate.

5. Legacy breaches information pre 31 December 2017

CG provided an update on the outstanding 'legacy' breaches of the law prior to 31 December 2017. The majority of the breaches were now complete with 3 breaches remaining outstanding.

Breach 20 - information was to be issued in the next few days.

Breach 13 - decision awaited by the member.

Breach 74 - unable to trace member.

It was expected that one final update would be provided at the next meeting.

The Chair thanked the officers at STC Administration for working to resolve the outstanding items.

6. The Pensions Regulator's 2018 Scheme Annual Return for NCCPF

CG confirmed that tPR's 2018 Scheme Annual Return had been submitted by NCC officers prior to the 6 November 2018 deadline. The Return included details of Board members and employers within the scheme. Members were requested to review their own personal information and inform CJ if any details were incorrect.

The Board was **assured** that the Scheme Annual Return for NCCPF had been submitted before the deadline.

7. The Pensions Regulator's Governance and Administration Annual Survey 2018 for NCCPF (enclosed)

The Board received a copy of tPR's Governance and Administration Annual Survey for 2018 which had been submitted by NCCPF prior to the 30 November 2018 deadline. CG confirmed that a single response had been submitted on behalf of the Scheme Manager, following consultation with STC administration, the PFP Chair and the Board Chair.

Members of the Board discussed the frequency of review of the shared administration service. It was confirmed that the term of the current contract was 12 years and that, in effect, it could be viewed that a review was undertaken on a quarterly basis. Given the resource involved in preparing for the transfer of data and the additional resource requirements in the first year of shared service, it would not be practical or cost efficient to transfer to another provider within three years, as implied by the phrasing of the Survey question.

Reference was made to cyber security and the security provisions in place at

STC and NCC, and the Board discussed the merits of cyber security experts from within NCC and STC attending Board meetings to discuss the relevant risks and the controls in place.

The Board **noted** the difficulties encountered by officers in interpreting the questions when preparing the response and was **assured** that the Survey had been submitted before the deadline

8. The Board's individual Training Needs Analysis

Report A3 of 23 November 2018 Panel meeting papers and enclosure

CJ explained that the implementation of MiFID II legislation had led to the adoption of an annual formal training needs analysis procedure for Panel and Board members at NCCPF. The questionnaire used in the analysis had been adapted from a template supplied by colleagues at Cumbria, following a request from other BCPP funds encountering a similar issue, and was based on CIPFA's six areas of knowledge and skills.

He reported that all but one member of the Board had completed and returned their individual training needs analysis questionnaire, the results of which would be considered at the Board's next meeting in March 2019.

In answer to a question, CG confirmed that officers were in discussion with the actuary regarding triennial valuation training which was likely be a joint event with TWPF.

9. Data improvement plan for "post-live" issues and October 2018 NCCPF scheme specific data scores findings

A copy of the first draft of the NCCPF 2018 data improvement plan was tabled at the meeting. HC explained that this was still a raw document with further work to be carried out to ensure completeness. The next steps were about prioritising and resourcing around the triennial valuation.

Members discussed the importance of accurate data for the triennial valuation and it was reiterated that items of particular significance to this would be given priority on the plan. HC explained the process of cleansing the data for the 2019 valuation; whilst the data would be based on conditions as at 31 March 2019, the data would not be extracted and sent to the actuary until 31 July 2019. Further updates would be provided to the Board at its meetings on 25 March 2019 and 12 July 2019. The Chair offered the assistance of the Board, if this was required.

The Board **noted** the progress in the development of the data improvement plan which had been delegated to the Board by the PFP. Members with any observations were requested to email them to officers as soon as possible

following the meeting.

10. Revised "second warning" letter for NCCPF's LGPS members that ABSs and P60s will no longer be automatically issued as paper copies

The Board **noted** that a second letter had been sent to scheme members to notify them of the provision of future ABSs (for actives and deferreds) and P60s (for pensioners) online when individuals registered for a mypension account. The Board was pleased that its suggestions had been taken into account. A final warning letter would be issued in February 2019. Anyone who wished to opt out could do so by writing to the Pensions Office at STC administration.

In answer to a question, HC confirmed that a small percentage had opted out to date. She also reported that an updated version of the current system would be implemented in 2019 which would be more user friendly.

11. Review of Board's own Terms of Reference

Councillor Pidcock left the meeting during this item.

The Board reviewed its own Terms of Reference which had been agreed by a resolution of Council on 25 February 2015.

The Chair commented on the positive and comprehensive document which had the foresight to allow for the changes (such as four meetings per year) that had been introduced more recently.

The following areas were discussed:

- 4a. Composition. It was agreed that the current "2+2" structure worked well at NCCPF as there was flexibility around meeting dates.
 Arrangements were to be made for Neil Sellstrom of CIPFA to attend a future meeting of the Board as an observer to prepare him for the role should he need to step in as alternate in the role of Chair.
- 4e. Quorum. Meetings had always been quorate. If they became inquorate during a meeting, the meeting would cease but could continue informally as training.
- 5. Location and Timing. The Board would meet a minimum of twice per year; however four meeting dates per annum were scheduled through to 2020, each following a quarterly PFP meeting. It was noted that the SAB had recommended four meetings per year. Provision had been made in the ToR for meetings to be held via electronic and telephone communication between members in exceptional circumstances and this meeting method had been used on one occasion to enable a specific

Board decision to be made.

- 12. Access to the Public and Publication of LGPS Local Pension Board Information. Whilst meetings were not open to the general public, scheme members were eligible to attend. Advance notification would enable information to be supplied or for copies to be made available at the meeting. Any discussion of confidential PFP papers could require the temporary absence of scheme members.
- 12. Reference to the Data Protection Act (1998) would need to be updated for the introduction of the General Data Protection Regulation.
- 15. Definitions. Reference to the shared administration service with STC administration would need to be included.

CG agreed to liaise with NCC's Monitoring Officer to determine whether the final two items could be incorporated in the Terms of Reference immediately or whether it would need to wait until the next formal update of the Council's Constitution

12. Chair's review of Conflicts Register in November 2018

The Chair confirmed that he had undertaken a review of the Conflicts of Interest Register following attendance at a conference where the issue had been raised by Nick Gannon, Policy Lead, tPR and Bob Holloway, Pensions Secretary at the LGA.

It was confirmed that the Register was available for inspection at each meeting of the PFP and Board. It included individual declarations for all PFP and Board members, observers and relevant officers. He confirmed that he had not seen any declarations which would give him cause for concern in terms of potential conflicts. The primary focus had been on the decision makers who had all indicated they would act with integrity and put NCCPF's interests first.

Board members had read and agreed to comply with the Board's Terms of Reference and Conflicts of Interest Policy. The Conflicts Policy had recently been updated by the Panel on 5 October 2018.

The Chair provided a summary of his own declaration form which included his role at CIPFA, various consultancy posts and his own investment portfolio, as potential conflicts.

CG confirmed that the recent update to the Fund's Conflicts of Interest Policy included references to STC Administration and officers at TWPF were in the process of completing individual declarations to comply with the Policy.

13. Update on migration balancing items reconciliation

 Report B3 of 10 September 2018 Panel meeting papers and Appendices 6 and 7 and report B1(1) and Appendices 1, 2 and 3

An update was received on the progress of the investigation of ten potential underpayments identified during the data cleansing prior to data migration from NCC to STC Administration in January 2018. An anomaly had been discovered due to incorrect recording of GMP entitlements which had led to further investigations to identify all similar cases. CG added that she was in discussion with legal officers at STC Administration and would seek further external advice if this was required. A report would be considered by the PFP in due course when more information was known about the causes of the migration balancing items.

HC commented that there would be no further difference arising due to failure to reconcile the administration system with pensioner payroll as monthly reconciliation reports were run at STC Administration for NCCPF and TWPF. She also pointed out that it might not be possible to resolve the differences to within £0.01 or determine the date the difference started, if archived payroll information was unavailable.

The Board discussed whether a target date should be set for completing the initial investigation of the cases and whether it was necessary for more resource to be allocated by STC Administration to the investigation. Whilst there could be an additional cost for extra resource, the Board suggested that arrangements should be made if this was required at STC Administration and the Payroll Department at NCC.

The Chair made reference of the need to report to tPR within a reasonable timescale if the results of the investigation identified the issue as of material significance.

The Board noted the update and **agreed** that officers should determine a suitable target date for completing the investigatory work on the migration balancing items of £2 or more per month.

14. Update on GMP reconciliation work

HC provided a verbal update on GMP reconciliation work carried out in the period since the Board's last meeting in November 2018. Follow up queries had recently been received from HMRC and NCCPF's own follow up queries in response were to be submitted to HMRC by the 31 December 2018 deadline. This deadline was viewed as tight, and although there had been indications that the deadline might be extended by HMRC, there had been no official word yet, therefore officers were working towards meeting the 31 December deadline by close on 21 December 2018, after which STC

Administration's offices would be closed until the new year.

Officers were working with Intellica, a third party service provider, regarding additional work to group the HMRC query data. Materiality would then be considered and those with the biggest impact would be prioritised.

The Board **gained assurance** that officers were working to meet the 31 December 2018 deadline.

15. Scheme member representation on BCPP Joint Committee

The Board received a report from BCPP's Joint Committee papers for its 21 November 2018 meeting on the arrangements for appointing scheme member representatives to the Joint Committee. It was confirmed that the Joint Committee, at its November meeting, had agreed that there would be only one scheme member representative (as observer) on the Committee.

The Chair had discussed the potential role with the eligible NCC Scheme Member representatives on the Board, who were reluctant to put themselves forward for nomination at the present time.

The Chair added that the LGPS LPB Chairs of the twelve BCPP partner funds would be holding an annual meeting which would be held at the BCPP annual conference, however, there had also been support for including more frequent meetings going forward.

16. BCPP Ltd's RI Policy and Corporate Governance and Share Voting Guidance

17. LGIM's comments on BCPP Ltd's RI policies

Items 16 and 17 were considered together.

The Board considered the draft BCPP Responsible Investment Policy and Corporate Governance and Voting Guidelines and also commentary from LGIM which confirmed its own voting policy was well aligned with that of BCPP, with the exception of a few minor differences.

CG explained that BCPP was still in the process of developing its policies, which would be considered by the PFP at its meeting in February 2019. The Fund was required by regulations to have a RI policy and given that BCPP would be managing the Fund's assets in due course, it was necessary to ensure that policies were aligned.

The Board **noted** the progress to align the RI policies at pool and Fund level.

18. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

18A Northumberland County Council Pension Fund's Procedure for Reporting Breaches of the Law

Report A1 of 23 November 2018 Panel meeting papers

18B Recent news stories about LGPS administering authorities

Report A5 of 23 November 2018 Panel meeting papers and Appendices 5,
 6, 7 and 8

The Chair recommended that members of the Board read Appendix 7 which detailed the circumstances of another administering authority that had self-reported to tPR due to being unable to issue all ABSs by the 31 August deadline, as a result of missing or inaccurate data from some of its employers.

19. Member feedback on 2018 annual benefit statements

The Board received a summary of the results from satisfaction surveys of pensioners and active members following the issue of ABSs in August 2018.

HC added that STC Administration intends to expand its range of surveys to include areas such as joiners and leavers to the scheme.

It was agreed that the information would be recirculated electronically after the meeting as directional trend arrows were not showing in the version that had been provided.

STANDING AGENDA ITEMS

The following items were included on agendas as standing items in order that issues could be discussed, if required.

20. New risks and changes to existing risks

Members of the Board were requested to alert the Chair or officers if they became aware of any new risks.

The Board discussed:

 The addition of cyber risks. Reference was made to the recent data breach within the Marriott International hotel group. HC added that a

- report would be prepared for a future meeting of both NCCPF and TWPF Boards and Committees from the ICT managers at STC.
- Triennial Valuation. CG explained that training would be provided as the
 matter was only considered once every three years and due to election of
 Councillors, new members would require this and longstanding members
 would also benefit from the reminder. Information was awaited regarding
 the anticipated change in valuation date although this would require a
 change of legislation as "rates and adjustments certificates" were issued
 for a set period, as prescribed in the LGPS Regulations.

21. Future meeting dates

Members received an updated list of dates and start times for meetings of the Board in 2019 and 2020.

22. Any other business

Scheme Advisory Board

A copy of correspondence dated 28 November 2018 sent by the Scheme Advisory Board to the Pensions Regulator (tPR) asking for tPR's engagement to work together with administering authorities and the Scheme Advisory Board to deliver improvements in scheme governance and administration, was circulated to Board members.

(The meeting ended at 1.03 p.m.)

CHAIR

DATE 7 January 2019



NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** (LPB) ("*the Board*") held at County Hall, Morpeth on Monday, 25 March 2019 at 9.00 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms JH

Hutchinson, Cllr JI

Scheme Member Representatives

Clark, JP

OFFICERS IN ATTENDANCE

H Chambers (HC) Principal Pensions Manager (Tyne

and Wear Pension Fund) attending

in her capacity as provider of shared pensions administration

service with NCC

C Gorman (CG) Principal Accountant (Pensions) =

Project Officer

C Johnson (CJ) Senior Accountant (Pensions)

A Lister (AL) Board Secretary

N Turnbull (NT) Democratic Services Officer

Definition of Terms

ABS Annual Benefits Statement
AVC Additional Voluntary Contributions

BCPP Border to Coast Pensions Partnership
CARE CIPFA Career Average Revalued Earnings
The Chartered Institute of Public Finance

and Accountancy

CoP Code of Practice

Common Data E.g. name, address and date of birth, held

Ch.'s Initials.....

for pensions processing Data Improvement Plan

Government Actuary's Department Guaranteed Minimum Pension Internal Dispute Resolution Procedure

Local Pension Board

Legal and General Investment

Management

Local Government Pension Scheme Ministry of Housing, Communities and

Local Government

MIFID II Markets in Financial Instruments Directive

Ш

NCCPF NCC in its Scheme Manager role

RI Responsible Investment

SAB LGPS Scheme Advisory Board Scheme Specific (Conditional) Data E.g. employment record and cont

E.g. employment record and contribution history held for pensions processing

Shared administration service for NCCPF

and TWPF

Terms of Reference of the Board

Training Needs Analysis
The Pensions Regulator
Tyne and Wear Pension Fund

1. MEMBERSHIP

ToR

TNA

tPR

TWPF

DIP

GAD

GMP

IDRP

LPB

LGIM

LGPS

MHCLG

STC Administration

A minute's silence was held in memory of Councillor Bernard Pidcock who had recently passed away.

CG reported that Councillor J.I. Hutchinson had been formally appointed to the Board by the NCC's LGPS LPB Appointments Panel on 8 March 2019.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms. S. Dick (Scheme Member Representative) and Councillor Watson (Observer, Chair of NCC Pension Fund Panel ("the Panel")).

3. 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.

4. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD

A copy of the previously agreed minutes of the meeting of the LGPS Local Pension Board, held on Monday 10 December 2018, were circulated at the meeting and received for information.

5. ITEMS FOR IN DEPTH ANALYSIS

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

4A Recording breaches

 Report A15 of 22 February 2019 Panel meeting papers and Appendices 15 and 16

17A Migration balancing items

Report B7 of 22 February 2019 Panel meeting papers

Items 4A and 17A were considered together.

CG explained the consecutive monthly breaches in the quarter to 31 December 2018, relating to employer 923, which were effectively the same breach which had arisen in October 2018 due to teething problems following the appointment of a new employee at a small employer, where that one employee was solely responsible for administering payroll. The breach had been compounded in the following months, while the employer worked with the administering authority to quantify and correct the original issue. The breaches had all been corrected following the quarter end, however officers were still working with the employer to ensure this did not recur.

It was noted that, as a result of the migration balancing items investigation following the transition of NCCPF member data to STC Administration, errors in pension payments had been discovered for 73 members, and subsequently had been corrected in March 2019. A further report would be considered by the Panel, in due course, for balancing items of less than £2 per month.

The Board **agreed** that the breaches discussed were recordable but not of material significance to tPR.

4B Key performance indicators

 Report A16 of 22 February 2019 Panel meeting papers and 'NCCPF process details' enclosure The Board discussed the low percentage "hit rate" for web CARE joiners. HC suggested that results would improve now the bulk data import facility was up and running.

Whilst there was concern regarding some late notifications of the LGPS "welcome pack" to new joiners, HC reminded the Board that employers remain responsible for auto enrolment and informing STC Administration of new joiners, in good time. A brief summary was provided by HC of the information sent to new joiners, which included links to where additional information could be obtained, factsheets and death nomination forms.

The Board discussed concerns that this report provided information for 'completed' processes only, and that the number of 'incomplete' processes on the system was not be captured in this report. The uncompleted processes were more relevant to the Board as they may represent processes in breach of statutory deadlines. HC agreed to add incomplete processes to future reports.

The Board **noted** that significant improvements had now been made by employer 999 following concerns raised at the previous Board meeting.

The Board gained **assurance** that STC Administration continued to develop its "**Process Details**" reporting to provide better information for monitoring breaches of the law.

4C Updating the risk register

 Report B13 of 22 February 2019 Panel meeting papers and 'Risk assessment for NCCPF' enclosure

AL provided a summary of changes that had been made to the NCCPF risk register to restate it in line with the new NCC corporate scoring methodology and format, and to add some points from the "*Managing Risk*" guidance issued by CIPFA in December 2018.

CG proposed that the NCCPF risk register be reordered to group the same type of risks together (for example, different types of investment risk would be shown consecutively in the register) and better align with the key risks described in the CIPFA guidance.

The Board gained **assurance** from the seniority, within NCC, of the risk owners and **noted** the revised format.

It was **agreed** that, following the meeting, a revised version of the register would be emailed to the Board for review and comment. This would enable the Board to consider the register before it was reported to the Panel in June 2019.

6. Legacy breaches information pre 31 December 2017

CG reported that, with the exception of one item relating to a member who could not be traced, all outstanding legacy breaches of the law, from pre 31 December 2017, had now been resolved. STC Administration would continue to include the untraced member in all tracing exercises.

The Board had previously considered and subsequently concluded that, in most circumstances, a breach resulting from an action awaited from a LGPS member would not be of material significance and therefore reportable to tPR. The Chair agreed to make enquiries with other LGPS Board contacts to ascertain whether this approach was consistent with others. HC confirmed that when the Metropolitan Benchmarking Group had met with tPR and discussed this, tPR took a pragmatic view that as long as reasonable efforts had been made by the administrator (and/or employer) to contact or locate the member, there was no *reportable* breach.

It was agreed that this would be the final update report provided to the Board in respect of these legacy breaches, as the Board had gained **assurance** that legacy breaches (pre December 2017) had been resolved.

7. Draft 2018/19 Annual Report of NCC's LGPS LPB

A copy of the **initial** draft 2018/19 Annual Report of the NCC Local Pension Board, prepared by the Board Chair, was tabled at the meeting.

The Chair explained that due to the timing of the meeting, i.e. prior to the year end, relevant matters discussed at this Board meeting would be added to the Report later. Other information contained in the Report e.g. the annual cost of running the Board, would also be updated later.

Following a suggestion, the Board Chair agreed to include a plan of the Board's objectives for the year ahead, as well as reflecting on work done in 2018/19.

It was agreed that an **updated** draft Report be circulated electronically, following the meeting, in order to provide Board members with an opportunity to consider the Report prior to finalisation by 30 April 2019 for inclusion within the 2018/19 NCCPF Annual Report and Accounts.

8. Pensions Regulator's and Scheme Advisory Board's Code 14 compliance checklist, updated following December 2018 Board review

The Board received a copy of NCCPF's third assessment against the standards set out in tPR's Code of Practice number 14 ("CoP 14"), which had been updated following review by the Board at its meeting on 10 December 2018. Updates included a number of minor presentational changes, and some

areas previously categorised as 'partially compliant' which had been recategorised as 'fully compliant'.

The Board discussed the areas of the checklist where NCCPF had moved from assessed as partially to fully compliant, and the areas still deemed to be 'partially compliant', a number of which were due to the timing of the review, and would become fully compliant at the next annual review of the CoP 14 checklist.

The Board **noted** the CoP 14 checklist and gained **assurance** from the annual process of assessment and the independent check on STC Administration which had been carried out by Aon in October 2018. The checklist was due to be reviewed in October 2019, when compliance would be reassessed.

A short break was taken at 10.40 a.m. before the meeting reconvened at 10.50 a.m.

9. Data improvement plan for "post-live" issues and October 2018 NCCPF scheme specific data score findings, updated March 2019

The Board received the latest version of the NCCPF data improvement plan (DIP), maintained by STC Administration.

HC explained that priority was being given to work in advance of the 31 March 2019 triennial valuation data extracts to ensure data provided to the actuary was as error-free as possible. Some dates were still to be added to the DIP to show timescale for work to be completed. HC would ensure that timescales were shown on the next update of the DIP, to be reported to the Board in July 2019.

The Board gained **assurance** that a comprehensive DIP was in place and being acted upon by STC Administration.

10. Board's own Terms of Reference: updated following December 2018 Board review

CG gave a brief summary of the changes agreed by the Board at the meeting on 10 December 2018. Due to the minor nature of the changes, NCC's Monitoring Officer viewed it as unnecessary to report them to Council separately at this time. Instead the changes would be included when the Council's Constitution was next reviewed. It was confirmed that the revised Board Terms of Reference would be posted on NCC's website.

11. The Board's individual Training Needs Analysis results

Each Board member was provided with a copy of his/her own training needs analysis (TNA) questionnaire, completed following the Panel meeting in

November 2018. A brief background was provided on the annual TNA procedure, based upon the six areas of CIPFA's Knowledge and Skills Framework, which had been introduced to demonstrate compliance with MiFID II legislation. MiFID II (in effect) required NCCPF decision makers to be subject to procedures to self-assess knowledge and skills around investments and risk.

The TNA results for Board members were discussed. Officers were of the view that no specific Board member training need had been identified by the TNA, and following a discussion, the Board supported this view. However it was agreed that the following documents would be circulated by email following the meeting to refresh Board members' knowledge:

- CIPFA 'investment decision making and disclosure in the LGPS: A
 Guide to the Application of the Myners Principles'; and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It was noted that, as a new Board member, Cllr Hutchinson would continue to be given training opportunities to enable him to gain knowledge and skills relevant to his role.

12. CIPFA's "Preparing the annual report" guidance and the process for Board review in 2018/19

The Chair explained that the SAB had introduced a recommendation for LPBs to review LGPS Pension Fund Annual Reports prior to publication, and added that this task would require a specialist skillset in LGPS boards to carry it out effectively. It was noted that, for the NCCPF 2018/19 Annual Report, the review would need to be undertaken prior to the auditor signing the accounts by 31 July 2019.

Reference was made to the Annual Report Checklist in Annex 1 of the CIPFA guidance 'Preparing the Pension Fund Annual Report: Guidance for Local Government Pension Scheme Funds 2019 Edition'. It was proposed that the Board use the "must, should or may" criteria outlined in CIPFA's guidance as a checklist and requested that officers provide explanations in relation to the three criteria e.g. where the Annual Report does not disclose information which, in CIPFA's view "should" be disclosed, an explanation would be provided. It was hoped that this request would not require significant officer time to fulfil nor create a training overload on Board members, however it would allow the Board to comply with the SAB recommendation.

AL added that officers had undertaken a gap analysis on the "must, should, may" criteria to identify additional information which would be required for the 2018/19 Annual Report which had not been included in the 2017/18 Report, and also confirmed that he had responded to the consultation on the CIPFA

guidance.

The Board discussed concerns over one CIPFA disclosure requirement where compliance could lead to a data breach, namely the recommendation to show employee and employer contributions by individual employer. Given the fact that some employers in the Fund had only one active LGPS member, showing contribution data by employer would effectively be providing salary information publicly, without permission, for that member, which could constitute a data breach. It was suggested that NCCPF employers with less than (say) ten active members be grouped together for this disclosure, to avoid a potential data breach.

As the Board was not scheduled to meet again until 12 July 2019, members discussed the timing of its review of the Annual Report and the practicalities of the sign off process for the 2018/19 NCCPF Annual Report which included finalisation before the Audit Committee meeting on 24 July 2019.

CG confirmed that a first draft of the Annual Report would be completed by 31 May 2019. The Chair, therefore, proposed that the matter be dealt with as urgent business and information be exchanged by email in June as permitted under section 5 of the Terms of Reference.

It was **agreed** that, at the end of May or early June 2019, officers would email Board members the draft 2018/19 NCCPF Annual Report together with an explanation of any failure to comply with the "must" and "should" disclosure requirements of the 2019 CIPFA guidance.

13. Final warning letter to NCCPF pensioner members that newsletters, P60s and payslips will not be automatically issued as paper copies after April 2019

The Board reviewed the final warning letter, sent to NCCPF pensioner members by STC Administration in February 2019 to remind pensioners that all future payslips, P60s and annual updates were moving online and paper copies would no longer be automatically provided.

HC then outlined some of the issues which arose following the distribution, in February 2019, of the final warning letter to all LGPS scheme members in both TWPF and NCCPF, and the significant impact this had on service delivery at STC Administration. Despite having made arrangements to manage enquiries, there had been an unprecedented increase in the number of telephone calls to STC's Helpline in the weeks following the distribution of the letter. Normally an average of 1,100 calls per week were dealt with, which had risen to 13,000 calls in the first week, and then 5,000 and 2,500 calls in subsequent weeks. This meant back office resource was directed to the Helpline to help cope with the additional demand, which in turn impacted on the back office service delivery.

Daily meetings of senior managers of STC Administration were held during the period of high volume of calls, and a full review was about to commence to identify improvements to prevent future recurrence and ensure the Helpline would be adequately resourced when the final warning letters were sent to deferred and active members. Calls and service delivery had both now returned to normal levels. Overall, pensioners had been understanding of the problems and there had been very few formal complaints.

14. Regulation 18(5) of the LGPS Regulations 2013 requiring refunds to members within 5 years of the end of active service

The Board **noted** the suggestions on pages 5 to 11 of the minutes of the LGPS Technical Group of the LG Pensions Committee on 28 September 2018 on how administrators could deal with refunds to members within 5 years of the end of active service.

15. Potential impact of Brexit on LGPS administration

The Board **noted** the information received from Civica, the pensions administration software provider for STC Administration, on the potential impact of Brexit from an administrative perspective. The Board acknowledged that this situation was outside NCCPF's control, however gained assurance from Civica's belief that it would be well placed to support its customers during potential periods of significant change i.e. Brexit.

16. Board's draft response to pooling consultation

The Board **agreed** that the Board Chair would draft a response from the NCC LGPS Local Pension Board to the informal consultation on the draft 2019 MHCLG statutory guidance on asset pooling, then seek views on it from Board members.

The Board's response would also become part of NCCPF's response.

The minutes of the LGPS Local Pension Board meeting held by email and concluded on 7 March 2017 were tabled at the meeting. The minutes referred to discussions regarding proposals for scheme member representation and observers on the Member Steering Group / Joint Committee of BCPP.

The Chair confirmed that Nicholas Wirz (TWPF LGPS Board former Chair) had been appointed as the scheme member representative of the BCPP Joint Committee, as an observer, with Deirdre Burnett (Cumbria County Council LGPS Local Pension Board Chair) appointed as substitute.

17. Internal audit report

The Board **noted** that South Tyneside Council's Internal Audit Partnership had concluded that there was 'substantial assurance' when auditing the STC Administration GDPR Compliance for 2018/19.

18. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

17B Review of AVC provision for NCCPF: process to be followed

• Report B8 of 22 February 2019 Panel meeting papers

The Board **noted** the process followed, to date, for the review of NCCPF's Additional Voluntary Contribution (AVC) provision, which had begun in late 2018 and was ongoing.

19. Informal Panel meeting on 8 March 2019 to consider closer joint working with TWPF

Board members were requested to familiarise themselves with the documents that had been issued for the informal Panel meeting held on 8 March 2019.

STANDING AGENDA ITEMS

The following items were included on agendas as standing items in order that issues could be discussed, if required.

20. New risks and changes to existing risks

Reference was made to the discussion held earlier in the meeting under Item 4c.

Following a discussion, the Board concluded that it was not necessary to include a separate risk on the NCCPF risk register for Brexit. It was noted that, once implemented, Brexit would also have no impact on the "MIFID II requirement" to obtain confirmation from financial institutions of opt up to elective professional client status, as this requirement had already been incorporated in UK legislation.

21. Future meeting dates

Members received an updated list of dates for meetings of the Local Pension

Board in 2019/20.

22. Any other business

None.

(The meeting ended at 12.10 p.m.)

CHAIR

DATE 23 April 2019