

ANNUAL REPORT OF THE NORTHUMBERLAND COUNTY COUNCIL LGPS  
LOCAL PENSION BOARD FOR 2019/2020

**1 Constitution, Representation and Attendance**

1.1 The Northumberland County Council LGPS Local Pension Board (“**the Board**”) was constituted under the Public Service Pensions Act 2013. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members. In addition it has a non-voting independent Chair. **The Board met on four occasions during the year, shortly after each quarterly meeting of the Northumberland County Council (NCC) Pension Fund Panel (“the Panel”).**

1.2 In 2019/2020 all meetings of the Board were quorate. Membership and attendance at the Board meetings held in the year was as follows:

	12 July 2019	18 October 2019	13 December 2019	23 March 2020
Gerard Moore Independent Chair (Non- voting)	✓	✓	✓	✓
Councillor Ian Hutchinson Employer Representative, Northumberland County Council	✓	✓	✓	x
Mrs Helene Adams Employer Representative, Northumberland National Park Authority	✓	✓	x	✓
Ms Sue Dick Scheme Member Representative, pensioner member	✓	✓	✓	✓
John Clark Scheme Member Representative, pensioner member	x	✓	✓	✓

This represents an overall attendance record of 85%. Due to the Covid-19 pandemic, the meeting on 23 March 2020 was held remotely, as permitted under the Board’s Terms of Reference.

- 1.3 The Board operates under Terms of Reference which were agreed by Northumberland County Council on 25 February 2015. Minor, technical modifications have subsequently been made, and the latest version can be found at: <https://www.northumberland.gov.uk/NorthumberlandCountyCouncil/media/About-the-Council/pensions/LGPS-LPB-ToR-update-Dec-2018.pdf>
- 1.4 The Board is **not a Committee of the Council**, but is established under the Public Service Pensions Act 2013. It is supported by a Board Secretary.
- 1.5 Under the Terms of Reference, Board meetings are open to scheme members only and agendas and minutes can be found at: <http://committee.northumberland.gov.uk/Committee.aspx?BodyID=1212>

## 2 Functions and Operation of the Board

- 2.1 The **two primary functions** of a Local Pension Board are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS; and
  - ensure compliance with relevant laws and regulation.
- 2.2 It therefore has a **monitor/assist/review purpose**, rather than being a decision-making body. It could be seen as being a **critical and supportive friend**. As such, the general approach of the Board is to seek assurances, with evidence from Northumberland County Council Pension Fund ("**the Fund**"), that it is meeting its objectives (as set out in the Statement of the Fund's Objectives as approved by the Panel).
- 2.3 In so doing, the Board is **helping manage the reputational risk of the Fund**, and of the Administering Authority, which is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (tPR) as its regulators.
- 2.4 To facilitate its operations Board members are invited as **observers to meetings of the Panel**, a reciprocated arrangement with the Chair and Vice Chair of the Panel being invited to attend Board meetings, also in an observer capacity. With both arrangements, there is a good record of cross-observing, resulting in transparency, improved understanding, mutual trust and respect.
- 2.5 This healthy relationship between Panel and Board enables the Panel to ask that the **Board give prior consideration and scrutiny to certain activities**, such as the Risk Register, new risks, monitor timely implementation of certain key activities, review key performance indicators and review recorded breaches of the law. A fast-track assessing and reporting process is in place for any breach viewed by the Scheme Manager as potentially reportable to tPR.

- 2.6 Board minutes are received by the Panel. As Board Chair, I also present a written **executive summary report to the Panel** following each Board meeting, setting out the recommendations and observations from the Board, the assurances gained, and other information deemed of relevance to the Panel.
- 2.7 With this additional level of transparency now in place, the Board has not formally identified and adopted a set of key performance indicators (KPI's) to review its own performance. Some measurements of inputs are readily available and positive, and are included in this report, such as attendance records at Board meeting, and as observers at Panel meetings and training events. However, regarding the more important dimension of **outputs**, the Board believes that the ultimate test of its effectiveness is that the Panel is satisfied with the work of the Board.
- 2.8 The **direct costs of operating the Board** in 2019/2020, covering travel and training expenses relating to Board members as well as the fees and expenses of the Independent Chair, amounted to £12,800 and were met by the Fund. These costs do not include any indirect costs relating to officer time nor apportioned costs for the use of NCC's premises, systems and services which are recharged to the Fund by NCC. This represents a decrease of £821 on the direct costs for the previous year. The Board meets four times a year, with the ability to call extra meetings should circumstances require. Nevertheless, the Board has been mindful of delivering value for money, and has adopted various means of working in a cost-effective manner.

### 3 **Work Programme of the Board 2019/2020**

- 3.1 In devising its work programme, and in setting each agenda, the Board takes into account guidance, expectations, events and requests from a number of different sources. It also embraces any nationwide newsworthy items which justify a review of local practices, e.g. Ombudsman cases. The Board has long recognised the need to **prioritise those areas where it can add value**, so differentiates in its agenda between items for detailed discussion, and those for awareness or noting, and allocates time accordingly. It has been the aim of the NCC Board to be seen as an **example of good practice**.
- 3.2 Other than incorporating those **items referred by the Panel to the Board**, the Board sets its own agenda. and prioritises its time accordingly.
- 3.3 The Board agenda also reflects the **requirements as set out in its Terms of Reference**. Board members may request consideration of specific issues.
- 3.4 In managing its agenda, the Board is mindful of the role of **the LGPS Scheme Advisory Board** for England and Wales (**SAB**). The SAB has two roles: giving advice both upwards to MHCLG and downwards to individual funds. A two-way flow of information between the SAB and individual funds is in place, and the SAB collects information via surveys and issues guidance.

- 3.5 Members of the Board are also accountable to tPR for their performance, including maintaining their knowledge and understanding at the appropriate standard. The Regulator issued **Code of Practice 14** at the start of its regulatory role with public sector schemes, and expects administering authorities both to measure themselves against and comply with the detailed elements of the Code. The main focus of the Code is governance and administration, rather than investment issues, and this, generally but not exclusively, is reflected in the composition of the Board agendas. Consequently, the Board ensures that tPR's Code of Practice 14, all survey responses and returns to the Regulator, all fines, Improvement Notices, survey reviews and guidance issued by the Regulator feature appropriately in Board agendas, as set out in paragraph 4.2. Informal discussions with tPR have clarified the type of exceptional circumstances which could lead to fines on Board members. Far more likely, however, would be a fine on administering authorities, as levied in 2017 on the pension fund of a London Borough. The Regulator has also subsequently issued various Improvement Notices to public sector pension schemes. These are studied by the Board. Board members have the same insurance cover as Panel members and councillors acting in any official capacity for NCC.
- 3.6 As indicated in paragraph 2.1, Board agendas are structured to facilitate their role in assisting the Administering Authority to **ensure effective and efficient governance and administration** of the LGPS and to **ensure compliance with relevant laws and regulation**.
- 3.7 Whilst investment activity is, generally, outside the consideration by tPR, the Board is expected to ensure **compliance with relevant investment legislation**, and thus does seek assurances that due process has been followed regarding investment strategies, statements and decisions, and that LGPS regulations and relevant guidance, and other investment regulations are being complied with. This is covered in paragraph 4.7.
- 3.8 Board agendas are also determined by any imminent **changes in processes and procedures**, and by requirements to **comply with** both existing annual **statutory deadlines** and deadlines resulting from new legislative and regulatory requirements.
- 3.9 **Each year** brings its own **specific challenges** for the Board, and indeed for the Pensions Panel. **For 2019/ 2020** there were perhaps **five major factors**. All LGPS Funds in England and Wales were busy completing their **Triennial Valuation** as at 31 March 2019. The proposal to extend shared administration service with the Tyne and Wear Pension Fund (TWPF) into a full **merger** was being actively pursued. In the final quarter of the financial year, the scale of impact of the **Covid-19 virus** on administration, governance and investments was becoming understood and managed. In addition, two ongoing topics, the Border to Coast Pensions Partnership (**BCPP**) **pooling arrangements** and the increasing emphasis on the importance of on **cyber security** to protect data, assets and scheme members would feature within the Board agendas.

## 4 Outcomes from the Board 2019/2020

- 4.1 As indicated in paragraph 2.6, a summary report of each Board meeting is made to the Panel covering the Board's recommendations, assurances gained and the provision of other information for the awareness of the Panel. Some of the recommendations were implemented routinely by the Board Secretary, whilst others were formally accepted by the Panel. At the date of writing, those from the Board meeting on 23 March 2020 have yet to be considered by the Panel.
- 4.2 The Board reviewed **documents, guidance and policies from the Pensions Regulator**. In December 2019 the Board reviewed tPR's **Regulatory Intervention Report** on the internal control failures at the London Borough of Barnet Pension Fund (LBBPF) and concluded that the areas of weakness exposed in tPR's report on LBBPF were being effectively managed at NCC. No changes to the Risk Register were required.

The Board also reviewed NCCPF's response to each of the 46 recommendations made by tPR as part of its **Cohort Review of the LGPS**. Whilst it was agreed that NCCPF complied with all of the Regulator's recommendations, a number of additions to NCCPF's responses were requested, to indicate where further action would be beneficial.

The Board received a copy of tPR's "**Cyber security principles for pension schemes**", together with a summary presentation. It was noted that cyber security was an area of increasing focus for tPR. South Tyneside Council (STC) Administration's review of the tPR report had not flagged any areas of concern. In addition, some Board members attended and then reported back on a presentation on cyber security and data protection by senior officers of STC.

On 23 March 2020 the Board fully reviewed the Pensions Regulator's **Code of Practice 14 checklist**. The scheduling of this task had allowed time for the shared administration services to become fully embedded. No items had been identified as red (i.e. not compliant). All items are therefore amber (partial compliance) or green (full compliance). The Board identified some additional procedures to be incorporated, which enhanced the degree of compliance. The Board agreed that no further action need be taken, at this stage, but the position be reviewed should the merger with TWPF not proceed.

The Board reviewed the performance of NCC against the outcomes and review of the **2018 Scheme Annual Return**, and gained assurances that the **2019 Scheme Annual Return** had been completed before the statutory deadline. Similarly, the voluntary **Annual Survey** had been compiled and submitted after a detailed discussion with the Board Chair and approved by the Chair and Vice-Chair of the Pension Fund Panel. A number of suggestions for improvements to the survey were submitted to tPR.

- 4.3 Since 2018/2019, following the implementation of the shared administration service, the Panel and Board have received information about **breaches of the law regarding pensions benefits** from STC Pensions Administration Service. Particular focus was given to the issuing of Annual Benefits Statements. The Board was satisfied that appropriate explanations were provided by STC officers. Following a Board recommendation, STC is currently developing systems to profile breaches by length of time in breach, with the development work put on hold due to the impact of the **Covid-19 virus** on administration. The Board examined all **recorded** breaches, but did not find any to be of material significance to the Regulator (Code of Practice 14 paragraphs 241 to 275) and therefore none were **reportable**. During 2019/2020, to the best of the Board's knowledge, no breaches for the Fund were reported to the Regulator.
- 4.4 The Board reviews **Key Performance Indicators (KPIs)** as a standing item. These are interlinked with the **review of breaches of the law**. Reviews of the **Data Improvement Plan** (a working document), in turn impacted, importantly, on the accuracy of data for both the Triennial Valuation and on the statistics returned as part of **tPR's Annual Return** of common and scheme specific data. Performance against both the requirements under the Disclosure Regulations and the locally specified deadlines are critically examined.

The Board noted some temporary underperformances and probed issues around delays in payment of refunds, due mainly to the higher priority work around the Triennial Valuation and payment of death benefits. At the end of the year the Board was also assured that priority was being given to the timely payments of pensions during the revised working arrangements for the Shared Services team due to Covid-19.

- 4.5 Also mentioned in paragraph 3.9, one of the key events of the year was the **Triennial Valuation as at 31 March 2019**. The Board's engagement started at the June 2019 Panel meeting with a presentation by the Actuary on financial assumptions to be used in the valuation, followed by a dedicated training session in Edinburgh by the Actuary at which the Board members in attendance gained assurances regarding:
- the process followed by NCCPF in carrying out the 2019 valuation;
  - the prudent approach adopted by the Panel, who are the decision makers;
  - the Actuary's initial assessment of NCCPF's data quality; and
  - the timely submission of data.

This training was later supplemented by my paper setting out a checklist of suggested roles and areas of involvement for the Board when evaluating the triennial valuation process, which included the need to avoid conflicts of interest in the decision-making process. The Board noted the transparency with which the dual interests, and therefore potential conflicts of interest for the Administering Authority had been managed. The Board was also assured that other elements on the checklist, such as covenant reviews, engagement with employers, decisions on deficit recovery periods, and provision for the

outcome of the McCloud settlement, had been appropriately considered. The Board noted the labour-intensive nature of implementing the McCloud settlement, which, when known, would be a key issue for the STC administration team. Finally, the Board gained assurance that the process had been completed, after consideration of the potential impact of Covid-19, by the Actuary signing the appropriate certificate by 31 March 2020, as required by the Regulations.

The involvement of the Board in closely scrutinising the Triennial Valuation process, and in the assurances it had gained, proved to be of specific assistance to the Administering Authority when responding to a complaint from an employer regarding an increase in contribution rate.

- 4.6 The Board **reviewed the Fund's Risk Register**, which had been re-formatted to reflect a new corporate scoring methodology and format. It was found to be robust. The Board asked that Covid-19 specifically, and pandemics generally, be added to the risk register.
- 4.7 The Board examined a number of **investment issues** in the year:
- The criteria for MiFID II had been checked for compliance and indicated that there were no changes required. This included a recommendation that the new Section 151 Officer received appropriate pensions training, if required, following appointment.
  - It was noted that the NCCPF investment strategy was to be kept under regular review during the merger implementation period.
  - The Board reviewed the report by Hymans Robertson regarding arrangements for the access to and choices available for the optional facility for NCC scheme members to make **Additional Voluntary Contributions (AVCs)**.
  - The Chair provided feedback from the meetings of BCPP Board Chairs on 22 May 2019, and at the Annual BCPP Conference in October.
- 4.8 Following a previous recommendation, the Board was regularly kept informed of progress towards the successful compliance with a number of statutory deadlines, some of which were critical from a risk perspective, or which fell between scheduled meetings of the Panel. This proved particularly useful at the 23 March 2020 meeting for those tasks with a 31 March deadline.
- 4.9 During my annual discussion with Northumberland's Section 151 Officer, I received suitable **assurances** regarding both the appropriate **resourcing of the NCC Pensions Team** through the merger process until the 2019/2020 annual report and accounts process was complete; and around the involvement of the internal audit function as part of NCC's Risk Management Group.

## 5 Training

- 5.1 Each Board member individually has to be conversant with the details of the Scheme, which translates as having a good working knowledge. Specific external training has previously been provided for Board and Panel members on the role and purpose of Board. This year a refresher training session was provided on recording and reporting breaches. A one to one training session is given by the Board Chair to any new appointees to the Board, which provides a local supplementary context to other training courses provided.
- 5.2 The assessment of training needs, and how they are met, is a standing agenda item. The training needs of each Board member are assessed on an ongoing, individual basis. Training, both formally (group or event) and informally (by discussion, cascade or one to one) is provided to reflect individual needs.
- The Board was represented at the 2020 annual LGPC Governance Conference, which provided a good high-level perspective to supplement the greater level of detail in training in individual areas. I had the honour of speaking on the subject of “Checking Compliance”;
  - The Board was also represented at a joint training event organised by the TWPF on cyber security and data protection. A feedback report was provided to the Board;
  - Reference has been made elsewhere to two training events covering the Triennial Valuation 2019.

## 6 Work Programme 2020/2021

Assuming completion of the merger with the TWPF in 2020/2021, the Work Programme will be restricted to what is necessary and appropriate in those circumstances. A further Board meeting will held by via webinar to consider communications with scheme members regarding merger, to review reported breaches for the quarter January to March 2020 and to scrutinise the draft Fund Annual Report and Accounts 2019/2020.

## 7 Thanks

At the time of writing, public consultation on the proposed merger with the TWPF has just closed. This report may therefore be the final Annual Report of the Northumberland County Council’s LGPS Local Pension Board. It has been a privilege and a pleasure to serve as its Chair since 2015. I must express my profound gratitude to all my fellow Board members who have volunteered their time, showing energy and enthusiasm for their roles, and in three cases serving since the Board’s inception. Sincere thanks are also expressed to the Board Secretary and colleagues, to the Democratic Services Officers, and also to officers of South Tyneside Council whose attendance has helped the Board scrutinise the shared administration service. All have supported the Board with the utmost dedication and professionalism. Finally, I

must thank the past and present Chairs and Vice Chairs of the Pension Fund Panel, whose interest in and support for the Board has been key to our achievements. The triangle of trust between the Panel, the Board and officers could not have been stronger.

A handwritten signature in black ink, appearing to read 'Gerard Moore', with a long horizontal stroke extending to the right.

Gerard Moore  
Independent Chair  
Northumberland County Council LGPS Local Pension Board  
6 May 2020