

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

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

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms. J.H. Cllr Pidcock, B.

Scheme Member Representatives

Clark, J.P. Dick, Ms. S.

CHAIRMAN OF PENSION FUND PANEL (AS OBSERVER)

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

OFFICERS IN ATTENDANCE

M. Coleran	Pensions Team Leader (Items 1-4 only)
Mrs. C. Gorman	Principal Accountant (Pensions)
C. Johnson	Senior Accountant (Pensions)
Ms. N. Turnbull	Democratic Services Officer

ALSO PRESENT AS OBSERVER

A. Lister Observer

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

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

1. APOLOGIES FOR ABSENCE

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

2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST

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

3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD

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

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

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

4. ITEMS FOR IN DEPTH ANALYSIS

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

4A Reporting breaches: progress and quarterly monitoring

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

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

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

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

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

4B NCC's Funding Strategy Statement

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

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

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

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

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

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

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

4D KPIs for the Pensions Administration Team

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

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

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

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

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

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

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

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

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

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

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

It was noted that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. NCC Pension Fund cash flow information 2016/2017

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

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

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

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

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

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

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

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

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

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

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

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

8. Training Needs Assessment (TNA)

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

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

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

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

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

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

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

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

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

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

CIPFA and Barnett Waddingham event 28 June 2017

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

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

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

10. Board Work Programme 2017/2018

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

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17 July 2017

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

2 November 2017

Risk register
Code of practice review

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

11. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

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

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

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

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

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

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

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

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

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12. Future meeting dates

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

13. Any other business

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

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

There were no additional items.

(The meeting ended at 1.08 p.m.)

CHAIR GF Moore

DATE 6 May 2017

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