

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

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

PRESENT

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

VOTING MEMBERS

Employer Representatives

Pidcock, Cllr B

Scheme Member Representatives

Clark, J.P.

Dick, Ms. S.

CHAIR OF PENSION FUND PANEL (AS OBSERVER)

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

OFFICERS IN ATTENDANCE

Mrs. H. Chambers

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

Mrs. C. Gorman

Principal Accountant (Pensions) -
Project Officer

C Johnson

Senior Accountant (Pensions)

A Lister

Principal Accountant (Pensions)
and Board Secretary

Ms. N. Turnbull

Democratic Services Officer

1. APOLOGIES FOR ABSENCE

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

Ch.'s Initials.....

2. CONSIDERATION (DECLARATION) OF CONFLICTS OF INTEREST

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

3. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD

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

4. ITEMS FOR IN DEPTH ANALYSIS

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

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

- Report A7 of 4 September 2017 Panel meeting papers

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

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

4B Recent Actions taken by the Pensions Regulator

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

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

The Chair agreed to forward relevant emailed correspondence he received in

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

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

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

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

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

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

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

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

4C Reporting breaches: progress and quarterly monitoring reports

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

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

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

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

4E Key Performance Indicators (KPIs) for LGPS administration

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

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

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

4F Training Needs Analysis

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

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

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

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

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

5. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

5A Proposed changes to State Pension Age

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

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

5B Implications of the Brewster decision for the LGPS

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

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

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

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

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

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

Items 5C and 5D were considered together.

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

6. Scheme Advisory Board Survey of LGPS Local Pension Boards

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

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

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

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

8. ITEMS FOR UPDATE

8A Risk Register

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

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

8B GMP Reconciliations

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

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

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

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

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

8C 2016/17 ABS deadline 31 August 2017

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

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

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

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

breach and the results documented.

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

8D Scheme annual return for tPR

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

9. Review of meeting: open discussion

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

10. Future meeting dates

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

11. Any other business

Training

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

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

MiFID II

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

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

Conflicts of Interest Policy for NCC Pension Fund

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

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

(The meeting ended at 4.05 p.m.)

CHAIR GF Moore

DATE 14 November 2017

Ch.'s Initials.....

LGPS Local Pension Board, 6 October 2017