

**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, Cllr 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 treated 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** GF Moore

**DATE** 6 June 2018

Ch.'s Initials.....

*LGPS Local Pension Board, 17 April 2018*