

**NORTHUMBERLAND COUNTY COUNCIL**

**LGPS LOCAL PENSION BOARD**

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Monday, 11 December 2017 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

Dick, Ms S

**OFFICERS IN ATTENDANCE**

C Gorman

Principal Accountant (Pensions) -  
Project Officer

C Johnson

Senior Accountant (Pensions)

A Lister

Board Secretary

D Taylor

Operations Team Manager (TWPF)

N Turnbull

Democratic Services Officer

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor JG Watson (Chair of Pension Fund Panel, as observer).

**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.

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### 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 6 October 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 NCC Pension Fund’s Administration Strategy

- Report A1 of 3 November 2017 Panel meeting papers plus Appendix 1

#### 4B Shared pensions administration service with Tyne and Wear Pension Fund (TWPF)

- Report B2 confidential of 3 November Panel meeting papers and B2 confidential of 24 November 2017 Panel meeting papers

Items 4A and 4B were considered together.

The Chair highlighted sections of the Pension Fund Administration Strategy and discussed changes implemented in readiness to facilitate the efficient running of the shared service with Tyne and Wear Pension Fund (from early 2018), and discussed the LGPS administration functions which were being retained by Northumberland County Council and those that would be transferred to TWPF as part of the joint administration service.

Under the new Administration Strategy, monthly contribution payments from NCC Pension Fund employers to the Fund would be payable by 14th of the month following deduction, and the year end data would be required by 23 April to enable work to be carried out to produce the annual benefit statements by the 31 August deadline.

The Board discussed the impact of the changes, particularly the provision of year end data in April 2018 and the potential impact of the timing of the Easter holiday period (which could be particularly problematic for schools and academies). It was **recommended** that employers be given plenty of advance notification to prepare for the change of dates, and information was provided by officers about the communications to employers already sent and planned to ensure employers are fully aware.

The Operations Team Manager (TWPF) confirmed that TWPF would work with

NCC Pension Fund employers and could agree reasonable deadline extensions, if necessary.

She outlined the approach adopted at TWPF, the number of teams, and the allocation of a Client Manager to each employer which enabled working relationships to be established. Due to the number of employers in TWPF, the deadlines had to be quite rigid.

The change of dates for NCC Pension Fund employers had been discussed at the employers' meeting held on 17 October 2017 and a further meeting had been scheduled for 12 January 2018.

A 'year end' training event for NCC Pension Fund employers would be arranged in early 2018. TWPF's year end data capture requirements had already been shared with employers by email. Officers were conscious of the volume of correspondence being sent to employers during this transition stage and were trying to strike a balance that ensured employers would not miss important changes, without sending so much that the important messages were lost.

In response to a question on data security, the Principal Accountant (Pensions) - Project Officer commented that she hoped to have the opportunity to feed in views to the annual review of the TWPF Administration Strategy in February 2018, to address the differences between the NCC and TWPF strategies highlighted in paragraph 1.14 of the report.

The Board discussed the option of fines being levied on employers that failed to comply with regulatory requirements, recognising that fines should be used only as a last resort. To date, neither NCC Pension Fund nor TWPF had utilised fines at all and the pros and cons of their use was debated.

The Operations Team Manager (TWPF) referred to discussions that had been taking place with the NCC Employee Services Manager to ensure that procedures were in place to enable a smooth transition to the new joint pensions administration service. It had already been recognised by Employee Services at NCC that implementing the shared service for LGPS would necessitate a number of changes to the way that department must operate.

The Principal Accountant (Pensions) - Project Officer asked one of the Employer Representatives on the Board to provide feedback, over the next few weeks, to NCC Pension Fund and TWPF officers on the clarity of the information that was being sent out to all employers about the impact on them of the shared service. It was noted that employers would need to submit forms electronically and the practical arrangements for authorisation of those forms were discussed. A demonstration of the TWPF software was planned as part of the NCC Pension Fund Employers' Meeting on 12 January 2018.

In response to a concern raised, the Board gained **assurance** that following implementation of shared services, there would be no adverse impact on the access to advice for members of the Scheme.

It was noted that the shared service would provide an improved service to members' telephone enquiries, given the larger team at South Tyneside Council and the provision of a specialist helpline staffed by knowledgeable LGPS administrators.

#### **4C General Data Protection Regulation (GDPR)**

- Report A1 of 24 November 2017 Panel meeting papers

The Board discussed the implications of GDPR which takes effect on 25 May 2018. It was noted that national level guidance was awaited, which would help LGPS administering authorities to comply with GDPR, whilst also ensuring they could fulfil their legal obligations under the LGPS Regulations. Further reports on GDPR would be brought to the Panel in due course.

A Board member commented that when implementing GDPR changes, administering authorities must not lose sight of the most important duty to members, which was ensuring that data was held securely and used only for the correct purpose.

#### **4D Implementation of MiFID II**

- Report A3 of 24 November 2017 Panel meeting papers) and opt up progress position update

An update on the opt up to professional client status position as at 11 December 2017 was tabled at the meeting. It was noted that there had been significant progress since the Panel meeting held on 24 November, and there were now only two responses from service providers outstanding. Of the two responses awaited, the one of most concern was the response from the Fund's investment adviser, Mercer.

Members discussed the importance (for the Fund obtaining and retaining elective professional client status) of evidencing the knowledge and understanding of investments / investment related risk of members of the Pension Fund Panel and senior officers. The maintenance of detailed training records had been of assistance when answering a query from the Fund's investment adviser.

The Board **recommended** that an email be issued at the earliest opportunity to the Fund's investment adviser, to enquire about the progress of the awaited response. The Board Secretary confirmed that he would do so immediately following the meeting.

He reported that a status summary was available on the Scheme Advisory Board website, and to date, only one LGPS fund was recorded on the website as fully opted up.

#### **4E Key Performance Indicators (KPIs) for LGPS administration**

- Report A8 of 24 November 2017 Panel meeting papers plus Appendix 12

The Board was pleased to note that performance against KPIs in the quarter to 30 September 2017 was good in many areas and that there had been significant improvement on previous quarters where performance had been below target, particularly with regard to the provision of information to members who leave the Scheme on their rights and options available (increased from 56% to 72% in the quarter to 30 September 2017).

The Board Secretary reported that the results for the quarter to 30 June 2017 had been impacted by the number of leavers at that time.

It was recognised that performance may well fall in the quarter to 31 December 2017 due to the volume of priority work being undertaken by the Pensions Administration Team on the data transfer to TWPF, in preparation for the shared service.

In response to a question from the Board Chair, it was noted that members of the Pensions Administration Team had been working substantial levels of overtime for some months now, to ensure the additional work caused by implementing the shared service could be undertaken.

It was noted that as a result of moving to the shared service, KPIs would not be monitored for the month of January 2018 (assuming a go-live date of 29 January 2018). It had already been agreed that the performance monitoring by TWPF on NCC Pension Fund's data for the period following go-live to 31 March 2018 would be provided to the Chair of the Pension Fund Panel in advance of the next scheduled Panel meeting after 31 March in June 2018.

In response to a question, the Operations Team Manager (TWPF) confirmed that TWPF monitors performance against the regulatory requirements, as shown in the final column of the KPIs in Appendix 12. She also confirmed that the 31 August deadline had been met in 2017 by TWPF for the provision of annual benefit statements. The April deadline for employers (in 2017), as previously discussed in the Board meeting, assisted in achieving this deadline.

The Board **noted** that employees in NCC's Pension Administration Team had worked voluntary overtime to help manage the transition to shared services and asked that the Board's appreciation be conveyed to the staff.

#### **4F Breaches logs**

The Board had received an updated copy of the breaches log and were pleased to note that a significant number of the earlier breaches were now complete.

The transition to shared services had identified a number of areas where there needed to be clearer separation of duties between NCC's Pensions Administration Team and NCC's Employee Services department, and that starter and leaver information needed to be provided to Pensions Administration shortly after the triggering event, without exception.

The Operations Team Manager (TWPF) commented that NCC's Employee Services section was working with her (and others) to implement the changes that were required.

Post implementation of the shared service, TWPF would provide quarterly reports to all employers showing an analysis of performance.

The Board discussed the risks to the pensions administration service during the transition period, and the impact on the transferring staff who would have a longer commute, but would become part of a larger, more supportive team.

In response to questions it was confirmed that the Scheme Manager viewed none of the breaches recorded on the log as being close to materially significant and therefore reportable to the Pensions Regulator. Some of the older breaches could not be completed until information was supplied by the Scheme member or until a member was located where their current whereabouts was unknown.

The Chair acknowledged that the information contained in the NCC breaches log was very detailed and the level of detail would reduce following the introduction of the shared service. Aon Hewitt had recommended that the reports used at TWPF be utilised in the future.

#### **4G Training needs analysis (TNA) for Board members**

The Board Secretary provided each Board member with a copy of his/her own training needs analysis record, completed in September 2017. The TNA questions had been based on the CIPFA knowledge and skills framework then tailored to NCC's needs.

It was noted that Board members *individually* are required to achieve a level of knowledge and understanding to satisfy the Pensions Regulator's Code of Practice requirements.

It was **agreed** that it would be beneficial for members to be given the

opportunity to review the TNA scores they had given in September, and reassess them in light of the information provided at Panel and Board meetings in the intervening period. Board members commented that the earlier discussions regarding MiFID II under Item 4D had enhanced their understanding of the related processes and risks. Once that exercise was completed, TNA results for each Board member would be reconsidered by the Board Secretary, in consultation with the Board Chair, to assess whether further training was needed and whether it should be delivered individually or via group training session(s).

The Chair recommended that the:

- training material provided at the 16 June 2017 induction event by Karen McWilliam of Aon Hewitt on Governance and Administration and
- NCC Pension Fund's draft Administering Authority Discretions Policy be circulated electronically to the Board, for information.

The Chair reminded Board members that they should complete the Regulator's Toolkit.

A Board member requested that a reading list be circulated.

Following analysis of the TNAs, the Board Secretary highlighted a number of areas where training was required:

- knowledge of the Principles for Investment Decision Making and Disclosure (Myners' principles) and
- awareness of the role and statutory responsibilities of the S151 Officer and Monitoring Officer.

He reminded Board members that the Myners' principles had also been identified by Panel members as an area for more training and this training (for members of the Panel and Board) would be provided in February 2018.

The potential impact of pooling was also identified by some Board members as an area where they felt they would benefit from increasing their knowledge and understanding.

The Board discussed the governance arrangements of BCPP Ltd, the possible role of a Board member as an observer on the BCPP Joint Committee, and opportunities for boards to engage with BCPP Ltd in the future.

The Board also briefly discussed how social, environmental or corporate governance considerations (known as ESG factors) are taken into account in the selection, non-selection, retention and realisation of investments in LGPS funds. The Board Chair referred to DCLG guidance on preparing and maintaining an investment strategy statement (ISS) which stated that when formulating policy an administering authority (among other things) "*should*

*explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.”*

The Principal Accountant (Pensions) - Project Officer confirmed that policy on ESG had been considered by the Panel, with advice from the investment adviser on many occasions in the past. She referred to guidance from DCLG which stated that non-financial factors could be taken into account if “*there is no risk of significant financial detriment to the fund*”. She also confirmed that ESG and non-financial factors would be on the Panel agenda in February 2018 for a number of reasons, including the need to consider an ESG policy to apply to all funds within the BCPP grouping.

The Chair agreed to circulate a number of articles he had collected that would aid discussions of the Panel at the meeting in February 2018.

#### **4K Proposed additions to risk register**

- Report A9 of 24 November 2017 Panel meeting papers plus Appendix 13 and Risk and controls combined report

The Board Secretary outlined the approach adopted in assessing and scoring the following risks, initial consideration of which had been delegated to the Board by the Pension Fund Panel on 24 November 2017:

- cyber security
- GDPR legislation
- potential increased costs and reduced performance arising from pooling
- failure to achieve or maintain elective professional client status under MiFID II
- LGPS membership records’ accuracy post implementation of shared administration service
- performance of shared administration service
- retention of expertise in LGPS administration pre implementation of shared administration service

He explained that assessment of the risk took into consideration the current status of controls and their effectiveness and made reference to the scoring grid on page 7 of the appendix which considered the potential impact if a risk occurred against likelihood of it occurring.

The Board **gained assurance** that the risks were being managed by key personnel at a senior level. They also discussed the controls in place to manage those risks, such as increasing passively managed investment (to reduce the risk from pooling of incurring high transition costs) or the ability to defer the transfer to shared services by one month if problems arise with the data transfer. Whilst the costs of moving to the pool were not yet known, it



was noted that savings had already been achieved as a result of working together with pooling partners, and up to date information would be provided to the meeting of the Panel in February 2018.

It was confirmed that an item on new risks and changes to existing risks would now become a standing item on future Board meeting agenda.

#### **4I Review 2016/17 annual benefit statement communication**

The Board reviewed samples of the annual benefit statements communications issued by NCC and the TWPF. Although there was a desire to keep the communication simple, it was necessary to provide a great deal of detailed information to avoid misleading the members. It was hoped that in the near future, scheme members would be able to access statements online.

#### **4J Compliance with Code of Practice 14 re conflicts of interest**

The Board **agreed** that members would consider the requirements of Code of Practice number 14 with regard to conflicts of interest prior to the next meeting of the Board in March 2018.

### **5. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS**

#### **5A Revised Governance Policy and Compliance Statement**

- Report A2 of 3 November 2017 Panel meeting papers plus Appendix 2

The Board **endorsed** the changes to the Governance Policy and Compliance Statement, including the proposal to request a change in NCC's Constitution to remove the delegation to exercise the administering authority discretion over the recipient of a death grant to Staff (Appeals) Committee, noting the reasons for this change, as discussed at the Panel meeting on 3 November. The Principal Accountant (Pensions) - Project Officer noted that at its next meeting on 3 January 2018, the County Council would be considering a report requesting this change to the remit of the Staff (Appeals) Committee.

#### **5B Administering Authority Discretions Policy**

- Report B1 confidential of 3 November 2017 Panel meeting papers plus tabled Appendix 1

The Board noted the draft Administering Authority Discretions Policy agreed by the Pension Fund Panel on 3 November 2017.

## **5C BCPP pooling arrangement**

- Report B3 confidential of 24 November 2017 Panel meeting papers

The Board noted the update with regard to the progress in developing BCPP Ltd.

## **5D Scheme 2017 annual governance survey for tPR**

The Board noted the responses provided in the tPR 2017 annual survey.

## **6. Wellington performance information (tabled by Wellington at 24 November 2017 Panel meeting) with fee level information**

The Board received information regarding the fees charged by Wellington. The Board also noted that information presented by Wellington to the Panel on 24 November 2017 had included returns shown gross of fees, so members had been unable to consider Wellington's net of fees performance and compare like with like.

The Principal Accountant (Pensions) - Project Officer stated that unfortunately Wellington's presentation had not been received in advance of the meeting which would have allowed the opportunity for officers to query the data included and request that it be changed.

The Board **recommended** that, where possible, all investment returns information presented by investment managers and advisers to the Panel be shown net of fees so that valid comparisons could be made.

## **7. Letter to active and deferred members to provide information about shared administration services**

A copy of the latest draft letter to be sent to active and deferred Scheme members was tabled at the meeting. Members of the Board had been provided with an earlier version and asked to comment and the Principal Accountant (Pensions) - Project Officer thanked Board members for their input and explained which suggestions had been incorporated, which had not, and why.

Clarification was still awaited from Eversheds regarding the proposed wording in the letter on data protection, which was highlighted in grey. Confirmation was also awaited regarding the shared service go-live date as this could still be subject to change.

It was agreed that the letter should be no longer than two sides of A4 paper and if it could not be finalised in the next couple of days, the Board

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**recommended** that it be issued early in January 2018, after the Christmas break.

**8. Internal audit following shared service implementation**

The Principal Accountant (Pensions) - Project Officer explained that the internal audit service at TWPF was outsourced to Deloitte, as South Tyneside Council had recognised it did not have the appropriate specialist LGPS expertise to undertake this work in-house. TWPF's Head of Pensions had undertaken to ensure officers at NCC would be given the opportunity to review and comment on the internal audit work programme for 2018.

**STANDING AGENDA ITEMS**

It was proposed that the following items be included on future agendas in order that issues could be discussed, if required.

**9. New risks and changes to existing risks**

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

**10. Review of meeting: open discussion**

The Chair thanked everyone for their participation at another busy meeting.

**11. Future meeting dates**

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

A copy of the presentation slides were available in advance for the meeting with the Regulator on 21 December 2017 at Durham County Council. Members were asked to bring the slides with them on 21 December.

**12. Any other business**

None.

(The meeting ended at 1.22 p.m.)

**CHAIR** GF Moore

**DATE** 2 January 2018