

**NORTHUMBERLAND COUNTY COUNCIL**

**LGPS LOCAL PENSION BOARD**

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Thursday, 8 November 2018 at 9.00 a.m.

**PRESENT**

GF Moore  
Independent Chair  
(Non-voting member of the Board)

**VOTING MEMBERS**

**Employer Representatives**

Adams, Ms JH

Pidcock, Cllr B

**Scheme Member Representatives**

Clark, JP

Dick, S

**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 NCCPF

C Gorman

Principal Accountant (Pensions) - Project Officer

A Lister

Board Secretary

N Turnbull

Democratic Services Officer

**Observer**

J Woodlingfield

Chair of Tyne and Wear Pension Fund Local Pension Board

**1. APOLOGIES FOR ABSENCE**

None.

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## **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. The Board agreed that this potential conflict would be effectively managed.

## **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 Thursday 26 July 2018, were circulated at the meeting and received for information.

## **4. ITEMS FOR IN DEPTH ANALYSIS**

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

### **4A CMA proposed changes to the investment consultancy market**

- Report A3 of 10 September 2018 Panel meeting papers

The Board discussed the proposed reforms to the investment consultancy market proposed by the Competition and Markets Authority (CMA) in its provisional decision report, published in July 2018.

The Principal Accountant (Pensions) - Project Officer made reference to NCCPF's Conflicts of Interest Register which included entries about potential conflicts which could arise should a Fund adviser give advice that could be viewed as much if not more in the adviser's interests than in the Fund's.

Members considered the implications which included:

- The LGPS regulatory requirement to "take proper advice" for investment decisions.
- The relationship between the Pension Fund Panel and its investment adviser as sub funds start to become available through BCPP Ltd, and the adviser's role in fund manager selection for NCCPF starts to change;
- An independent adviser could be appointed in the future should the Panel deem it necessary.

The CMA's final report was scheduled for publication in March 2019 and would be considered by the Panel and Board in due course.

## **4B Conflicts of Interest Policy**

- Report A4 of 10 September 2018 and A1(1) of 5 October 2018 Panel meeting papers

The Chair highlighted the issue of conflicts of interest which had been raised at a recent conference by Nick Gannon, Policy lead at the Pensions Regulator (tPR), and Bob Holloway, Pensions Secretary at the Local Government Association. He welcomed discussion to explore whether the Board had a further role in the monitoring of conflicts of interest for NCCPF.

The Principal Accountant (Pensions) - Project Officer confirmed that the NCCPF Register of Conflicts of Interest is maintained for all members of the Pension Fund Panel, the Local Pension Board and key officers. Individual declarations are retained in the Register which may be viewed by any interested party and the declarations were reviewed annually. The Register was available for inspection and brought to every meeting of the Board.

It was agreed that interests identified prior to a Panel meeting should be explained for the benefit of those present at that meeting. An example was given of a Panel member who had declared an interest in one agenda item at the 5 October 2018 meeting and purposefully joined the meeting later, after the item had been discussed. At the meeting he had not explained his reason for taking this approach, though he had discussed it in advance of the meeting with the Panel Chair and lead officer.

The Board discussed conflicts which could not be avoided including a conflict for the Section 151 Officer when setting the employer contributions at the actuarial valuation.

Declaring an interest was the responsibility of each individual, but the Principal Accountant (Pensions) - Project Officer added that she would encourage individuals to consider their position should she become aware of a potential conflict arising, and would discuss with the Monitoring Officer, if necessary.

The Chair volunteered to share his Declaration of Interests with the Board at a future meeting.

It was **agreed** that the Chair and Board Secretary would review the NCC LGPS Conflicts of Interest Register together before the next Board meeting to review the processes in place for identifying and managing actual and potential conflicts within the management of NCCPF.

## **4C Recording breaches**

- Report A8 of 10 September 2018 Panel meeting papers and Appendices 8 and 9

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#### **4D Key performance indicators**

- Report A9 of 10 September 2018 Panel meeting papers and Appendices 10 and 11

#### **12. Headline “Barnet in TPR breach as Capita misses payments”**

Items 4C, 4D and 12 were considered together.

The Board had been requested by the Pension Fund Panel to review the breaches of law which had occurred in the quarter to 30 June 2018.

The Principal Pensions Manager (TWPF) stated that the timeframe for each administration process was defined in the LGPS Regulations and did not take into account the interactions between the relevant parties. She commented that there was a general acceptance that 100% compliance with timescales was not realistically achievable.

With regard to reporting breaches to tPR, the material significance (to tPR) of each breach must be assessed. Most breaches were recordable but not reportable. For recorded breaches, tPR would look for an improvement plan being in place and evidence of actions being taken in line with the plan, and timescales.

In answer to a question regarding Death in Service processing (Appendix 9), the Principal Pensions Manager (TWPF) commented that the processing within the shared administration service was being reviewed because it was recognised that improvements were needed. TWPF was in discussions with its software provider (Civica) to implement system improvements. She commented that dealing with bereaved families needed sensitive handling and that the KPI could not take into account problems in obtaining information and ensuring that the benefits were paid to the right beneficiaries and bank account(s).

The Principal Accountant (Pensions) - Project Officer confirmed that if a breach occurred as a result of a failure by a member or beneficiary to provide information, it could not be a *breach of material significance* to tPR and therefore would not be reportable.

Principal Pensions Manager (TWPF) confirmed that the TWPF pensions shared administration service was part of the “Tell Us Once” service which enabled individuals to report a death to one government agency for onward communication to relevant others. TWPF and NCCPF also participated in the National Fraud Initiative, an exercise which matched data to help prevent and detect fraud following pensioner deaths. TWPF had improved its tracing facilities when mail or payments to bank accounts were returned, and used

covert surveillance under the Regulation of Investigatory Powers Act 2000.

Board members discussed the breach recorded on Appendix 8. It was **agreed** that:

1. The breach was not of material significance to tPR and therefore not reportable.
2. The Board Secretary should inform the Ministry of Housing, Communities and Local Government (MHCLG) that a breach had been recorded by NCCPF and request that changes be made to MHCLG and Department for Education processes to prevent a recurrence. The Board was assured by the Principal Accountant (Pensions) - Project Officer that NCCPF would have worked with the other administering authority involved in this breach to ensure no detriment to any of the LGPS members or beneficiaries that were “caught in the middle” of this breach should there had been an event such as a death in service of a member before the retrospective Direction Order was made by MHCLG.

The Board **noted** the processes and checks in place for processing of death benefits.

With regard to the remaining unresolved breaches, it was confirmed that an update would be provided to the next Board meeting for any cases which required processing by the Pensions Office at TWPF. Where action or a decision was required by a member, such breaches would not be reportable. Where information was still needed from an employer, further chasing up would take place.

The Board discussed the difficulties experienced by London Borough of Barnet Council who had reported itself to tPR after failing to issue 447 annual benefits statements by the 31 August deadline. It was **noted** that a robust approach was required by the Scheme Manager with employers that fail to comply with Regulations when providing member information to the administrator.

The Principal Pensions Manager (TWPF) confirmed that TWPF monitors the performance of employers and reports on queries which had been outstanding for longer than 6 months. The Board was given assurance that TWPF took its responsibilities very seriously and had robust mechanisms in place to ensure all employers are aware of their responsibilities.

Teething issues which had occurred at the start of the shared pension administration service with TWPF in provision of data by NCC's Payroll Department continued to be resolved as they arose. The full 12 month cycle of the shared service was not yet complete. It was agreed that although the monitoring report was normally produced quarterly, an additional update would be provided to the next meeting of the Board on 10 December 2018.

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Members discussed the KPIs, breaches and whether breaches should be reported, and processes in place, and cooperation between officers. The Principal Pensions Manager (TWPF) confirmed that TWPF would not report NCCPF to tPR unless all other channels had been exhausted or there was a catastrophic failure. She added that there was no clear guidance about the meaning of “material significance” and when a breach should move from being considered recordable to being reportable.

The Principal Pensions Manager (TWPF) explained that TWPF was building up additional information for reporting breaches to also record the “mitigating circumstances”. This would help in understanding the *cause* of any breach, which was an important element in determining material significance.

#### **4E GMP reconciliation: progress report**

- Report B2 of 10 September 2018 Panel meeting papers and Appendices 3, 4 and 5

#### **14. Update on GMP reconciliation work**

Items 4E and 14 were considered together.

An update on GMP reconciliation work was circulated at the meeting.

The Principal Pensions Manager (TWPF) reported that all queries on NCCPF data had been raised with HMRC by the 31 October 2018 deadline. The deadline for follow up queries to be submitted to HMRC was 31 December 2018 although there was no set date for HMRC to provide its report from which those follow up queries would arise. There was increasing pressure from pension schemes for the HMRC deadline to be extended.

The Principal Pensions Manager (TWPF) reported that the process for submitting follow up queries was almost complete for the TWPF data and that TWPF pensions administrators would be able to apply what they had learned when undertaking analysis of NCCPF data which would help expedite the work. Intellica / Civica may be asked to group the data and make suggestions which would help with materiality judgements.

The Board **gained assurance** that the 31 October 2018 GMP deadline had been met by TWPF. Officers in the shared administration service were thanked for their efforts.

#### **4F Migration balancing items: over or under payments**

- Report B3 of 10 September 2018 Panel meeting papers and Appendices 6 and 7 and report B1(1) and Appendices 1, 2 and 3

The Principal Accountant (Pensions) - Project Officer provided a brief summary of the discussion and questions asked by the Panel at its meeting on 5 October 2018 regarding the issues at NCCPF, before implementation of the shared service, which had given rise to the migration balancing items. Migration balancing items was the term used for the differences between the NCCPF pensioner payments per the former administration system and per the former payroll records. Those differences were carried forward by NCCPF into the shared service, to be investigated and resolved later.

She explained that, due to the importance of dealing with any overpayment of pension as soon as it was identified (to avoid unauthorised payments being made) work had begun on investigating the 10 largest *potential* underpayments.

The Pensions Manager (TWPF) was pleased to confirm that for all 10 cases that had been investigated so far, it had been the payroll records that had been accurate so there was no error on those pensions in payment.

Further sample groups were to be identified for investigation with a view to enabling officers to identify any systematic issues which may be within the balancing items. A dedicated officer at TWPF was currently assigned to the project. When further work had been undertaken, a cost benefit analysis would be carried out, and further decisions may be brought to the Panel.

Members expressed concern regarding the possible impact on members in receipt of small pensions and the issue of hardship. The Principal Accountant (Pensions) - Project Officer confirmed that regard would be had to case law and Pensions Ombudsman rulings on hardship and that a further report would be brought to the Panel in due course.

The Board was **assured** that TWPF ran monthly reconciliations between payroll and pensions administration systems which would prevent further migration balancing items occurring going forward.

## **5. Review of (part of) the Pension Regulator's Code of Practice 14**

- Conflicts of interest and representation (paragraphs 61 to 91)
- Resolving issues (paragraphs 212 to 240)
- Reporting breaches of the law (paragraphs 241 to 275)

The Principal Accountant (Pensions) - Project Officer reminded members that the Scheme Manager, with assistance from Aon, had carried out an assessment against tPR's Code of Practice number 14 ("CoP14") checklist, approximately 18 months previously.

It was good practice to review the CoP14 checklist annually. On behalf of

NCCPF, in October 2018 Aon had completed the part of the checklist which considered LGPS member processing which was now carried out by TWPF for NCCPF as part of the shared administration service. The first draft NCCPF October 2018 CoP14 checklist would be reported to the Panel on 23 November with a recommendation that it be considered in detail by the Board at the 10 December meeting.

The Board **noted** that the checklist was to be considered at its next meeting on 10 December 2018.

## 6. “Scheme pays” process

The Board received a report to explain the operation of Annual Allowance ‘Scheme Pays’.

The Pensions Manager (TWPF) explained that following investigation of the 76 cases where NCCPF members had been close to exceeding the £40,000 Allowance, 26 Savings Statements had been issued by the 6 October 2018 deadline.

Individuals in receipt of a Savings Statement were advised to review their own tax position and liaise with HMRC as to whether any tax charge was due. If the tax payable was in excess of £2,000 members could opt for the Scheme to pay the tax charge on their behalf and an explanation of the process was provided. Where the tax payable was less than £2,000 applications for Scheme Pays would be considered by TWPF on a case by case basis.

It was confirmed that the tax due from NCCPF members was a relatively small total amount and that HMRC would be provided with a list of members and amounts paid by NCCPF at those members’ requests. The tax paid for each member would be recovered from future benefits when put into payment at retirement.

It was noted that as the annual allowance had reduced from £255,000 to £50,000 in 2011, and then to £40,000 in 2014, many more LGPS members were now being caught by the rules and therefore were receiving Savings Statements.

The Principal Accountant (Pensions) - Project Officer reported that to date, request for ‘Scheme Pays’ had not been made by NCCPF members for amounts under £2,000. She agreed to investigate whether NCCPF should have a policy in place on exercising this administering authority discretion.

The Board **gained assurance** that the Pensions Savings Statements had been produced by the shared administration service by the 6 October 2018 deadline.

## **7. Update on insurance for Board members**

The Principal Accountant (Pensions) - Project Officer reported that confirmation had finally been received of an amendment of the wording of the Council's insurance policy to include Pension Board members.

The Chair was pleased to receive the confirmation.

## **8. The Pensions Regulator's 2018 Scheme Return**

The Principal Accountant (Pensions) - Project Officer reported that the Pension Regulator's 2018 Scheme Return had been submitted by the 6 November 2018 deadline. A data improvement plan was already in place for the data issues which came out of the common data measure carried out by TWPF for NCCPF in February 2018 (agenda item 11).

The Board **gained assurance** that the 2018 Scheme Return had been completed by the deadline.

## **9. Active annual benefit statement mailing August 2018**

The Board received a sample of the Annual Benefit Statement (ABS) mailing issued to members in August 2018.

Whilst it was noted that the ABSs had already been issued, communication with members was an important consideration for the Board. Board members were asked to email any comments, observations or suggestions on the August 2018 ABS mailing to the Chair and / or Board Secretary in advance of the next Board meeting.

The Principal Pensions Manager (TWPF) explained that TWPF hoped to move to electronic ABSs for 2019, except where members opted to continue to receive a paper ABSs. Board members commented that there was a large volume of "template" information within the ABS mailing which added "noise/business" to the document making it difficult for Scheme members to understand. Board members were advised that electronic ABSs would be more personalised and therefore easier for the Scheme member to read.

In response to a question the Principal Pensions Manager (TWPF) commented that TWPF have received good feedback, in the past, regarding the ABSs being understandable. She agreed to bring prior year ABS survey analysis to a future Board meeting.

## **10. Data improvement plan for "post-live" issues**

The Principal Pensions Manager (TWPF) stated that officers continued to work on providing the data improvement plan for the NCCPF post-live issues, the

most significant of which was the migration balancing items which had been discussed earlier in the meeting. Migration balancing items was being prioritised to cleanse the data for the actuarial valuation data cut as at 31 March 2019.

#### **11. Data improvement plan for February 2018 NCCPF common data scores findings**

The Principal Pensions Manager (TWPF) commented that TWPF undertook an annual exercise in February 2018 to check the accuracy of members' details (name, address etc) i.e. the "common data".

A number of issues had been identified and included within the data improvement plan (DIP). Missing postcodes had been investigated and reduced from 24 to 3. The next deadline for required action on this DIP was 31 December 2018.

In answer to a question, she confirmed that NCCPF had a higher proportion of preserved refunds (than TWPF) and TWPF had now written to former NCCPF members to ascertain what they wanted to do with their preserved benefits.

The common data score for NCCPF (at February 2018) was 99.69%

The scheme specific data (previously known as conditional data) score for NCCPF was 84.23% and a data improvement plan was being developed and would be brought to the next Board meeting in December 2018.

The Board was reminded that a standardised scoring method had not yet been implemented. However, the Principal Pensions Manager (TWPF) was confident that the scoring methodology used by TWPF on NCCPF (and TWPF) data could be justified as there was a robust audit trail of the process undertaken.

#### **13. Changes to NCCPF risk register**

The Board Secretary reported that Northumberland County Council had adopted a new format for its risk register in July 2018. The NCCPF risk register would therefore need to be transferred to the new format and brought back to the Panel and the Board at meetings in February 2019 and March 2019, respectively.

Cyber security had already been added to the risk register for NCCPF, and it was a risk shared with TWPF. It was understood to be a high priority for tPR and the LGPS Scheme Advisory Board.

The Board **gained assurance** from the seniority of officers responsible for identified risks.

## 15. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

### 15A NCCPF 2017/18 Annual Report and Accounts and external audit

- Report A1 of 10 September 2018 Panel meeting papers

### 15B IORP II

- Report A2 of 10 September 2018 Panel meeting papers and enclosure

### 15C Pensions Ombudsman's ruling against Northumbria Police

- Report A5 of 10 September 2018 Panel meeting papers and Appendices 3 and 4

The Chair provided a brief summary of the Ombudsman's case.

The Principal Pensions Manager (TWPF) confirmed that TWPF had very robust mechanisms in place to ensure that the circumstances in the aforementioned case would not be repeated at TWPF. This included regular review of guidance, and inclusion of updated pension "scam" awareness leaflets in communications to members, as well as appropriate due diligence of payee pension fund schemes.

The Board **gained assurance** that TWPF had robust procedures and processes in place to prevent NCCPF's (and TWPF's) members' LGPS rights being transferred to a potentially fraudulent scheme.

## 16. Second mailing (of three) to notify NCCPF active, deferred and pensioner members of the move to online services for ABSs and P60s

The Board received a draft letter to be sent to scheme members notifying them about 'mypension' online service and the requirement to opt out in order to continue to receive paper statements.

The Principal Pensions Manager (TWPF) commented that this was the second notification of three that TWPF was required to issue to NCCPF Scheme members before moving to electronic provision of ABSs and P60s. The mailing provided with the Board papers had been updated and it was agreed that this updated version would be emailed to Board members shortly after the Board meeting.

The first notification to LGPS active members had been included in the ABS

mailing issued in August.

Suggestions by the Board for clarification on the second mailing would need to be sent to the Board Secretary urgently as this notification would be mailed to LGPS members in the very near future. The Chair undertook, on behalf of the Board, to promptly submit any requests for changes to the drafting of the letter.

The third notification was scheduled to be issued in February 2019.

Members of the Board discussed the number of LGPS members who had registered for the online service. The Principal Pensions Manager (TWPF) reported that 9,000 members had signed up to 'mypension' and they had obtained 6,000 pension estimates, via self-service. The advantage of the online service was that it enabled members to obtain as many pension estimates as they wished to.

In answer to a question, the Principal Pensions Manager (TWPF) agreed to check whether ABSs included information about the percentage of lifetime allowance used.

## **STANDING AGENDA ITEMS**

The following items were included on each meeting agenda as standing items in order that issues could be discussed, if required.

### **17. New risks and changes to existing risks**

Members of the Board were requested to alert the Chair or Board Secretary if they became aware of any new risks to NCCPF.

The Board discussed the following:

- Key person risk of the pensions administration service carried out by NCC (pre shared service) had now been removed from the risk register.
- Attendance by TWPF officers at NCCPF Board meetings was a vital part of monitoring the shared pension administration service. The Principal Pensions Manager (TWPF) stated that as the service had not yet been implemented for 12 months, there remained some significant areas in the annual cycle that had not yet been tested.
- Inclusion of the triennial valuation in the risk register. The Principal Pensions Manager (TWPF) reported that TWPF had received confirmation from the actuary for TWPF (Aon) that the quality of TWPF's data at the 2016 valuation was very good. She added that TWPF had already commenced the cleansing process for NCCPF and TWPF data the 2019 valuation.
- Clarification was still awaited regarding the change to a four yearly valuation cycle for the LGPS in line with other public sector pension

schemes.

**18. Future meeting dates**

Members received an updated list of dates for meetings of the Local Pension Board in 2019/20.

**19. Any other business**

**1. The Pension Regulator's Public Service Governance and Administration Survey 2018**

A copy of the recently issued survey was circulated to members of the Board at the meeting. It was noted that whilst completion of the survey was not compulsory, it was good practice. NCCPF officers would liaise with TWPF regarding the survey to ensure consistency in the relevant sections, then consult with the Board Chair before submitting before the 30 November deadline.

**2. BCPP Ltd's Responsible Investment (RI) and Share Voting Policies**

A copy of an exchange of emails was circulated at the meeting to update members on discussions held between the Chair and Principal Accountant (Pensions) - Project Officer on BCPP Ltd's RI and Share Voting Policies.

It was anticipated that the Pension Fund Panel would consider the aforementioned policies at its meeting on 21 February 2019. It was suggested that the Board consider BCPP Ltd's RI and Share Voting Policies which were reported to the 21 November 2018 BCPP Joint Committee at its meeting on 10 December 2018 to make recommendations to the Panel in February 2019.

(The meeting ended at 12.05 p.m.)

**CHAIR** GF Moore

**DATE** 26 November 2018

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