

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Friday, 18 October 2019 at 9.30 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Adams, Ms JH

Hutchinson, Cllr JI

Scheme Member Representatives

Clark, JP (JC)

Dick, S (SD)

OFFICERS IN ATTENDANCE

H Chambers (HC)

Principal Pensions Manager (Tyne and Wear Pension Fund) attending in her capacity as head of the shared pensions administration service with NCC

C Gorman (CG)

Principal Accountant (Pensions) - Project Officer

C Johnson (CJ)

Senior Accountant (Pensions)

A Lister (AL)

Board Secretary

N Turnbull (NT)

Democratic Services Officer

Definition of Terms

AA

Administering Authority

ABS

Annual Benefit Statements

AVC

Additional Voluntary Contributions

BCPP

Border to Coast Pensions

Partnership

Ch.'s Initials.....

| | |
|------------------------------------|---|
| CARE | Career Average Revalued Earnings |
| CIPFA | The Chartered Institute of Public Finance and Accountancy |
| Common Data | Eg name, address and date of birth |
| COP14 | tPR's Code of Practice 14 |
| GAD | Government Actuary Department |
| GMP | Guaranteed Minimum Pension |
| IDRP | Internal Dispute Resolution Procedure |
| LGIM | Legal and General Investment Management |
| LGPS | Local Government Pension Scheme |
| MHCLG | Ministry of Housing, Communities and Local Government |
| MIFID II | Markets in Financial Instruments Directive II |
| NCCPF | NCC in its Scheme Manager role |
| PSS | Pension Savings Statements |
| RI | Responsible Investment |
| SAB | LGPS Advisory Board |
| Scheme-Specific (Conditional) Data | Eg employment records and contribution history |
| STC Administration | Shared administration service for NCCPF and TWPF |
| ToR | Terms of Reference |
| tPR | The Pensions Regulator |
| TWPF | Tyne and Wear Pension Fund |

1. APOLOGIES FOR ABSENCE

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

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 would not represent a conflict of interests, as the Board Secretary approved attendance at training events.

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 12 July 2019, was circulated at the meeting and received for information.

4. ITEMS FOR IN DEPTH ANALYSIS

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

4A Recording breaches and data

- Report A7 of 20 September 2019 Panel meeting papers and Appendix 6 and “NCCPF process details” enclosure

5. NCCPF’s administration process performance and trends in 2019

Items 4A and 5 were considered together.

HC circulated supplementary information at the meeting which reported on the position of major processes as at 15 October 2019, that were measured against the requirements of the Disclosure Regulations. She acknowledged that the performance for the quarter April - June had lagged in some areas, as expected, due to the focus on the triennial valuation related work and the priority given to deaths and payment of benefits. An improvement in performance was expected in the next quarter.

Some concern was expressed by Board members regarding the delay in payment of refunds to scheme members and whether the same cases were still outstanding from the previous quarterly review. HC explained that STC Administration needed to review and amend the recording system as currently the time period started when the member was notified of eligibility for a refund when he/she left employment. However, the Disclosure Regulations stated that the period should only commence when the member had requested a refund. She confirmed that if a refund was requested by a member, the process was escalated and given priority.

In response to a question, she confirmed that no complaints had been received with regard to delays processing refunds. This area of work would be the focus of a new officer who would be starting employment with the Pensions Team in the next few weeks.

Reference was made to the Pensions Processing presentation which had been given to STC’s Pensions Committee and LGPS Local Pension Board and had been circulated to Northumberland’s Board Members with the agenda papers. HC confirmed that STC Administration was part of the Metropolitan

Benchmarking Club, which aimed to set core standards to determine what a 'good' Fund looked like.

Board Members discussed STC Administration processes in some detail when the following information was given in response to questions:

- Implementation of the shared administration service had prompted a review of the STC Administration procedures as a number of anomalies had been identified. In the earlier versions of the software it had only been able to monitor performance against a single date, whereas now it was possible to use several dates.
- At the present time, there were no poorly performing employers to note.
- The percentage of ABS issued by the 31 August deadline was extremely high and comparison was made with some Funds who had found it necessary to report themselves to tPR (see Item 9).
- NCC's Payroll Team was now taking full responsibility for the provision of employer payroll data and had a full understanding of its responsibilities.
- Employer performance was monitored on a regular basis. Each NCCPF employer had a client manager and there was a process of escalation if issues recurred regularly. Problems with employers would be reported to tTR, if of material significance. Occasionally, TWPF employers had been referred to the TWPF Board where information was persistently provided late to STC Administration.
- The electronic submission of information had been of assistance to improve performance as data was validated at source by preventing input with data omissions, and application of consistency checks.
- Individual web forms were available for processes such as notification of leavers.
- The feasibility and cost of monthly contribution posting was being considered.
- Northumberland as AA could also be asked to intervene if STC Administration experienced problems with a NCCPF employer.
- Regard was had to the size of an employer when monitoring outstanding queries.

The Board **agreed** that the breach in Appendix 6 was not of material significance and not reportable. The Board requested notification by email if there were any areas of concern regarding employer performance prior to the next meeting of the Board.

4B Action Plan 2019

- Report B7 of 20 September 2019 Panel meeting papers

CG outlined the Action Plan 2019 which had been approved under delegation by the Chair and Vice-Chair of the Pension Fund Panel following the meeting on 20 September 2019. The content of the Plan could not be finalised sooner

due to uncertainty regarding merger of the Northumberland and Tyne and Wear Pension Funds.

It was noted that the NCCPF investment strategy was to be kept under regular review during the merger implementation period. The changes to the target benchmark allocations for NCCPF's publicly quoted regional equities had now been implemented following the decision made at the July 2019 Panel meeting.

AL reported that SAB had released guidance regarding the setting of strategic objectives for providers of investment consultancy services by the deadline of 10 December 2019. A report would be submitted to the next meeting of the Panel on 6 December 2019.

A response was awaited from MHCLG to the joint letter sent by the Leaders of NCC and STC requesting MHCLG's assistance with merger. The Board considered the impact of a delay on the target implementation date of 1 April 2020, which would result in retrospective legislation from MHCLG.

The decision to merge NCCPF and TWPF was to be considered by STC's Full Council the following week.

The Board **noted** the Action Plan 2019.

4C NCCPF Risk Register

- Report B8 of 20 September 2019 Panel meeting papers and "NCCPF Risk Register" enclosure

Additional information was circulated at the meeting specifically with regard to potential risks around the proposed merger with TWPF.

CG outlined the impact of the risks, the controls that were in place including the timetable, strategies, communication and actions plans which would be overseen by the Panel and Board.

The Chair commented that he was due to meet with NCC's Section 151 Officer for an annual review and would raise a number of questions for clarification, which he would check against some of the risks identified in the Risk Register.

The Board discussed the requirement for revised arrangements for NCC's assessment of covenant risk of academies at inception, and whether these assessments would be received by the STC Pensions Committee, post-merger. HC confirmed that STC's in-house legal team assisted with newly forming academies as they began participation in TWPF.

Members were requested to review the draft Risk Register and contact officers

with any comments or suggestions. The Register would be brought to the next meeting of the Panel for approval.

A short break was taken at 11.10 a.m. before the meeting reconvened at 11.20 a.m.

6. Meeting of BCPP Board Chairs held on 10/11 October 2019

The Chair provided a brief summary of the meeting of the BCPP Board Chairs, which had been integrated into the BCCP annual conference timetable as an additional session.

Board member representative attendance at BCPP Joint Committee meetings had been reviewed and it was noted that the nominated substitute was also now permitted to observe the meetings.

Different practices had been adopted across the twelve Partner Funds with regard to the sharing of Joint Committee papers, with access to the papers varying largely between different funds.

CG reported that Councillor Watson, Chair of the Pension Fund Panel, had been nominated to serve as a Non-Executive Director on the BCPP Ltd Board, subject to FCA and shareholder approval. Alternative provision had been made at the September 2019 meeting of the Panel in the event of his appointment, as Councillor Watson would no longer be able to represent NCCPF on the BCPP Joint Committee. A dispensation would be sought from the NCC Standards Committee for him to continue to be fully involved in all of the business of the Pension Fund Panel.

7. Debt write offs within NCCPF

The Board received information about the policy for debt write offs and level of authorisation required at NCC, following a request from the Interim Executive Director of Finance at the last meeting of the Board.

The Board **noted** the information.

8. STC Administration's staffing levels and structure

The Board received information about the current TWPF staffing structure. In response to questions, HC confirmed that:

- There was a specialist pensions legal team at STC although this was not included on the structure provided as it sits within the STC Legal Services department.

- STC employees worked on a career grade with regular opportunities for promotion.
- There were currently no officers studying for a qualification due to the difficulty in identifying an appropriate and relevant pensions administration qualification.
- A succession plan had been drawn up to reduce 'key man' risk and silo working. The biggest risk with regard to specific roles was the Technical Support Manager, however colleagues had been trained to deputise in her absence.
- Northumberland pensions administration staff had been fully integrated within the team following the transition to a shared service, with one member of staff already successful in securing a promotion.
- TWPF was comfortable with the current level of staffing and there was adequate resource to fulfil the requirements of the function. Investment had been made in technology to increase automation and a staffing review was likely to take place in the future once the new processes had bedded in fully.

The Board **gained assurance** on the appropriateness of staffing levels at TWPF.

9. NCCPF's 2019 Annual Benefits Statements and Pension Savings Statements, summary of statements issued

The Board received a summary of the position with regard to ABS issued by the deadline of 31 August. 100% had been issued to deferred members and 99.29% for active members. Information was incomplete for the remaining 62 members but would continue to be chased and statements issued as soon as possible.

The Board discussed the plan with regard to the 65% of active members who had not requested a paper copy of their statement nor had registered with 'mypensions' to enable them to receive it electronically. It was confirmed that the Fund's legal responsibility to notify members of the change to electronic statements had been discharged, as three warning letters had been sent to each member before implementation.

Information would be available for the next meeting to analyse the age profile of members who had accessed their statements in order that STC Administration could better target those who had not registered.

The Board discussed ways of raising awareness among active members and encouraging take up of the online service

HC explained the process and analysis of information for individuals who appeared to be close to breaching their pensions savings annual allowance. She confirmed that Pension Saving Statements had been issued to the

relevant members on 30 September 2019 prior to the statutory deadline of 6 October.

10. Summary of plans for STC Administration’s “mypensions” online service website upgrade

HC confirmed that work was progressing on the ‘mypensions’ online service upgrade, with the improved service expected to go live in January 2020.

JC commented that he was still having problems logging on to the current version, although he was eventually able to log on after multiple attempts. His log on details had been tested by the officers at South Tyneside and they had worked when used within the STC network.

HC stated that they were currently in the testing phase of the upgrade and invited JC to be involved. SD commented that she was able to log on but did not find the current version user friendly and was also happy to be involved in testing.

11. TPR’s LGPS cohort review publication “Governance and administration risks in public service pension schemes: an engagement report” and Hymans Robertson’s summary

The Board received a copy of an engagement report from tPR. It was noted that there were a number of recommendations contained within the review. The Chair requested that a comparison against the recommendations be carried out for the next Board meeting to assess NCCPF’s compliance. The process would also be of benefit to the CoP14 compliance checklist work to be undertaken for the Panel meeting in February 2020.

HC confirmed that TWPF would also be undertaking a review and creating an action plan and would liaise with officers with regard to issues in relation to the shared administration service.

It was understood that tPR’s next LGPS cohort review would involve a different process which would require completion of a questionnaire followed by telephone calls for any issues that required clarification.

12. TPR’s public service governance and administration survey 2018 results publication

The Chair suggested that he and the officers undertake a review outside of the meeting to assess NCCPF’s compliance against the six identified measures.

CG commented that she had briefly analysed TPR’s conclusions and viewed the Fund as compliant in the areas highlighted. She suggested, however, that further work and training should be undertaken with regard to cyber security

and reference was made to the proposal for a training session with IT officers from STC.

13. Aon's spotlight on governance

The Board received a report from Aon which considered the key findings of the recent Good Governance Review carried out by the SAB.

14. TPR's publication "cyber security principles for pension schemes"

HC delivered a short training session outlining the steps that are undertaken at STC to ensure security of members' data. These included:

- Compliance with public service network requirements as a government organisation.
- Cyber Essentials accreditation.
- Participation in meetings of the Cyber Boards.
- Cyber security training sessions.
- Review of STC's business continuity plan.
- Regular client meetings with IT officers. It was intended that an IT officer would attend a future meeting of the Board.

In response to questions regarding cyber security and the roles of the ICO and tPR, it was confirmed that:

- If a data breach of member information occurred it would be reported by STC to the Information Commissioner's Office (ICO). There were strict timelines for breaches to be reported and they also followed an escalation plan. Issues would be communicated to relevant parties as quickly as possible.
- TWPF follows STC's policies on data breaches and there were guidance notes for pensions officers. Staff received regular reminders about data security.
- Robust penetration testing of the pensions database was undertaken on a regular basis including the release of new software modules. An annual penetration test was also carried out to ensure compliance with the Public Service Network requirements.
- For example, a breach of pensioner's bank details would be deemed to be of material significance and would also be reported to tPR within a reasonable timescale.
- The issues experienced by the NHS in the previous year arose due to non implementation of software upgrades. PSN compliance required adoption of any available software upgrades.
- The Fund would be liable for any losses incurred as a result of data breaches.

15. TPR's and FCA's information for members on scams

The Board received a copy of a leaflet from the Financial Conduct Authority which highlighted how pensions scams occurred, how to avoid them, and what to do if a scam was suspected.

The Board discussed the recent decision of the Pensions Ombudsman with regard to a case in Hampshire Council. HC commented that the findings of the case had been reviewed by TWPF's Legal Team, which determined that TWPF's processes were sufficiently robust to prevent a similar occurrence at STC Administration.

The Board **gained assurance** from STC's review of the recent Ombudsman decision.

16. Board's review of 31 March 2019 actuarial valuation process

The Chair stated that, on a personal level, he had found the Aon training session in Edinburgh on the initial results of the 2019 actuarial valuation to be very useful, and agreed to share the presentation with Councillor Hutchinson and Helene Adams, who had both been unable to attend. He had also written a presentation on the role of Local Pension Boards in the valuation process as part of his role as Board Chair at other funds, and agreed to share this with the Board at its next meeting.

The Board had **gained a number of assurances** at the Aon training session in Edinburgh regarding;

- the process followed by NCCPF in carrying out the 2019 valuation;
- the prudent approach adopted by the decision makers; and
- Aon's initial assessment of NCCPF's data quality.

STANDING AGENDA ITEMS

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

17. New risks and changes to existing risks

Reference was made to the discussion held earlier in the meeting under Item 4C regarding the proposed merger with TWPF.

The Chair referred to the impending appointment of NCC's new Section 151 Officer, and requested that officers identify any training requirements of the new postholder, once in post, to allow the Fund to continue being MiFID II compliant.

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

There was no other business.

(The meeting ended at 12.50 p.m.)

CHAIR GF Moore

DATE 25 November 2019