

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** held at County Hall, Morpeth on Friday, 13 December 2019 at 9.30 a.m.

PRESENT

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

VOTING MEMBERS

Employer Representatives

Hutchinson, Cllr JI

Scheme Member Representatives

Clark, JP

Dick, S

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 Statement

AVC

Additional Voluntary Contribution

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	E.g. name, address, date of birth
CoP14	tPR's Code of Practice 14
GAD	Government Actuary's 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	E.g. 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 H Adams (Employer Representative).

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 Friday 18 October 2019, were circulated at the meeting and received for information.

4. TPR’S COHORT REVIEW: HOW DOES NCCPF COMPARE WITH TPR’S RECOMMENDATIONS

The Board reviewed NCCPF’s response to each of the 46 recommendations made by tPR as part of its 2019/20 Cohort Review of the LGPS, in which it engaged with ten LGPS funds to understand scheme managers’ approaches to a number of key risks.

The Board carefully reviewed tPR’s recommendations and NCCPF’s responses, and whilst it was agreed that NCCPF complied with all of the recommendations, a number of additions to NCCPF’s responses were requested, including the addition of a column for further actions, where necessary. The Chair thanked officers for the time spent preparing the report.

HC confirmed that TWPF would be undertaking a similar exercise, and it was **agreed** that it would be useful if the analysis and feedback from both NCCPF and TWPF Boards were shared with each other. The updated report with changes highlighted and TWPF feedback would be brought to the next meeting of the Board in March 2020.

5. HYMANS ROBERTSON’S 60 SECOND SUMMARY: WHAT CONSTITUTES A BREACH?

The Board was provided with the recent Hymans Robertson’s (HR) “60 Second Summary” release which focused on breaches of the law.

CG commented on the usefulness of HR’s summary in describing what constitutes a breach, when a breach should be reported, examples of materially significant breaches, who is responsible for reporting breaches and best practice around breaches monitoring.

Board members reviewed how breaches had been reported both pre and post implementation of the shared service with STC Administration. Whilst the information provided currently by STC Administration did not give the equivalent detail to that received in the past (due to the time required to prepare such information), the STC Administration information enabled analysis of trends and further detail would be provided on a selective basis, as required.

6. Breaches and processes proposed for delegation to the Board in the 6 December 2019 Panel papers

It was noted that the Pension Fund Panel meeting scheduled on 6 December 2019 was inquorate and did not proceed. Nevertheless, the Board undertook a review of the items within the 6 December Panel papers that had been expected to be referred by the Panel to the Board.

6A STC Administration's process details and snapshot of breaches

6B Breach relating to 2019 ABS for 62 members

- also Appendix 9 to Report A11 of 6 December 2019 Panel meeting papers

HC updated the Board with progress made on the 62 ABSs that had not been issued to members by the statutory 31 August 2019 deadline.

Over half of the affected members had left employment and would therefore not receive an ABS, whilst a number had either received an ABS or would shortly be in receipt of an ABS. There were currently 14 members with outstanding ABS queries. Board members expressed concern regarding the 4 members whose queries were yet to be raised with the employer. HC commented that the update had been provided on 4 December 2019 and that there would have been progress made in the intervening period. She agreed to investigate and feedback on the queries by email after the meeting.

7. NCCPF's administration process performance and trends in 2019: for further consideration

HC presented a report to Board members which considered NCCPF's pensions processing and trends in 2019, including:

- The benefits structure and framework for the administration of the LGPS;
- Measurement of performance;
- Internal control measures;
- Disclosure Regulations targets and areas where there were shorter timescales due to limitations in the software system used;
- TWPF Disclosure processing trend and volumes;
- NCCPF Disclosure processing trends and volume since October 2018;
- NCCPF process monitoring;
- Analysis of the backlog and steps taken to reduce it including formation of a specialist team to address this and purchase of an additional module in the software system to streamline the process;
- A review of the processing performance was being undertaken; and
- New CIPFA performance indicators were being developed.

In answer to questions from Board members, she confirmed that:

- The active processes related to member interactions and did not include contribution income;
- Processes were split between key life events which were prioritised, and other areas;
- The backlogs were consistently reducing and now at a manageable level;
- The average number of cases for each activity was to be included in the future version of reports;
- The new CIPFA performance indicators were in the process of being embedded into the system and would be monitored from 1 April 2020; and
- TWPF worked closely with employers through its designated Client Managers and regularly monitored employer performance and outstanding issues.

The Board expressed concern regarding queries with employers which had been outstanding for longer than six months, and whether the length of time could now make the issue a reportable breach. Reference was also made to processes failing Disclosure timeframes and whether any of the cases identified as in breach on the 27 June 2019 snapshot were also included within those in breach on the 15 October 2019 and 26 November 2019 snapshots.

It was noted that the percentage of process failures recorded had risen despite there being a lower volume of transactions in the period.

The Chair repeated previous offers for the Board to become involved in any escalation processes, if required.

HC confirmed that outstanding queries were monitored and escalated in line with STC Administration's policies.

The Board was given **assurances** that the current outstanding issues would be resolved by the next meeting in March 2020, and it was **agreed** that age profiling of the snapshot breaches information would be provided at the next Board meeting to enable Board members to identify any long standing issues.

A short break was taken at 11.40 a.m. before the meeting reconvened at 11.50 a.m.

8. Chair's annual meeting with NCC's S151 Officer:

The Chair provided feedback to the Board on his recent annual meeting with NCC's Section 151 Officer, which had taken place as a telephone call on this occasion. He briefly outlined assurances he had gained:

- that the NCC Pensions Team would be appropriately resourced through the proposed merger process and until the 2019/20 annual accounts

- process was complete; and
- around the presence of the internal audit function on NCC's Risk Management Group.

9. Implications for LGPS employers of the anticipated McCloud remedy

- also Appendix 2 to Report B2 of 6 December 2019 Panel meeting papers**

The Board considered an update provided by the SAB on the potential implications, for LGPS employers, of the anticipated remedy within the LGPS following the McCloud Judgement.

CG reported that whilst it was unlikely that the matter would be resolved for some months (or years) yet, employers had been made aware of the fact that additional member data, not currently required by the 2014 CARE Scheme, would likely be needed, going back to 1 April 2014.

The Board discussed the administrative burden this would place on employers to recreate and hold personal data which may be needed for the McCloud remedy, though Regulations to implement the remedy had not yet been drafted, and the difficulty for employers holding data without a legal basis to do so (as required by GDPR).

Once identified, the remedy would be labour intensive to administer, requiring historical data to be gathered from employers and (potentially) all individual member records to be checked, as well as recalculations of all pensions into payment since 1 April 2014. However, it was anticipated that a very small number of LGPS members would receive additional pension as a result of the McCloud remedy.

HC stated that the McCloud issue would be raised at STC Administration's Annual Employer Meeting on 4 February 2020. As many employers would not attend this event, further emails would be sent to all to remind them of the need to retain certain member data back to 1 April 2014.

10. TPR's 2019 Scheme Annual Survey

CG reminded Board members that completion of tPR's Public Service Governance and Administration Survey 2019 was voluntary, and confirmed that the Survey for NCCPF had been submitted prior to the agreed extended deadline.

The response had been compiled after a detailed discussion with the Board Chair and approved by the Chair and Vice-Chair of the Pension Fund Panel.

Clarification regarding a number of questions had been provided in Section K7

of the Survey. Completion of this Section in the past had been beneficial as it was believed to have contributed to survey amendments in subsequent years.

11. TPR's 2019 Scheme Annual Return

CJ confirmed that NCCPF's 2019 Scheme Annual Return had been completed and submitted to tPR on 7 November 2019, two weeks prior to the deadline. Completion of the Return was mandatory and non-completion could result in a fine for the Fund.

He provided a brief overview of the contents of the Return, including individual Board member details. Employer details had also been updated and verified by a colleague before submission. Information had been updated throughout the year when there had been a change of membership, to streamline the annual Return exercise.

The Board gained **assurance** that the 2019 tPR Scheme Annual Return had been completed before the statutory deadline.

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

12A Board Chair's checklist of areas for Board focus

The Chair circulated a checklist of suggested roles and areas of involvement for the Board when evaluating the triennial valuation process, to gain assurances regarding data quality, and the actions undertaken by the administering authority, and the level of prudence built into the 2019 valuation.

CG confirmed that the decisions regarding prudence had been made at the training session with the Actuary in September (and ratified at the September 2019 Panel meeting), and the final steps in the process would be taken at the February 2020 meeting of the Panel.

12B Processes for the 2019 valuation undertaken to date and planned before finalisation of the 2019 valuation

- Reports B1, B2 and B3 and Appendices 1, 2 and 3, see Report A2 and Appendix 2 of 6 December 2019 Panel meeting papers

The Board received an update on the processes undertaken to date and yet to be carried out to complete the 2019 valuation.

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

The Board received a copy of tPR's 'Cyber security principles for pension schemes'. It was noted that cyber security was an area of increasing focus for tPR.

HC referred to paragraph 7 on page 7 of the report and confirmed that STC is Public Services Network (PSN) compliant. PSN compliance provides a similar level of assurance to ISO 27001, the international standard for information security management systems.

She confirmed that controls and policies were in place with regard to:

- Backups, passwords, restricted access to data.
- Incident response reporting procedure within 48 hours.
- Creation of a Cyber Group at STC.
- Participation in and advice sought from other specialist groups.

STC Administration's review of the report had not flagged any areas of concern. Arrangements were to be made for a representative from STC's ICT Department to attend a future meeting of the Board to explain cyber security measures taken in more detail.

14. TPR's Regulatory Intervention Report into LB of Barnet Superannuation Fund

The Board reviewed tPR's Regulatory Intervention Report into the London Borough of Barnet Pension Fund (LBBPF) which set out how tPR had issued its first ever Improvement Notice to a public service pension scheme, which was solely focused on internal control failures. The Board noted:

- The initial fine issued to LBBPF in 2017 for failing to submit a Scheme Annual Return; and
- The timeline of various notices given to LBBPF during 2019 by tPR.

Comparison was made with NCCPF processes to identify any lessons that could be learned. It was believed the situation had arisen due to confusion over responsibility for completion of the original Annual Return, changes in key officers within the Scheme Manager and other resourcing issues. It was noted that NCC has provided contact details to tPR so four NCC officers automatically receive notification of the requirement to complete the Annual Return, to ensure it remained "on the radar" in case of staff absences or changes.

15. Any other points of note on 6 December 2019 Panel papers

The Board noted that the NCCPF Annual Report and Accounts 2018/19 had been published before the 1 December 2019 deadline, and therefore the Council had complied with the statutory requirement within the LGPS Regulations.

The criteria for MiFID II had been checked for compliance and indicated that there were no changes required.

The Chair referred to the Hymans Robertson report 'Good Governance in the LGPS' and commented that it might act as a catalyst to further fund mergers in the future.

STANDING AGENDA ITEMS

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

16. New risks and changes to existing risks

The Chair commented that he had not identified any additional risks as a result of tPR's report on the internal control failures at the LBBPF, or tPR's cohort review of the LGPS.

It was noted that there was a new Section 151 Officer in post at NCC which was a potential risk for any pension fund and, if not appropriately managed, could have implications in relation to the Fund's MiFID II status.

In answer to a question about the risk to NCCPF posed by the (yet to be determined) McCloud remedy, CG reported that the Actuary was fully aware and had taken the risk into account in setting the employer contributions at the 2019 valuation. A "Fund level" approach had been taken as there was insufficient information available to take a more accurate approach. An allowance for McCloud had been made in the IAS 19 disclosures as at 31 March 2019 prepared for employers, and an allowance would be needed in the 31 March 2020 disclosures and possibly beyond.

17. Future meeting dates

Members received an updated list of dates for meetings of the Local Pension Board in 2019/20 and 2020/21. The Chair commented that he had another commitment on 11 December 2020 and it would need to be changed, if required.

18. Any other business

There was no other business, however, the Chair thanked everyone for their participation.

(The meeting ended at 12.41 p.m.)

CHAIR GF Moore

DATE 15 February 2020