

## **NORTHUMBERLAND COUNTY COUNCIL**

### **PENSION FUND PANEL**

At a meeting of the **Pension Fund Panel** held at County Hall, Morpeth on Friday, 24 November 2017 at 9.30 a.m.

#### **PRESENT**

Councillor J.G. Watson  
(Chair, in the Chair)

#### **MEMBERS**

Bawn, D.L.  
Dunn, L.

Robinson, M.  
Swithenbank, I.C.F.

#### **OBSERVER REPRESENTATIVES**

Adams, Ms. J.H.  
Dick, Ms. S.

Employers Representative  
Employees / Pensioner  
Representative

#### **PENSION FUND PANEL ADVISER MEMBER**

Ms. C. Arbuckle

Mercer Ltd

#### **OFFICERS IN ATTENDANCE**

Mrs. C. Gorman

Principal Accountant (Pensions) -  
Project Officer

Mr. C. Johnson

Senior Accountant (Pensions)

Mr. A. Lister

Principal Accountant (Pensions)

Mrs L.M. Bennett

Senior Democratic Services Officer

#### **ALSO PRESENT AS OBSERVERS**

J.P. Clark

LGPS Pension Board Member

G.F. Moore

Chair of LGPS Pension Board

### **35. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor D. Kennedy, A. Culling and I. Storey (Union Representatives), and Councillor B Pidcock (as observer).

## **36. DISCLOSURE OF MEMBERS' INTERESTS**

The Local Government Pension Scheme is a national pension scheme set by central Government and the terms and conditions apply equally to all Scheme members. Panel members and attendees cannot influence the terms and conditions of the Scheme that apply to them, and they do not set the regulatory framework which governs it.

Membership of the Scheme does not represent a personal interest for Panel members, observers or officers in attendance.

## **37. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES**

The Panel considered the following reports, enclosed as Appendix A (a copy of which is attached to the signed minutes):-

### **1. General Data Protection Regulation**

The Panel received information about the implications for NCC, as LGPS administering authority, of the General Data Protection Regulation (GDPR), which will take effect from 25 May 2018.

The Principal Accountant (Pensions) - Project Officer highlighted the likely GDPR implications for Northumberland County Council in its capacity as administering authority for the LGPS, including;

- Financial penalties for non-compliance would be much higher than at present.
- Third party service and data sharing contracts must be reviewed. Further advice would be taken on this.
- Privacy notices must be revised and NCC must consider whether member consent is required. Legal advice obtained by the LGA was that local authorities would be able to rely on the 'performance of a legal obligation' exemption.
- Data breaches must be reported within 72 hours of becoming aware of the breach.
- Processes must be in place to cater for new individual rights, for example, where relevant, the "right to be forgotten".
- The requirement to appoint a Data Protection Officer, which NCC had already complied with.

There was no legal requirement to delete information, only that it should not be kept beyond the point it may be needed. All pension funds were subject to the same requirements and would be approaching this in a similar way. The Principal Accountant (Pensions) - Project Officer confirmed that the LGA was developing guidance for LGPS administering authorities.

**RESOLVED** that the report be received.

## **2. The Pensions Regulator's annual survey and meeting**

The Panel received information about the Pensions Regulator's 2017 governance survey, and a meeting scheduled with the Pensions Regulator for the four North East LGPS funds, on 21 December 2017 at Durham County Council. All Panel and Board members were invited to attend.

The Principal Accountant (Pensions) - Project Officer reported that she would be discussing the proposed response to the survey on behalf of NCC with Mr. Moore, Chair of NCC's LGPS Local Pension Board, and submitting a combined response on behalf of the Scheme Manager and the Local Pension Board by the deadline in December 2017.

**RESOLVED** that the report be received.

## **3. Implementation of the Markets in Financial Instruments Directive (MiFID II)**

The Panel was updated on the progress to opt up NCC, acting in its capacity as administering authority for the LGPS, to professional client status for the services and promotions obtained by NCC Pension Fund from its financial services providers.

The Principal Accountant (Pensions) informed members that responses had been received from all but one of NCC Pension Fund's financial service providers. It was noted that NCC had already been approached by a "cold caller" fund manager requesting that NCC opt up with it, despite NCC having no prior relationship with this company. The deadline for completion of the opt up process was 3 January 2018.

It was expected that NCC Pension Fund would be opted up with all of the relevant financial institutions by the deadline. As this deadline was before the next meeting of the Pension Fund Panel, members would be contacted with a final status update before the end of 2017.

**RESOLVED** that the report be received.

## **4. Outcomes of the October 2017 meeting of the NCC LGPS Local Pension Board**

The Panel received information about the outcomes and proposals of the meeting of NCC's LGPS Local Pension Board held on 6 October 2017.

Mr. Moore presented the proposals of the Board, as outlined in Appendix 7 to the report.

**RESOLVED** that

- (1) the proposals from the Local Pension Board meeting held on 6 October 2017, as set out in Appendix 7 to the report be accepted; and
- (2) the assurances gained by the Board at that meeting be noted.

**5. DCLG statistical release 2016/17**

The Panel received information about the DCLG statistical release on LGPS funds in England and Wales in 2016/17, and compared NCC Pension Fund's results with those of other LGPS funds.

The Principal Accountant (Pensions) highlighted the following key points from the report:

- the market value of the NCC Pension Fund in the year to 31 March 2017 had increased by over 21%, largely due to strong market returns in the period;
- the number of LGPS members had increased since March 2016;
- the number of employers had increased by 10.6% since March 2016, mainly due to schools converting to academies; and
- overall, NCC's results largely reflected the national picture.

**RESOLVED** that the report be received.

**6. Training needs analysis**

Information was received about the results of the formal training needs analysis (TNA) procedure which was introduced for Panel and Board members at the September 2017 Panel meeting.

The Principal Accountant (Pensions) - Project Officer clarified that, although responses to the questionnaire had been received by both Panel and Board members, this agenda item focused solely on the responses from Panel members, with the Board responses to be reported at the December 2017 meeting of the Board.

For the Panel member responses, the average score per question had been calculated, as well as the average score for the best three scores per question. The 'top three' average was used because Panel members' knowledge and skills can be assessed for the Panel as a whole, rather than for Panel members individually. Based on the 'top three' average, four particular areas were identified for further training, and action plans were discussed for each of the identified areas.

## **7. Reporting breaches: progress and quarterly monitoring report**

The Panel received information about breaches of the law reported by the Pensions Administration Team which had occurred in the quarter to 30 September 2017. It was agreed that the detailed review of these breaches be deferred to the Local Pension Board as part of its December 2017 meeting.

The Principal Accountant (Pensions) - Project Officer highlighted a breach which had occurred in relation to the distribution of the 2016/2017 Annual Benefits Statements (ABS) by the 31 August 2017 deadline, which had been reviewed by the Board at its previous meeting in October 2017. The Board had requested that this breach be put through the formal 'traffic light' analysis to consider whether it was of material significance to the Pensions Regulator. The result of this formal analysis had been that this breach was not reportable to the Regulator. Mr. Moore commented that this demonstrated how breaches recording procedures should be implemented, and the process by which this particular breach had been identified, corrected and analysed was an example of good practice.

**RESOLVED** that the report be received.

## **8. Key Performance Indicators (KPIs) for LGPS administration**

The Panel received information about the KPIs for the Pensions Administration Team in the quarter to 30 September 2017, with all KPIs demonstrating improvements on the previous quarterly performance.

The Principal Accountant (Pensions) - Project Officer highlighted areas where the Administration Team had performed particularly well. She urged caution regarding the upcoming 31 December 2017 quarter, with the Panel asked to recognise that this quarter would probably show poorer KPIs due to the work on the data transfer to South Tyneside Council for the proposed shared pensions administration service taking priority in that period.

**RESOLVED** that

- (1) the report be received; and
- (2) the Pensions Administration Team be congratulated for its excellent performance on KPIs for the quarter to 30 September 2017.

## **9. Additions to the NCC Pension Fund risk register**

The Principal Accountant (Pensions) highlighted six potential new risks for inclusion in the NCC risk register, including cyber security, GDPR, MiFID II and risks around the transition to a shared administration service with

TWPF. The Panel agreed to delegate to the LGPS Local Pension Board the initial consideration of the additions to the register, to update it for new risks faced by NCC as administering authority for the LGPS.

**RESOLVED** that the additions to the NCC Risk Register as referred to in the report be delegated to the LGPS Local Pension Board to be considered further.

## 10. Fund performance and total Fund value

The Panel was provided with information about the Fund performance in the quarter to 30 September 2017 and the total Fund value at that date.

**RESOLVED** that the report be received.

## 38. EXCLUSION OF PRESS AND PUBLIC

**RESOLVED** that

- (a) under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act and as indicated below:

Agenda Items	Paragraph of Part I of Schedule 12A
5-8	3
	Information relating to the financial or business affairs of a particular person (including the Authority holding that information).

**AND**

- (b) the public interest in seeking this exemption outweighs the public interest in disclosure because:-
- (i) it contains information that, if in the public domain, could affect the preferential rates the Fund is charged;
  - (ii) because the information would not be provided at future meetings if it were considered in public; and
  - (iii) because the industry standard is to keep this information confidential.

### **39. REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

The Panel was invited to consider the following reports, enclosed as Appendix B (a copy of which is attached to the signed minutes) :-

#### **1. Current estimated funding position for Northumberland County Council Pension Fund**

The Panel received the latest quarterly update on the actuarial funding position for the Pension Fund as a whole.

Members considered the actuary's estimate of the funding level as at 30 September 2017 and the results showed an improvement to the funding level since the 2016 actuarial valuation of the Fund.

**RESOLVED** that the report be received.

#### **2. Shared pensions administration service with Tyne and Wear Pension Fund**

The Panel received an update on progress towards implementing a fully integrated shared pensions administration service with Tyne and Wear Pension Fund (TWPF).

Members were informed that the shared administration service was scheduled to become fully operational on the target date of 29 January 2018, although the focus remained on getting the transition right, rather than meeting the target date at all costs. The full cost of the transition to a shared service was not yet known, although the payback period for NCC was originally estimated (by Aon Hewitt) to be between three and four years.

#### **3. Border to Coast Pensions Partnership (BCPP) pooling arrangement**

The Panel was updated on progress made by the BCPP collaboration of funds in developing the BCPP Pool entity, BCPP Ltd.

Members were informed of key appointments to BCPP to date, with the BCPP Ltd Board of Directors now complete, and noted that the Chief Investment Officer (CIO) appointment had not yet been made. The Principal Accountant (Pensions) - Project Officer reported that there was still a significant amount of work to be carried out, with the estimated 'go live' date now expected to be either June or July 2018. The next meeting of the BCPP Joint Committee was scheduled for January 2018.

**RESOLVED** that the report be received.

**4. Assessment of newly forming academies**

The Panel received information about the proposed academy conversion of a NCC school, namely Haydon Bridge Shaftoe Trust Primary School.

**RESOLVED** that the report be received.

**5. Transaction costs**

The Panel received information about the transaction costs incurred by the fund managers in the quarter to 30 September 2017.

**RESOLVED** that the report be accepted.

**6. Mercer's ratings of NCCPF's investment managers**

Catrina Arbuckle, Mercer Ltd. presented the Panel with Mercer's ratings of all of the Fund's investment managers, and the half yearly currency hedging review.

**RESOLVED** that the report be accepted.

**40. PRESENTATION BY WELLINGTON**

The Panel received a presentation from Paul Skinner and Nicola Staunton.

**RESOLVED** that the report be received.

**CHAIR** \_\_\_\_\_

**DATE** \_\_\_\_\_