

**NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 21 June 2019**

**DRAFT ANNUAL REPORT OF THE NORTHUMBERLAND COUNTY COUNCIL
LGPS LOCAL PENSION BOARD FOR 2018/2019**

1 Constitution, Representation and Attendance

1.1 The Northumberland County Council LGPS Local Pension Board (“**the Board**”) was constituted under the Public Service Pensions Act 2013. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members. In addition it has a non-voting independent Chair. The Board met on five occasions during the year, and now meets shortly after each quarterly meeting of the Northumberland County Council (NCC) Pension Fund Panel (“**the Panel**”).

1.2 In 2018/2019, all meetings of the Board were quorate. Membership and attendance at the Board meetings held in the year was as follows:

	17 April 2018	27 July 2018	8 November 2018	10 December 2018	25 March 2019
Gerard Moore Independent Chair (Non-voting)	✓	✓	✓	✓	✓
Councillor Bernard Pidcock/Councillor Ian Hutchinson * Employer Representative, Northumberland County Council	✓	x	✓	✓	✓
Mrs Helene Adams Employer Representative, Northumberland National Park Authority	✓	✓	✓	✓	✓
Ms Sue Dick Scheme Member Representative, pensioner member	x	✓	✓	✓	x
John Clark Scheme Member Representative, pensioner member	✓	x	✓	✓	✓

This represents an overall attendance record of 84%. The Board was deeply saddened by the loss, in February 2019, of Councillor Pidcock, whose place has been taken by Councillor Ian Hutchinson.

*Councillor Hutchinson was formally appointed to the Board by the NCC LGPS LBP Appointments Panel on 8 March 2019.

- 1.3 The Board operates under Terms of Reference which were agreed by Northumberland County Council on 25 February 2015 and can be found at: <https://www.northumberland.gov.uk/NorthumberlandCountyCouncil/media/About-the-Council/pensions/LGPS-LPB-ToR-update-Dec-2018.pdf>

Minor, technical modifications have subsequently been made (see paragraph 4.5).

- 1.4 The Board is not a Committee of the Council, but is established under the Public Service Pensions Act 2013. It is supported by a Board Secretary.

- 1.5 Under the Terms of Reference, Board meetings are open to scheme members only and agendas and minutes can be found at:

<http://committee.northumberland.gov.uk/Committee.aspx?BodyID=1212>

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board are to assist the Administering Authority to:

- ensure effective and efficient governance and administration of the LGPS; and
- ensure compliance with relevant laws and regulation.

- 2.2 It therefore has a monitor/assist/review purpose, rather than being a decision making body. It could be seen as being a critical and supportive friend. As such, the general approach of the Board is to seek assurances, with evidence from Northumberland County Council Pension Fund (“**the Fund**”), that it is meeting its objectives (as set out in the Statement of the Fund’s Objectives as most recently approved by the Panel on 23 February 2018), preparing and maintaining its required statements, managing its risks, etc. so as to achieve the overall Board’s objectives as set out in paragraph 2.1 above.

- 2.3 In so doing, the Board is helping manage the reputational risk of the Fund, and of the Administering Authority, which is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (tPR) as its regulators.

- 2.4 To facilitate the operations of the Board, its members are invited as observers to meetings of the Panel. This arrangement is reciprocated, with the Chair and Vice Chair of the Panel being invited to attend Board meetings, also in an observer capacity. With both arrangements, there is a strong record of cross-observing, resulting in transparency, improved understanding and mutual trust and respect.

- 2.5 This healthy relationship between Panel and Board has enabled the Panel to better manage its own agenda by requesting that the Board give prior consideration and scrutiny to certain activities, such as new risks, monitor timely implementation of certain key activities, review key performance indicators and review recorded breaches of the law. However, all relevant information is initially reported to the Panel, and a fast-track reporting process is in place for any breach viewed by the Scheme Manager as potentially reportable to tPR. The Fund's Breaches Procedures were revised during the year to reflect the new shared administration services arrangement.
- 2.6 Whilst the Board minutes are received by the Panel, as Board Chair, I present a written executive summary report to the Panel following each meeting of the Board. This sets out the recommendations and observations from the Board, the assurances it has gained, and any other information deemed of relevance to the Panel.
- 2.7 With this additional level of transparency now in place, the Board had not formally identified and adopted a set of key performance indicators (KPI's) to review its own performance. Some measurements of inputs are readily available and positive, and are included in this report, such as attendance records at Board meeting, and as observers at Panel meetings and training events. However, regarding the more important dimension of outputs, the Board believes that the ultimate test of its effectiveness is that the Panel is satisfied with the work of the Board. Some of the Board's recommendations are shown below. In addition, during the year the Board invited Chairs of two other Local Pension Boards to observe the NCC Board. This was mutually beneficial and NCC gained valuable peer feedback on the Board's effectiveness, organisation and progress.
- 2.8 The direct costs of operating the Board in 2018/2019, covering travel and training expenses relating to Board members as well as the fees and expenses of the Independent Chair, amounted to £13,621 and were met by the Fund. These costs do not include any indirect costs relating to officer time nor apportioned costs for the use of NCC's premises, systems and services which are recharged to the Fund by NCC. This represents a decrease of £804 on the direct costs for the previous year. The Board is now expected to meet four times a year. Nevertheless, the Board is mindful of delivering value for money, and has adopted various means of working in a cost effective manner.

3 Work Programme of the Board

- 3.1 In devising its work programme, the Board needs to take into account guidance, expectations and requests from a number of different sources. Mindful of the sheer range of issues and papers which it could consider within its governance budget and its Terms of Reference, the Board recognises the need to prioritise and continues to differentiate in its agenda between items for detailed discussion, and those for awareness or noting. The Board sets its own agenda and prioritises its time accordingly. The activity areas covered are set out in paragraph 6.1.

- 3.2 The Board agenda needs to reflect the expectations as set out in its Terms of Reference, supplemented by specific requests from the Panel, as reflected in paragraph 2.5 above. In addition, Board members may request consideration of specific issues.
- 3.3 In managing its agenda, the Board is mindful of the role of the LGPS Scheme Advisory Board for England and Wales (SAB). The SAB has two roles: giving advice both upwards to MHCLG and downwards to individual funds. A two way flow of information between the SAB and individual funds is in place, and the SAB collects information via surveys. It is the aim of the NCC Board to be seen as an example of good practice.
- 3.4 Members of the Board are also accountable to tPR for their performance. The Regulator can, in very exceptional circumstances, issue fines to Board members. More likely, however, would be a fine on administering authorities, as it did in 2017 to the pension fund of a London Borough. In 2018 it issued an Improvement Notice to a public sector pension scheme. At the November 2018 Board meeting it was confirmed that Board members have the same insurance cover as Panel members and councillors acting in any official capacity for NCC, and informal discussions with tPR have clarified the type of exceptional circumstances which could lead to fines on Board members.
- 3.5 The Regulator issued Code of Practice 14 at the start of its regulatory role with public sector schemes, and expects administering authorities both to measure themselves against and comply with the detailed elements of the Code. The main focus of the Code is administration and benefits, rather than investment issues, and this, generally but not exclusively, is reflected in the composition of the Board agendas. The Board's third annual review of compliance with the Code had been deferred into the work programme for 2018/2019, to allow for the bedding in of the joint working arrangements with the Tyne and Wear Pension Fund (TWPF) for pensions administration services by way of a shared services agreement with South Tyneside Council (STC). The review was duly completed, and appropriate follow up action is being taken.
- 3.6 Whilst investment activity is, generally, outside the consideration by tPR, the Board is still expected to ensure compliance with relevant legislation, and thus does seek assurances that due process has been followed regarding investment strategies, statements and decisions, and that LGPS regulations and relevant guidance have been complied with.
- 3.7 Board agendas are also determined by any changes in processes and procedures, and by requirements to comply with both existing annual statutory deadlines and deadlines resulting from new legislative and regulatory requirements. For the Fund, two key local developments were the establishment of Border to Coast Pensions Partnership (BCPP) pooling arrangement for investments, and the above-mentioned move to a shared administration service with TWPF from January 2018.

4 Outcomes from the Board 2018/2019

- 4.1 As indicated in paragraph 2.6, a summary report of each Board meeting is made to the Panel covering the Board's recommendations, assurances gained and the provision of other information for the awareness of the Panel. Some of the recommendations were implemented routinely by the Board Secretary, whilst others were accepted by the Panel. At the date of writing, those from the Board meeting on 25 March 2019 have yet to be considered by the Panel. One earlier recommendation is still under consideration.
- 4.2 As indicated in paragraph 3.7, the Fund had to meet a number of deadlines during the year, some of which were critical from a risk perspective, and fell in between scheduled meetings of the Panel. The Board recommended that Panel and Board members were kept informed of progress towards successful completion of the following deadlines, all of which were achieved:
- 25 May 2018 being the implementation date for the General Data Protection Regulation;
 - 31 August 2018 for issuing the statutory 2018 Annual Benefits Statements;
 - 31 October 2018 and 31 December 2018 for the submission of data to HMRC for the Guaranteed Minimum Pension reconciliation exercise;
 - 6 November 2018 for submission of the statutory Annual Scheme Return to the Pensions Regulator; and
 - 30 November 2018 for the submission of the optional Annual Survey to the Pensions Regulator.

A similar approach will be taken in 2019/2020.

- 4.3 Also mentioned in paragraph 3.7, one of the key events of the year was the development of the shared administration service with TWPF, following implementation in January 2018. The administering authority responsibility for provision of the LGPS to the Fund's scheme membership remains with NCC, irrespective of the practical arrangements in place to fulfil this responsibility. The Board, therefore, was supported in its role by attendance of a senior officer of STC's Pensions Administration Service at each meeting. The overall officer support to the Board was therefore maintained at a high standard. At the same time, and importantly, the resilience and quality of the service to scheme members was secured, and improved value for money was obtained.
- 4.4 Regarding the "communication with Scheme members" agenda, the Board recommended changes to the wording of the Annual Benefits Statements for deferred members, which were adopted.
- 4.5 The Board reviewed its Terms of Reference and found them fit for purpose. Minor changes were needed to reflect external changes since their initial approval in 2015, such as, for example, reference to the General Data Protection Regulation.

- 4.6 The Board was involved in the completion of the annual survey by tPR. This survey included figures for the presence and accuracy of both “common data” and “scheme specific data” which will be used to measure future improvement in administration standards. Linked to this is the review of the Fund’s Data Improvement Plan.
- 4.7 The Board examined all recorded breaches, but did not find any to be of material significance to the Regulator (Code of Practice 14 paragraphs 241 to 275) and therefore reportable. During 2018/2019, to the best of the Board’s knowledge, there were no breaches for the Fund reported to the Regulator. In addition, the Board was satisfied that all legacy breaches (i.e. those recorded prior to the establishment of the shared administration service) had been resolved.
- 4.8 For 2018/2019, following the implementation of the shared administration service, the Panel and Board received information about breaches from STC Pensions Administration Service. The Board was satisfied that appropriate explanations were provided by STC officers.
- 4.9 A further standing item is to review the Key Performance Indicators (KPIs) for the Fund. During the year, the Board made recommendations regarding the format of the quarterly information provided by STC to ensure that the significance and materiality of underperforming categories and the resulting breaches was set out more clearly. The Board also noted that a particular employer was not providing information to STC Pensions Administration Service with the timeliness and accuracy required. As a result of support and guidance from STC to that employer, the quality has recently improved, thus meeting the desired objective of improved data ahead of the Triennial Valuation 2019. In addition, the Board requested the addition of a new KPI to identify the number of incomplete processes on the system at the end of each reporting period.
- 4.10 The Board reviewed and made suggestions regarding both the Data Improvement Plan and Compliance with the Regulator’s Code of Practice 14. In both cases, further work is on-going, with reports due back to future meetings of the Board.
- 4.11 The Board reviewed the Fund’s Risk Register, which is in the process of being re-formatted to reflect a new corporate scoring methodology and format. Once complete the Board will re-examine and report back to the Panel.
- 4.12 The Board examined a number of investment issues in the year. It made recommendations to help clarify the role of the investment advisory function and that of a service provider. The Board was kept updated on the developments of the BCPP pooling arrangement, and endeavoured to monitor progress from the perspective of process. The scheme member representatives on the Board indicated their preferences from those nominees who had put themselves forward to represent all scheme members as an observer at the Joint Committee of BCPP.

- 4.13 Other duties I performed on behalf of the Board included:
- reviewing the draft Pension Fund Annual Report and Accounts for 2017/2018 and recommending some minor changes;
 - holding my annual review with the Fund's Section 151 Officer and gaining assurances from her degree of involvement on pension fund matters;
 - attending industry conferences, and peer group meetings of Local Pension Board members, and giving verbal and written feedback for the information of the Panel and Board; and
 - following Board discussions, I submitted feedback to MHCLG on its informal consultation on new guidance for asset pooling, specifically addressing references to local pension boards.

5 Training

- 5.1 Each Board member individually has to be conversant with the details of the Scheme, which translates as having a good working knowledge. Specific external training has previously been provided for Board and Panel members on the role and purpose of Board, and on the reporting and recording of breaches.
- 5.2 The assessment of training needs, and how they are met, is a standing item and examined on an ongoing basis. Both formal (group) and informal (by discussion, cascade or one to one) training is provided to reflect individual training needs.
- The Board was represented at the 2019 annual LGPC Governance Conference and will be represented at the equivalent event next year, which provides a good high level perspective to supplement the greater level of detail in training in individual areas.
 - Fund-specific training was provided at Panel meetings held in the year.
 - Eighty per cent of Board members have attended at least one of the joint training and networking peer events facilitated by CIPFA and Barnett Waddingham which enabled them to meet Local Pension Board members from other funds and compare practices and experience.

6 Work plan

- 6.1 The adjusted work plan for 2018/2019 took account of the following areas:
- Accounts;
 - Administration and record keeping including breaches;
 - Audit and risk management including the risk register;
 - Communications with Scheme members;
 - Compliance with the regulations;
 - Governance;
 - Developments in pooling;
 - Investments including MiFID II and investment performance monitoring;
 - Shared administration services; and
 - Training.

6.2 There will be a degree of flexibility in future work plans to allow for any additional reviews by the SAB or tPR, or any other developments. For 2019/2020, the Regulator's 21st Century Trusteeship and its "Quicker, Clearer, Tougher" approach will continue to influence the work plan, including tPR's expanded Annual Scheme Return and the Fund's Data Improvement Plan. The Board will continue to examine in depth activities referred to it by the Panel, such as KPIs, breaches and the Risk Register, and report back with the appropriate assurances or recommendations, and will scrutinise any further proposals regarding joint working with TWPF. As a forum of Pension Board Chairs of BCPP Partner Funds has now been established, a more formal link to the NCC Board agenda is expected to be in place. Protocols have been established to allow Board members to deal with any urgent issue requiring discussions between scheduled meetings of the Board.

7 **Conclusion**

I'm delighted to report that the Board and its relationships with the Panel and with Officers from both NCC and STC continue to evolve in productive and innovative ways. This is best evidenced by the Panel's February 2019 review of its Action Plan which shows as an on-going objective "to continue to build on the successful Panel/ Board partnership working in 2019/2020".

8 **Thanks**

As Chair of Northumberland County Council's LGPS Local Pension Board I wish to thank my fellow Board members who have volunteered their time and energies for their roles, and for their on-going support, as reflected in their excellent attendance record. As a non-voting Chair, it is pleasing that votes are very rarely required, and that, when called, have all been unanimous. Sincere thanks are also expressed to the Board Secretary and colleagues, Chair and Vice Chair of the Pension Fund Panel, to the Democratic Services Officers and to officers of STC who have attended to help the Board scrutinise those activities which are now performed by the shared administration service.



Gerard Moore
Independent Chair
Northumberland County Council LGPS Local Pension Board
3 May 2019