

NORTHUMBERLAND COUNTY COUNCIL

LGPS LOCAL PENSION BOARD

At a meeting of the **LGPS Local Pension Board** (LPB) ("**the Board**") held at County Hall, Morpeth on Monday, 25 March 2019 at 9.00 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

OFFICERS IN ATTENDANCE

H Chambers (HC)

Principal Pensions Manager (Tyne and Wear Pension Fund) attending in her capacity as provider of 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

ABS
AVC
BCPP
CARE
CIPFA

Annual Benefits Statement
Additional Voluntary Contributions
Border to Coast Pensions Partnership
Career Average Revalued Earnings
The Chartered Institute of Public Finance and Accountancy
Code of Practice
E.g. name, address and date of birth, held

CoP
Common Data

Ch.'s Initials.....

DIP	for pensions processing
GAD	Data Improvement Plan
GMP	Government Actuary's Department
IDRP	Guaranteed Minimum Pension
LPB	Internal Dispute Resolution Procedure
LGIM	Local Pension Board
	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
RI	Responsible Investment
SAB	LGPS Scheme Advisory Board
Scheme Specific (Conditional) Data	E.g. employment record and contribution history held for pensions processing
STC Administration	Shared administration service for NCCPF and TWPF
ToR	Terms of Reference of the Board
TNA	Training Needs Analysis
tPR	The Pensions Regulator
TWPF	Tyne and Wear Pension Fund

1. MEMBERSHIP

A minute's silence was held in memory of Councillor Bernard Pidcock who had recently passed away.

CG reported that Councillor J.I. Hutchinson had been formally appointed to the Board by the NCC's LGPS LPB Appointments Panel on 8 March 2019.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms. S. Dick (Scheme Member Representative) and Councillor Watson (Observer, Chair of NCC Pension Fund Panel ("**the Panel**")).

3. 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.

4. MINUTES OF THE NCC LGPS LOCAL PENSION BOARD

A copy of the previously agreed minutes of the meeting of the LGPS Local Pension Board, held on Monday 10 December 2018, were circulated at the meeting and received for information.

5. 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 Recording breaches

- Report A15 of 22 February 2019 Panel meeting papers and Appendices 15 and 16

17A Migration balancing items

- Report B7 of 22 February 2019 Panel meeting papers

Items 4A and 17A were considered together.

CG explained the consecutive monthly breaches in the quarter to 31 December 2018, relating to employer 923, which were effectively the same breach which had arisen in October 2018 due to teething problems following the appointment of a new employee at a small employer, where that one employee was solely responsible for administering payroll. The breach had been compounded in the following months, while the employer worked with the administering authority to quantify and correct the original issue. The breaches had all been corrected following the quarter end, however officers were still working with the employer to ensure this did not recur.

It was noted that, as a result of the migration balancing items investigation following the transition of NCCPF member data to STC Administration, errors in pension payments had been discovered for 73 members, and subsequently had been corrected in March 2019. A further report would be considered by the Panel, in due course, for balancing items of less than £2 per month.

The Board **agreed** that the breaches discussed were recordable but not of material significance to tPR.

4B Key performance indicators

- Report A16 of 22 February 2019 Panel meeting papers and 'NCCPF process details' enclosure

The Board discussed the low percentage “hit rate” for web CARE joiners. HC suggested that results would improve now the bulk data import facility was up and running.

Whilst there was concern regarding some late notifications of the LGPS “welcome pack” to new joiners, HC reminded the Board that employers remain responsible for auto enrolment and informing STC Administration of new joiners, in good time. A brief summary was provided by HC of the information sent to new joiners, which included links to where additional information could be obtained, factsheets and death nomination forms.

The Board discussed concerns that this report provided information for ‘**completed**’ processes only, and that the number of ‘incomplete’ processes on the system was not be captured in this report. The **uncompleted** processes were more relevant to the Board as they may represent processes in breach of statutory deadlines. HC agreed to add incomplete processes to future reports.

The Board **noted** that significant improvements had now been made by employer 999 following concerns raised at the previous Board meeting.

The Board gained **assurance** that STC Administration continued to develop its “**Process Details**” reporting to provide better information for monitoring breaches of the law.

4C Updating the risk register

- Report B13 of 22 February 2019 Panel meeting papers and ‘Risk assessment for NCCPF’ enclosure

AL provided a summary of changes that had been made to the NCCPF risk register to restate it in line with the new NCC corporate scoring methodology and format, and to add some points from the “**Managing Risk**” guidance issued by CIPFA in December 2018.

CG proposed that the NCCPF risk register be reordered to group the same type of risks together (for example, different types of investment risk would be shown consecutively in the register) and better align with the key risks described in the CIPFA guidance.

The Board gained **assurance** from the seniority, within NCC, of the risk owners and **noted** the revised format.

It was **agreed** that, following the meeting, a revised version of the register would be emailed to the Board for review and comment. This would enable the Board to consider the register before it was reported to the Panel in June 2019.

6. Legacy breaches information pre 31 December 2017

CG reported that, with the exception of one item relating to a member who could not be traced, all outstanding legacy breaches of the law, from pre 31 December 2017, had now been resolved. STC Administration would continue to include the untraced member in all tracing exercises.

The Board had previously considered and subsequently concluded that, in most circumstances, a breach resulting from an action awaited from a LGPS member would not be of material significance and therefore reportable to tPR. The Chair agreed to make enquiries with other LGPS Board contacts to ascertain whether this approach was consistent with others. HC confirmed that when the Metropolitan Benchmarking Group had met with tPR and discussed this, tPR took a pragmatic view that as long as reasonable efforts had been made by the administrator (and/or employer) to contact or locate the member, there was no *reportable* breach.

It was agreed that this would be the final update report provided to the Board in respect of these legacy breaches, as the Board had gained **assurance** that legacy breaches (pre December 2017) had been resolved.

7. Draft 2018/19 Annual Report of NCC's LGPS LPB

A copy of the **initial** draft 2018/19 Annual Report of the NCC Local Pension Board, prepared by the Board Chair, was tabled at the meeting.

The Chair explained that due to the timing of the meeting, i.e. prior to the year end, relevant matters discussed at this Board meeting would be added to the Report later. Other information contained in the Report e.g. the annual cost of running the Board, would also be updated later.

Following a suggestion, the Board Chair agreed to include a plan of the Board's objectives for the year ahead, as well as reflecting on work done in 2018/19.

It was agreed that an **updated** draft Report be circulated electronically, following the meeting, in order to provide Board members with an opportunity to consider the Report prior to finalisation by 30 April 2019 for inclusion within the 2018/19 NCCPF Annual Report and Accounts.

8. Pensions Regulator's and Scheme Advisory Board's Code 14 compliance checklist, updated following December 2018 Board review

The Board received a copy of NCCPF's third assessment against the standards set out in tPR's Code of Practice number 14 ("**CoP 14**"), which had been updated following review by the Board at its meeting on 10 December 2018. Updates included a number of minor presentational changes, and some

areas previously categorised as ‘partially compliant’ which had been recategorised as ‘fully compliant’.

The Board discussed the areas of the checklist where NCCPF had moved from assessed as partially to fully compliant, and the areas still deemed to be ‘partially compliant’, a number of which were due to the timing of the review, and would become fully compliant at the next annual review of the CoP 14 checklist.

The Board **noted** the CoP 14 checklist and gained **assurance** from the annual process of assessment and the independent check on STC Administration which had been carried out by Aon in October 2018. The checklist was due to be reviewed in October 2019, when compliance would be reassessed.

A short break was taken at 10.40 a.m. before the meeting reconvened at 10.50 a.m.

9. Data improvement plan for “post-live” issues and October 2018 NCCPF scheme specific data score findings, updated March 2019

The Board received the latest version of the NCCPF data improvement plan (DIP), maintained by STC Administration.

HC explained that priority was being given to work in advance of the 31 March 2019 triennial valuation data extracts to ensure data provided to the actuary was as error-free as possible. Some dates were still to be added to the DIP to show timescale for work to be completed. HC would ensure that timescales were shown on the next update of the DIP, to be reported to the Board in July 2019.

The Board gained **assurance** that a comprehensive DIP was in place and being acted upon by STC Administration.

10. Board’s own Terms of Reference: updated following December 2018 Board review

CG gave a brief summary of the changes agreed by the Board at the meeting on 10 December 2018. Due to the minor nature of the changes, NCC’s Monitoring Officer viewed it as unnecessary to report them to Council separately at this time. Instead the changes would be included when the Council’s Constitution was next reviewed. It was confirmed that the revised Board Terms of Reference would be posted on NCC’s website.

11. The Board’s individual Training Needs Analysis results

Each Board member was provided with a copy of his/her own training needs analysis (TNA) questionnaire, completed following the Panel meeting in

November 2018. A brief background was provided on the annual TNA procedure, based upon the six areas of CIPFA's Knowledge and Skills Framework, which had been introduced to demonstrate compliance with MiFID II legislation. MiFID II (in effect) required NCCPF decision makers to be subject to procedures to self-assess knowledge and skills around investments and risk.

The TNA results for Board members were discussed. Officers were of the view that no specific Board member training need had been identified by the TNA, and following a discussion, the Board supported this view. However it was agreed that the following documents would be circulated by email following the meeting to refresh Board members' knowledge:

- CIPFA '*investment decision making and disclosure in the LGPS: A Guide to the Application of the Myners Principles*'; and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It was noted that, as a new Board member, Cllr Hutchinson would continue to be given training opportunities to enable him to gain knowledge and skills relevant to his role.

12. CIPFA's "Preparing the annual report" guidance and the process for Board review in 2018/19

The Chair explained that the SAB had introduced a recommendation for LPBs to review LGPS Pension Fund Annual Reports prior to publication, and added that this task would require a specialist skillset in LGPS boards to carry it out effectively. It was noted that, for the NCCPF 2018/19 Annual Report, the review would need to be undertaken prior to the auditor signing the accounts by 31 July 2019.

Reference was made to the Annual Report Checklist in Annex 1 of the CIPFA guidance '*Preparing the Pension Fund Annual Report: Guidance for Local Government Pension Scheme Funds 2019 Edition*'. It was proposed that the Board use the "**must, should or may**" criteria outlined in CIPFA's guidance as a checklist and requested that officers provide explanations in relation to the three criteria e.g. where the Annual Report does not disclose information which, in CIPFA's view "should" be disclosed, an explanation would be provided. It was hoped that this request would not require significant officer time to fulfil nor create a training overload on Board members, however it would allow the Board to comply with the SAB recommendation.

AL added that officers had undertaken a gap analysis on the "must, should, may" criteria to identify additional information which would be required for the 2018/19 Annual Report which had not been included in the 2017/18 Report, and also confirmed that he had responded to the consultation on the CIPFA

guidance.

The Board discussed concerns over one CIPFA disclosure requirement where compliance could lead to a data breach, namely the recommendation to show employee and employer contributions by individual employer. Given the fact that some employers in the Fund had only one active LGPS member, showing contribution data by employer would effectively be providing salary information publicly, without permission, for that member, which could constitute a data breach. It was suggested that NCCPF employers with less than (say) ten active members be grouped together for this disclosure, to avoid a potential data breach.

As the Board was not scheduled to meet again until 12 July 2019, members discussed the timing of its review of the Annual Report and the practicalities of the sign off process for the 2018/19 NCCPF Annual Report which included finalisation before the Audit Committee meeting on 24 July 2019.

CG confirmed that a first draft of the Annual Report would be completed by 31 May 2019. The Chair, therefore, proposed that the matter be dealt with as urgent business and information be exchanged by email in June as permitted under section 5 of the Terms of Reference.

It was **agreed** that, at the end of May or early June 2019, officers would email Board members the draft 2018/19 NCCPF Annual Report together with an explanation of any failure to comply with the “must” and “should” disclosure requirements of the 2019 CIPFA guidance.

13. Final warning letter to NCCPF pensioner members that newsletters, P60s and payslips will not be automatically issued as paper copies after April 2019

The Board reviewed the final warning letter, sent to NCCPF pensioner members by STC Administration in February 2019 to remind pensioners that all future payslips, P60s and annual updates were moving online and paper copies would no longer be automatically provided.

HC then outlined some of the issues which arose following the distribution, in February 2019, of the final warning letter to all LGPS scheme members in both TWPF and NCCPF, and the significant impact this had on service delivery at STC Administration. Despite having made arrangements to manage enquiries, there had been an unprecedented increase in the number of telephone calls to STC’s Helpline in the weeks following the distribution of the letter. Normally an average of 1,100 calls per week were dealt with, which had risen to 13,000 calls in the first week, and then 5,000 and 2,500 calls in subsequent weeks. This meant back office resource was directed to the Helpline to help cope with the additional demand, which in turn impacted on the back office service delivery.

Daily meetings of senior managers of STC Administration were held during the period of high volume of calls, and a full review was about to commence to identify improvements to prevent future recurrence and ensure the Helpline would be adequately resourced when the final warning letters were sent to deferred and active members. Calls and service delivery had both now returned to normal levels. Overall, pensioners had been understanding of the problems and there had been very few formal complaints.

14. Regulation 18(5) of the LGPS Regulations 2013 requiring refunds to members within 5 years of the end of active service

The Board **noted** the suggestions on pages 5 to 11 of the minutes of the LGPS Technical Group of the LG Pensions Committee on 28 September 2018 on how administrators could deal with refunds to members within 5 years of the end of active service.

15. Potential impact of Brexit on LGPS administration

The Board **noted** the information received from Civica, the pensions administration software provider for STC Administration, on the potential impact of Brexit from an administrative perspective. The Board acknowledged that this situation was outside NCCPF's control, however gained assurance from Civica's belief that it would be well placed to support its customers during potential periods of significant change i.e. Brexit.

16. Board's draft response to pooling consultation

The Board **agreed** that the Board Chair would draft a response from the NCC LGPS Local Pension Board to the informal consultation on the draft 2019 MHCLG statutory guidance on asset pooling, then seek views on it from Board members.

The Board's response would also become part of NCCPF's response.

The minutes of the LGPS Local Pension Board meeting held by email and concluded on 7 March 2017 were tabled at the meeting. The minutes referred to discussions regarding proposals for scheme member representation and observers on the Member Steering Group / Joint Committee of BCPP.

The Chair confirmed that Nicholas Wirz (TWPF LGPS Board former Chair) had been appointed as the scheme member representative of the BCPP Joint Committee, as an observer, with Deirdre Burnett (Cumbria County Council LGPS Local Pension Board Chair) appointed as substitute.

17. Internal audit report

The Board **noted** that South Tyneside Council's Internal Audit Partnership had concluded that there was 'substantial assurance' when auditing the STC Administration GDPR Compliance for 2018/19.

18. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

17B Review of AVC provision for NCCPF: process to be followed

- Report B8 of 22 February 2019 Panel meeting papers

The Board **noted** the process followed, to date, for the review of NCCPF's Additional Voluntary Contribution (AVC) provision, which had begun in late 2018 and was ongoing.

19. Informal Panel meeting on 8 March 2019 to consider closer joint working with TWPF

Board members were requested to familiarise themselves with the documents that had been issued for the informal Panel meeting held on 8 March 2019.

STANDING AGENDA ITEMS

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

20. New risks and changes to existing risks

Reference was made to the discussion held earlier in the meeting under Item 4c.

Following a discussion, the Board concluded that it was not necessary to include a separate risk on the NCCPF risk register for Brexit. It was noted that, once implemented, Brexit would also have no impact on the "MIFID II requirement" to obtain confirmation from financial institutions of opt up to elective professional client status, as this requirement had already been incorporated in UK legislation.

21. Future meeting dates

Members received an updated list of dates for meetings of the Local Pension

Board in 2019/20.

22. Any other business

None.

(The meeting ended at 12.10 p.m.)

CHAIR GF Moore

DATE 23 April 2019

Ch.'s Initials.....

LGPS Local Pension Board, 25 March 2019