

Definition of Terms

ABS	Annual Benefit Statement
AVC	Additional Voluntary Contributions
BCPP	Border to Coast Pensions Partnership
CIPFA	The Chartered Institute of Public Finance and Accountancy
GAD	Government Actuary's Department
GMP	Guaranteed Minimum Pension
LGIM	Legal and General Investment Management
MIFID II	Markets in Financial Instruments Directive II
NCCPF	NCC in its Scheme Manager role
PFP	NCC's Pension Fund Panel
RI	Responsible Investment
SAB	LGPS Scheme Advisory Board
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 (Observer, Chair of NCC's 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 potential conflict would be appropriately managed.

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 Thursday 8 November 2018, were circulated at the meeting and received for information.

4. ITEMS FOR IN DEPTH ANALYSIS

The Chair reminded Board members to retain previous PFP meeting papers to consider at each Board meeting.

4A NCC LGPS the Pensions Regulator's Code compliance checklist

- Report A8 of 23 November 2018 Panel meeting papers and "CoP 14 checklist" enclosure

The Board had been requested by the PFP to review NCCPF's third assessment against the standards set out in tPR's Code of Practice number 14 (CoP 14).

CG explained that this annual review of Cop 14 had been due in February 2018 but had been deferred to allow a 'bedding in' process following the implementation, in January 2018, of the shared pension administration service with STC. Aon had once again been appointed to undertake an independent review of the processes in place at STC Administration and governance at NCCPF, and assessed NCCPF using its CoP 14 compliance checklist model.

The following areas of the checklist assessed as 'amber', i.e. 'partially compliant' were discussed:

B1 - Addition to narrative that the training policy was to be reviewed in February 2019.

B4 - Discussions ongoing with Aon regarding the "2+2" board structure model and the concerns about quorum. It was noted that the flexibility of a small number of members allowed meeting dates to be moved if it looked like there would be a quorarcy issue.

B9 - CG expressed a preference for this to remain amber as although new Councillors were offered pre-attendance training, it was not possible to offer pre-appointment training due to the uncertainty around the election process. It was agreed that reference would be made to made to the one-to-one pre-attendance training from the Board Chair and officers.

B12 - One Board member indicated non-completion of the tPR toolkit, but would endeavour to complete in the foreseeable future. Records to be updated that all other Board members had now completed.

D4 - Clarification would be requested by officers from Aon to better understand why Aon had assessed this as partially compliant. Board agendas and minutes were all published on the NCC website. ToR to be discussed later in the agenda.

E3,4,5 - Updated risk register to be considered by the PFP in February 2019.

G5 - Information would be requested by officers from Aon regarding additional processes recommended to document the AVC contribution monitoring in place at NCCPF.

H2, 4 - Clarification was being obtained by officers from Aon regarding compliance as the LGA's ABS template format was used. HC added that in future years, online statements would allow more information to be provided via the use of hyperlinks.

I2, 5, 8, 9 - IDRPs process and leaflets to be updated following Aon's recommendations. Monitoring reports to be requested from West Yorkshire Pension Fund (NCCPF's first stage appeal adjudicator).

J3 - Discussions with STC administration to be finalised regarding an agreed format as it had been previously acknowledged that the former NCCPF format for recording breaches had been too detailed.

K3 - Training policy to be updated.

The Board **noted** the progress. It was confirmed that a further report and updated version would be presented to the next meeting of the Board in March 2019 when clarification had been obtained on the items highlighted.

4B Recording breaches

- Report A11 of 23 November 2018 PFP meeting papers and Appendices 12, 13 and 14

4C Key performance indicators

- Report A12 of 23 November 2018 PFP meeting papers and Appendices 15 and 16

Items 4B and 4C were considered together.

The Board had been requested by the PFP to review the breaches of the law that had occurred, and key performance indicators (KPIs) for LGPS administration, in the quarter to 30 September 2018.

CG gave a brief synopsis of a breach detailed in Appendix 12 which had occurred as a result of an employer failing to pay monthly contributions within 19 days of the month end for August 2018.

The Board **agreed** that the breach was recordable but not of material significance to constitute reporting to tPR. It was also **noted** that employer

878 was included within the latest list of poorly performing employers and would therefore be closely monitored.

CG also provided a summary of a technical breach contained within Appendix 13 which had arisen due to requested scheme trust deeds not being provided to STC administration within 6 months by an external scheme administrator, and the Regulator being unable to formally grant an extension.

The Board **agreed** that it was not of material significance and that technical breaches of this nature were unavoidable due to tPR processes which do not allow for a timely, formal decision around extension requests.

Members discussed the timescale for processing pension transfers and the optimum time to request an extension. It was confirmed that extensions could not be requested early as it would result in tPR being inundated with requests. Only those with 2 or less weeks remaining should request extensions. The Board **suggested** that tPR should consider amendment to its current process.

HC circulated the following additional information, which had been requested by the Board, following discussion, at its November 2018 meeting. The information was to be read in conjunction with Appendix 14:

- Circumstances for processes breaching disclosure
- Employer monitoring as at November 2018

Following a request from the Board, HC provided a brief description of the escalation processes at STC administration.

It was noted that employer 878 was a relatively new employer in the Fund and that improvements would be expected when it familiarised itself with the STC administration processes. The Board **noted** that the employer was being monitored closely. Members agreed that where an employer was performing poorly in several areas it required closer monitoring to ensure there was not an underlying cause within the employer's management or governance systems.

The Board recommended that its concern be conveyed to employer 999 with suitable wording to be agreed by CG and HC.

Concern was expressed regarding the low percentage of some of the performance indicators within Appendix 14 which were statutory requirements. A request was made for cumulative or rolling performance indicator data to be provided so that a relevant comparison could be made with previous periods.

HC agreed to provide information which would assist with monitoring trends, as well as a definition of terms. She believed that an improvement in performance would be seen when the report was considered in March 2019. It was confirmed that both Boards i.e. NCCPF and TWPF, received the same

reports although the data was only in respect of their own funds. Future joint meetings between both Boards were being considered where appropriate.

5. Legacy breaches information pre 31 December 2017

CG provided an update on the outstanding 'legacy' breaches of the law prior to 31 December 2017. The majority of the breaches were now complete with 3 breaches remaining outstanding.

Breach 20 - information was to be issued in the next few days.

Breach 13 - decision awaited by the member.

Breach 74 - unable to trace member.

It was expected that one final update would be provided at the next meeting.

The Chair thanked the officers at STC Administration for working to resolve the outstanding items.

6. The Pensions Regulator's 2018 Scheme Annual Return for NCCPF

CG confirmed that tPR's 2018 Scheme Annual Return had been submitted by NCC officers prior to the 6 November 2018 deadline. The Return included details of Board members and employers within the scheme. Members were requested to review their own personal information and inform CJ if any details were incorrect.

The Board was **assured** that the Scheme Annual Return for NCCPF had been submitted before the deadline.

7. The Pensions Regulator's Governance and Administration Annual Survey 2018 for NCCPF (enclosed)

The Board received a copy of tPR's Governance and Administration Annual Survey for 2018 which had been submitted by NCCPF prior to the 30 November 2018 deadline. CG confirmed that a single response had been submitted on behalf of the Scheme Manager, following consultation with STC administration, the PFP Chair and the Board Chair.

Members of the Board discussed the frequency of review of the shared administration service. It was confirmed that the term of the current contract was 12 years and that, in effect, it could be viewed that a review was undertaken on a quarterly basis. Given the resource involved in preparing for the transfer of data and the additional resource requirements in the first year of shared service, it would not be practical or cost efficient to transfer to another provider within three years, as implied by the phrasing of the Survey question.

Reference was made to cyber security and the security provisions in place at

STC and NCC, and the Board discussed the merits of cyber security experts from within NCC and STC attending Board meetings to discuss the relevant risks and the controls in place.

The Board **noted** the difficulties encountered by officers in interpreting the questions when preparing the response and was **assured** that the Survey had been submitted before the deadline.

8. The Board's individual Training Needs Analysis

- Report A3 of 23 November 2018 Panel meeting papers and enclosure

CJ explained that the implementation of MiFID II legislation had led to the adoption of an annual formal training needs analysis procedure for Panel and Board members at NCCPF. The questionnaire used in the analysis had been adapted from a template supplied by colleagues at Cumbria, following a request from other BCPP funds encountering a similar issue, and was based on CIPFA's six areas of knowledge and skills.

He reported that all but one member of the Board had completed and returned their individual training needs analysis questionnaire, the results of which would be considered at the Board's next meeting in March 2019.

In answer to a question, CG confirmed that officers were in discussion with the actuary regarding triennial valuation training which was likely be a joint event with TWPF.

9. Data improvement plan for "post-live" issues and October 2018 NCCPF scheme specific data scores findings

A copy of the first draft of the NCCPF 2018 data improvement plan was tabled at the meeting. HC explained that this was still a raw document with further work to be carried out to ensure completeness. The next steps were about prioritising and resourcing around the triennial valuation.

Members discussed the importance of accurate data for the triennial valuation and it was reiterated that items of particular significance to this would be given priority on the plan. HC explained the process of cleansing the data for the 2019 valuation; whilst the data would be based on conditions as at 31 March 2019, the data would not be extracted and sent to the actuary until 31 July 2019. Further updates would be provided to the Board at its meetings on 25 March 2019 and 12 July 2019. The Chair offered the assistance of the Board, if this was required.

The Board **noted** the progress in the development of the data improvement plan which had been delegated to the Board by the PFP. Members with any observations were requested to email them to officers as soon as possible

following the meeting.

10. Revised “second warning” letter for NCCPF’s LGPS members that ABSs and P60s will no longer be automatically issued as paper copies

The Board **noted** that a second letter had been sent to scheme members to notify them of the provision of future ABSs (for actives and deferreds) and P60s (for pensioners) online when individuals registered for a mypension account. The Board was pleased that its suggestions had been taken into account. A final warning letter would be issued in February 2019. Anyone who wished to opt out could do so by writing to the Pensions Office at STC administration.

In answer to a question, HC confirmed that a small percentage had opted out to date. She also reported that an updated version of the current system would be implemented in 2019 which would be more user friendly.

11. Review of Board’s own Terms of Reference

Councillor Pidcock left the meeting during this item.

The Board reviewed its own Terms of Reference which had been agreed by a resolution of Council on 25 February 2015.

The Chair commented on the positive and comprehensive document which had the foresight to allow for the changes (such as four meetings per year) that had been introduced more recently.

The following areas were discussed:

- 4a. Composition. It was agreed that the current “2+2” structure worked well at NCCPF as there was flexibility around meeting dates. Arrangements were to be made for Neil Sellstrom of CIPFA to attend a future meeting of the Board as an observer to prepare him for the role should he need to step in as alternate in the role of Chair.
- 4e. Quorum. Meetings had always been quorate. If they became inquorate during a meeting, the meeting would cease but could continue informally as training.
- 5. Location and Timing. The Board would meet a minimum of twice per year; however four meeting dates per annum were scheduled through to 2020, each following a quarterly PFP meeting. It was noted that the SAB had recommended four meetings per year. Provision had been made in the ToR for meetings to be held via electronic and telephone communication between members in exceptional circumstances and this meeting method had been used on one occasion to enable a specific

Board decision to be made.

- 12. Access to the Public and Publication of LGPS Local Pension Board Information. Whilst meetings were not open to the general public, scheme members were eligible to attend. Advance notification would enable information to be supplied or for copies to be made available at the meeting. Any discussion of confidential PFP papers could require the temporary absence of scheme members.
- 12. Reference to the Data Protection Act (1998) would need to be updated for the introduction of the General Data Protection Regulation.
- 15. Definitions. Reference to the shared administration service with STC administration would need to be included.

CG agreed to liaise with NCC's Monitoring Officer to determine whether the final two items could be incorporated in the Terms of Reference immediately or whether it would need to wait until the next formal update of the Council's Constitution.

12. Chair's review of Conflicts Register in November 2018

The Chair confirmed that he had undertaken a review of the Conflicts of Interest Register following attendance at a conference where the issue had been raised by Nick Gannon, Policy Lead, tPR and Bob Holloway, Pensions Secretary at the LGA.

It was confirmed that the Register was available for inspection at each meeting of the PFP and Board. It included individual declarations for all PFP and Board members, observers and relevant officers. He confirmed that he had not seen any declarations which would give him cause for concern in terms of potential conflicts. The primary focus had been on the decision makers who had all indicated they would act with integrity and put NCCPF's interests first.

Board members had read and agreed to comply with the Board's Terms of Reference and Conflicts of Interest Policy. The Conflicts Policy had recently been updated by the Panel on 5 October 2018.

The Chair provided a summary of his own declaration form which included his role at CIPFA, various consultancy posts and his own investment portfolio, as potential conflicts.

CG confirmed that the recent update to the Fund's Conflicts of Interest Policy included references to STC Administration and officers at TWPF were in the process of completing individual declarations to comply with the Policy.

13. Update on migration balancing items reconciliation

- Report B3 of 10 September 2018 Panel meeting papers and Appendices 6 and 7 and report B1(1) and Appendices 1, 2 and 3

An update was received on the progress of the investigation of ten potential underpayments identified during the data cleansing prior to data migration from NCC to STC Administration in January 2018. An anomaly had been discovered due to incorrect recording of GMP entitlements which had led to further investigations to identify all similar cases. CG added that she was in discussion with legal officers at STC Administration and would seek further external advice if this was required. A report would be considered by the PFP in due course when more information was known about the causes of the migration balancing items.

HC commented that there would be no further difference arising due to failure to reconcile the administration system with pensioner payroll as monthly reconciliation reports were run at STC Administration for NCCPF and TWPF. She also pointed out that it might not be possible to resolve the differences to within £0.01 or determine the date the difference started, if archived payroll information was unavailable.

The Board discussed whether a target date should be set for completing the initial investigation of the cases and whether it was necessary for more resource to be allocated by STC Administration to the investigation. Whilst there could be an additional cost for extra resource, the Board suggested that arrangements should be made if this was required at STC Administration and the Payroll Department at NCC.

The Chair made reference of the need to report to tPR within a reasonable timescale if the results of the investigation identified the issue as of material significance.

The Board noted the update and **agreed** that officers should determine a suitable target date for completing the investigatory work on the migration balancing items of £2 or more per month.

14. Update on GMP reconciliation work

HC provided a verbal update on GMP reconciliation work carried out in the period since the Board's last meeting in November 2018. Follow up queries had recently been received from HMRC and NCCPF's own follow up queries in response were to be submitted to HMRC by the 31 December 2018 deadline. This deadline was viewed as tight, and although there had been indications that the deadline might be extended by HMRC, there had been no official word yet, therefore officers were working towards meeting the 31 December deadline by close on 21 December 2018, after which STC

Administration's offices would be closed until the new year.

Officers were working with Intellica, a third party service provider, regarding additional work to group the HMRC query data. Materiality would then be considered and those with the biggest impact would be prioritised.

The Board **gained assurance** that officers were working to meet the 31 December 2018 deadline.

15. Scheme member representation on BCPP Joint Committee

The Board received a report from BCPP's Joint Committee papers for its 21 November 2018 meeting on the arrangements for appointing scheme member representatives to the Joint Committee. It was confirmed that the Joint Committee, at its November meeting, had agreed that there would be only one scheme member representative (as observer) on the Committee.

The Chair had discussed the potential role with the eligible NCC Scheme Member representatives on the Board, who were reluctant to put themselves forward for nomination at the present time.

The Chair added that the LGPS LPB Chairs of the twelve BCPP partner funds would be holding an annual meeting which would be held at the BCPP annual conference, however, there had also been support for including more frequent meetings going forward.

16. BCPP Ltd's RI Policy and Corporate Governance and Share Voting Guidance

17. LGIM's comments on BCPP Ltd's RI policies

Items 16 and 17 were considered together.

The Board considered the draft BCPP Responsible Investment Policy and Corporate Governance and Voting Guidelines and also commentary from LGIM which confirmed its own voting policy was well aligned with that of BCPP, with the exception of a few minor differences.

CG explained that BCPP was still in the process of developing its policies, which would be considered by the PFP at its meeting in February 2019. The Fund was required by regulations to have a RI policy and given that BCPP would be managing the Fund's assets in due course, it was necessary to ensure that policies were aligned.

The Board **noted** the progress to align the RI policies at pool and Fund level.

18. ITEMS FOR AWARENESS AND ANY RELEVANT OBSERVATIONS

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

18A Northumberland County Council Pension Fund's Procedure for Reporting Breaches of the Law

- Report A1 of 23 November 2018 Panel meeting papers

18B Recent news stories about LGPS administering authorities

- Report A5 of 23 November 2018 Panel meeting papers and Appendices 5, 6, 7 and 8

The Chair recommended that members of the Board read Appendix 7 which detailed the circumstances of another administering authority that had self-reported to tPR due to being unable to issue all ABSs by the 31 August deadline, as a result of missing or inaccurate data from some of its employers.

19. Member feedback on 2018 annual benefit statements

The Board received a summary of the results from satisfaction surveys of pensioners and active members following the issue of ABSs in August 2018.

HC added that STC Administration intends to expand its range of surveys to include areas such as joiners and leavers to the scheme.

It was agreed that the information would be recirculated electronically after the meeting as directional trend arrows were not showing in the version that had been provided.

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

Members of the Board were requested to alert the Chair or officers if they became aware of any new risks.

The Board discussed:

- The addition of cyber risks. Reference was made to the recent data breach within the Marriott International hotel group. HC added that a

report would be prepared for a future meeting of both NCCPF and TWPF Boards and Committees from the ICT managers at STC.

- Triennial Valuation. CG explained that training would be provided as the matter was only considered once every three years and due to election of Councillors, new members would require this and longstanding members would also benefit from the reminder. Information was awaited regarding the anticipated change in valuation date although this would require a change of legislation as “rates and adjustments certificates” were issued for a set period, as prescribed in the LGPS Regulations.

21. Future meeting dates

Members received an updated list of dates and start times for meetings of the Board in 2019 and 2020.

22. Any other business

Scheme Advisory Board

A copy of correspondence dated 28 November 2018 sent by the Scheme Advisory Board to the Pensions Regulator (tPR) asking for tPR’s engagement to work together with administering authorities and the Scheme Advisory Board to deliver improvements in scheme governance and administration, was circulated to Board members.

(The meeting ended at 1.03 p.m.)

CHAIR GF Moore

DATE 7 January 2019