

**NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 24 February 2017**

**ASSESSMENT OF THE EFFECTIVENESS OF
NORTHUMBERLAND COUNTY COUNCIL PENSION FUND PANEL
2016/2017**

Overall assessment

The Panel faced further challenges in relation to Government's requirement for LGPS asset pooling, both directly, through the continued active participation in the development and establishment of the Border to Coast Pensions Partnership (BCPP), and indirectly through the 'knock-on' effect of pooling on investment decisions, for example the transition of the active global equity portfolio. The Chairman and Vice Chairman of the Panel have been fully engaged during this process, attending all BCPP Member Steering Group meetings to provide a voice for Northumberland County Council Pension Fund.

The Panel has continued to build on knowledge and experience to implement decisions through the year. All members have shown commitment to training, and continuity has been achieved in all other aspects of the operation of the Panel, such as the advisers to the Fund.

The Panel would particularly draw attention to the following achievements in the year:

- it has actively participated in the development and establishment of BCPP pooling arrangement, including making a recommendation to full Council to establish the necessary governance arrangements to form BCPP Pool;
- it has continued to work collaboratively with the NCC LGPS Local Pension Board;
- it has overseen the development of a breaches log for pensions administration;
- it has overseen the transition of M&G's active global equity portfolio to Legal and General;
- it has approved the Fund's first Investment Strategy Statement, and updated the Fund's Administration Strategy Statement and Funding Strategy Statement; and
- it has overseen the Fund's 31 March 2016 actuarial valuation process.

Governance arrangements in 2016/2017

Administrative arrangements

The Panel met nine times in the 2016/2017 Council year:

- four meetings for the normal quarterly business including the review of investments and monitoring the appointed fund managers, plus one further meeting which has been added to the standard quarterly timetable;
- two further ad hoc meetings to deal with the Fund's strategy review; and
- two further extra-ordinary meetings to discuss and consider NCC's pooling options.

The number of meetings held has been appropriate to allow sufficient time to consider all agenda items and ensure sufficient training and experience have been gained by the members before making the decisions required.

The length of the meetings (i.e. usually a full day) has been appropriate to enable members to consider complex subject matter, and time has been allowed in the meetings for effective challenge of the external fund managers and other advisers.

The Panel has allocated sufficient time at each meeting to consider each decision fully and to understand the inherent risks involved in pension fund investment and the Local Government Pension Scheme.

The Panel has organised additional meetings where necessary to further consider an issue when focus on a single issue is required, for example, pooling.

The Panel has delegated authority to the Chief Executive, in consultation with the Chairman and Vice Chairman, where necessary, to ensure that matters could be progressed on a timely basis without the need to revert to the committee.

The minutes of meetings and reports presented to the Panel were of adequate detail for members to ensure that officers had acted on and implemented the decisions taken.

The papers for the meetings were circulated well in advance to allow adequate time for Panel members to read and consider the issues. The papers were prepared to an adequate standard and included a short summary of each agenda item to aid the reader in understanding the key points. Urgent items, to be tabled at meetings, have been kept to a minimum although at certain times this has been unavoidable due to ever changing circumstances especially regarding pooling.

The papers have been presented at the meetings by officers and advisers with sufficient technical knowledge, experience and skill to assist members in understanding the key areas.

The meetings have been conducted in a format which has allowed for decisions to be reached promptly but after appropriate consideration. Suitably qualified officers and advisers have been in attendance at all meetings and have been allowed the opportunity to provide advice during meetings to ensure that decisions made comply with the regulations and best practice.

Panel members have ensured that the views of the observer status participants have been fully considered.

The Chairman has conducted the meetings to ensure that all members have been encouraged to express their views. All Panel members have contributed to effective and efficient meetings. NCC's LGPS Local Pension Board members have been invited to attend all formal meetings of the Panel, as well as all training and working group meetings of the Panel to observe the decision making process.

The Panel has considered and approved a programme of future meetings for the investment managers who will be requested to attend meetings, and added an additional regular annual meeting to the programme. The programme takes a risk based approach to allocating time for the Panel to interview and question the

managers, and allows for flexibility so managers can be requested to attend more frequently should the Panel deem it appropriate. The programme of meetings allows sufficient time for the Panel to understand the fund managers' philosophy and processes and time for effective challenge. The Chairman of the Panel has been proactive in determining the frequency of the fund managers' attendances at the meetings.

The Panel monitors the cost of transitions of assets from one fund manager to another.

Meetings have been conducted following the protocols as set out in the Northumberland County Council Constitution.

Access to advice

The Panel recognises the importance of understanding its responsibilities to the employers participating in the Fund and, in particular, the need to understand and manage investment (asset allocation) risk. The Panel has had access to appropriate advice and has obtained advice in the year from suitably qualified specialists including:

- investment advice from Mercer;
- actuarial advice from Aon Hewitt; and
- legal advice on contracts entered into from Squire Patton Boggs and Eversheds.

The Panel has taken advice from Mercer on all investment decisions made and obtained Mercer's research information and ratings each quarter for all of the Fund's external investment managers.

Senior officers of the Council, such as the Director of Corporate Resources have attended Panel meetings when necessary.

The Panel has an assessment process to formally measure the performance of the investment adviser on an annual basis.

Audit

The Panel has the opportunity to question and engage with the external auditor (EY from 2015/2016) to discuss the accounting and administration arrangements for the Pension Fund and the Scheme. NCC's internal audit programme covers Pension Fund accounting functions. Internal and external audit provide independent checks on the work of the officers and the Pension Team.

Performance measurement adviser

The Panel has the opportunity to question and engage with the independent performance measurement adviser (Portfolio Evaluation, formerly WM Company) to discuss the performance of the external investment managers. This provides an independent check on the investment managers, the information provided in the Panel papers, and, to some extent, the advice provided by the investment adviser (Mercer).

Continuity

Pension Fund investment is long term in nature and expertise takes time to build up. Continuity is vitally important for effective decision making, with some decisions, such as the decisions about asset allocation, being made over the course of several

meetings. During 2016/2017 the Panel has had continuity in the three most important areas for its effectiveness as a decision-making body, namely:

- its own membership including observers (with the Chairman from pre-2009 returning as Chairman in 2013) ;
- its investment adviser; and
- the officers who support the work of the Panel.

Training

The Panel recognises that pension fund investment is a technical area and the importance of spending time on training. The Panel has received adequate training for the decisions taken in the year, for example, for interviewing current external managers, where the Panel was supported by Mercer's advice and research information throughout the process. Panel members have devoted time to attend relevant and tailored training events.

Communication with stakeholders

The Panel has promoted effective communication with the stakeholders of the Scheme and Fund, such as road-shows and newsletters for the contributors (employees). Panel members have attended the annual employers' meeting which has provided them with valuable feedback.