

**NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 3 November 2017**

**Northumberland County Council
LGPS
Governance Policy and Compliance Statement**

Part 1: Governance arrangements

Northumberland County Council ("NCC") is the administering authority for the Local Government Pension Scheme ("LGPS") fund known as Northumberland County Council Pension Fund ("the Fund"). The functions of an administering authority are set out in the LGPS Regulations 2013 (as amended).

Objectives

NCC has put governance arrangements in place to administer the LGPS with the objectives of:

- ensuring robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another;
- ensuring the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise; and
- complying with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.

The identification and management of potential and actual conflicts of interest is integral to NCC achieving its governance objectives, therefore the NCC Pension Fund Panel approved a Conflicts of Interest Policy on 22 May 2015, which will be formally reviewed and updated at least every three years.

Delegation of administering authority functions

The day-to-day administration of the LGPS

The day to day administration is carried out by officers reporting to the Section 151 Officer of NCC.

Part 4 of the NCC Constitution (Delegations to Officers) delegates to the Section 151 Officer and the Deputy Section 151 Officer in the Section 151 Officer's absence the following service responsibilities:

"The exercise of corporate Council functions in relation to finance services, revenues and benefits, including benefits fraud, the Council's fraud strategy and associated arrangements, debt recovery, treasury management, insurance and associated corporate risk management, internal audit and liaison with external audit, administration of the Local Government Pension Scheme and procurement."

Decision making

The NCC **Pension Fund Panel**, a committee of NCC, makes the decisions in relation to the administering authority functions.

Part 3 of the NCC Constitution (Matters Reserved to Elected Members and Committee Terms of Reference) sets out:

*“The **Pension Fund Panel** is a committee of NCC with a membership of six elected members which reports to the County Council.*

Terms of Reference and Powers of the Pension Fund Panel

The Pension Fund Panel has the power to discharge all functions and responsibilities relating to the Council’s role as administering authority for the Northumberland County Council Pension Fund as set out in The Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended), and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).

The Panel’s functions include:

- *Ensuring the proper administration of the Local Government Pension Scheme;*
- *Ensuring appropriate management of the investments of the Northumberland County Council Pension Fund, including keeping under review the Fund’s investment strategy and management structure;*
- *Approving and maintaining administering authority policy statements as required by the Local Government Pension Scheme Regulations including the Funding Strategy Statement, Statement of Investment Principles, Governance Compliance Statement and Communications Strategy;*
- *Making suitable arrangements for the actuarial valuations of the Pension Fund taking into account the covenant risk posed by the participating employers; and*
- *Appointing and reviewing the appointments of investment managers, advisers and consultants.*

The Northumberland County Council Pension Fund’s Governance Policy and Compliance Statement provides further detail of the administering authority’s LGPS governance arrangements.

NCC LGPS Pension Board provides oversight of the governance and administration of the LGPS. Its Terms of Reference are set out in the Constitution.”

Membership of the Pension Fund Panel

Panel membership is as follows:

- six elected members of NCC;
- four non-voting observer status/co-opted members comprising:
 - one representative of the Fund's other participating employers appointed by the NCC LGPS Pension Board Appointments Panel (for membership of the Appointments Panel see below);
 - two scheme member representatives, determined by the local trade unions chosen by and from amongst the unions concerned; and
 - one scheme member representative appointed by the NCC LGPS Pension Board Appointments Panel.

The three scheme member representatives are deemed to be representative of all scheme members (active members, deferred pensioners, pensioners and dependents).

The employer representative is deemed to represent all "non-NCC" participating employers.

Member substitutions will not normally be permitted unless the substitute member(s) can demonstrate the appropriate knowledge and skills for the role.

The NCC LGPS Pension Board **Appointments Panel** LGPS consists of:

- the Lead Member for Finance;
- the Chairperson of the Pension Fund Panel;
- the Monitoring Officer; and
- the Chief Financial Officer.

Duration of appointments to the Panel

Elected member appointments:

- in accordance with NCC's Rules of Procedure, NCC councillors will be appointed annually and may be reappointed for further terms. In considering these appointments, NCC will be mindful of the Pension Fund's Training Policy and the potential benefit from continuity of membership.

Non-voting observer status appointments:

- the two representatives appointed by the Appointments Panel were appointed in 2015 and reviewed/appointed every four calendar years thereafter. Representatives may be reappointed for further terms, and the Appointments Panel will be mindful of the Pension Fund's Training Policy and the potential benefit from continuity of membership;
- the two local trade unions representatives are selected, appointed and reappointed by the Secretary of the Joint Trade Union Group at NCC who is mindful of the Pension Fund's Training Policy and the potential benefit from continuity of membership.

Frequency and pattern of Panel meetings

The Panel shall meet a minimum of five times in a Council year, on dates and times determined by the County Council, with four quarterly meetings to (among other things) monitor the performance of the Fund's investment managers, and a fifth meeting to receive presentations from investment managers. Additional meetings will be held when considered necessary by the Chair of the Pension Fund Panel to consider agenda items requiring more time, such as the asset allocation strategy review.

Quorum

A meeting of the Pension Fund Panel will only be quorate when at least three voting Panel members are present.

Chair/Vice Chair

Only elected members of NCC may be the Chair and Vice Chair of the Pension Fund Panel.

Duration of meeting

Any limit on the duration of a Panel meeting in the Council's Rules of Procedure will exclude any training provided to the Panel as part of the meeting. When considered necessary by the Chair, a meeting of the Pension Fund Panel can last up to seven hours, including breaks.

Code of Conduct

Part 1 of the NCC Code of Conduct for Elected Members shall apply in relation to the standards of conduct of non-voting observer status members as if they were voting co-opted members of the Council.

NCC LGPS Local Pension Board

To comply with Regulation 106 of the LGPS (Amendment) (Governance) Regulations 2015, terms of reference to establish the NCC LGPS Local Pension Board were approved at the full Council meeting on 25 February 2015.

The NCC LGPS Local Pension Board ("the LPB") is responsible for **assisting** NCC as administering authority in securing compliance with legislation and regulations, and to ensure the efficient and effective governance and administration of the LGPS. The LPB will have an oversight role in the governance of the Fund.

The key points from the LPB terms of reference are:

- there are four members of the LPB, or five if an independent chair is deemed necessary;
- only the four members of the LPB (i.e. not the independent chair, if there is one) have voting rights;
- the two employer representatives are (i) a NCC councillor (who does not already sit as a voting member of the Pension Fund Panel), and (ii) the

non-voting employer representative who already sits as observer on the Pension Fund Panel;

- the two Scheme member representatives are (i) one of the three non-voting member representatives who already sit as observers on the Pension Fund Panel, and (ii) a pensioner, to be sourced by seeking interest via the annual Pensioner Newsletter; and
- there will be a minimum of two meetings per year, with the option for the Chair of the LPB to call more.

The Fund's Training Policy and Conflicts of Interest Policy apply to Pension Fund Panel members, LPB members and the key officers involved in the governance and administration of the LGPS.

Other governance arrangements

NCC is committed to inclusion of the Fund's stakeholders. Therefore, in addition to consulting with the participating employers as required by LGPS regulations, employers are invited to attend employer meetings held (usually) annually to communicate Scheme changes and the actuarial position of the Fund. Employers also receive a copy of the Fund's Annual Report and Accounts each year, which reproduces certain key documents in full, such as the Investment Strategy Statement and the Governance Compliance Statement.

The LGPS administration service for NCC will be undertaken from January 2018 by South Tyneside Council as part of a shared administration service on behalf of Tyne and Wear Pension Fund and NCC Pension Fund. The LGPS shared administration service holds regular road shows for employees to provide information about the Scheme.

NCC's responsibilities as an employer

This Governance Policy and Compliance Statement relates *only* to the governance arrangements established by NCC in its capacity as the **administering authority** for the LGPS. NCC also has responsibilities as a **Scheme employer** participating in the Fund which are not covered by this Statement, for example, to have employer discretion policies in place.

Approval, review and consultation

This Governance Policy and Compliance Statement was approved at the NCC Pension Fund Panel meeting on 3 November 2017. It will be formally reviewed and updated following any material change to the matters covered in the Statement.

Further information

If you require further information about anything in or related to this Governance Policy and Compliance Statement, please contact:

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Northumberland County Council Pension Fund
Part 2: Governance Compliance Statement
Approved at the Pension Fund Panel Meeting on 3 November 2017

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
Structure			
<i>The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</i>	The terms of reference for the Pension Fund Panel, as set out in the Northumberland County Council Constitution include the term: "ensuring the proper administration of the LGPS and ensuring proper management of the investments of the Fund."	Yes	
<i>That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</i>	The Pension Fund Panel comprises six Northumberland County Council councillors. Participating employers are also represented on the Pension Fund Panel by one representative who has observer status. Scheme members (i.e. contributors and pensioners) are represented by two trade union representatives and one employee/pensioner representative, all three of whom have observer status on the Pension Fund Panel.	Yes	
<i>That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</i>	There is no secondary committee or panel.	Yes	

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
<i>That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</i>	There is no secondary committee or panel.	Yes	
Representation			
<i>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</i>			
<i>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</i>	Employing authorities are represented by the six Pension Fund Panel members. The six members are all councillors of Northumberland County Council, a unitary council which represents the majority of the contributors to the Northumberland County Council Pension Fund. Other participating employers are represented by one non-voting employer representative. Other employers are also represented by the Pension Fund Panel members, some of whom have representative links with other participating employers.	Yes	
<i>ii) scheme members (including deferred and pensioner scheme members);</i>	Scheme members are represented by two non-voting trade union observers. Employees and pensioners are also represented by one non-voting employee/pensioner representative.	Yes	

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
<i>iii) independent professional observers; and</i>	There are no independent professional observers on the Pension Fund Panel, however the Fund's investment adviser attends all meetings where investments are discussed. The Fund actuary, the external auditor and the performance measurement service provider attend meetings as required.	Partial	An independent professional observer has not been considered necessary in the past. There is a cost associated with having an independent professional observer on the Panel and it is not clear that any benefits would outweigh the cost.
<i>iv) expert advisors (on an ad-hoc basis).</i>	The Pension Fund Panel investment adviser attends all meetings.	Yes	
<i>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and are given meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</i>	All Panel members and observers are treated equally in terms of access to papers, training, and participation in the decision making process.	Yes	
Selection and Role of Lay Members			
<i>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</i>	New Panel members are offered induction training and copies of key documents, such as the Investment Strategy Statement. They are required to agree to the Northumberland County Council Code of Conduct for Elected Members as applied to voting co-opted members of the Council.	Yes	

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
<i>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</i>	Declaration of interests is a standard procedure at the start of all Pension Fund Panel meetings. Declarations are noted in the minutes.	Yes	
Voting			
<i>The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</i>	<p>The six Pension Fund Panel members have voting rights; the two trade union representatives, the one employer representative and the one employee/pensioner representative have observer status only, though they participate in the decision making. Voting rights have not been extended to the trade union and employee/pensioner representative observers on the Panel because they represent Scheme members whose pension rights are guaranteed in law and are not dependent on Fund performance and therefore bear none of the investment risk. Voting rights have not been extended to the employer representative who has observer status on the Panel because doing so would merely duplicate the representation provided by the Panel members themselves. Also section 102(3) of the Local Government Act 1972 effectively precludes conferring voting rights on Panel members who are not elected members of Northumberland County Council.</p>	Yes	

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
Meetings (frequency/quorum)			
<i>That an administering authority's main committee or committees meet at least quarterly.</i>	The Pension Fund Panel meets at least quarterly.	Yes	
<i>That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</i>	There is no secondary committee or panel.	Yes	
<i>That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</i>	Trade union observers and the employee/pensioner representative on the Pension Fund Panel represent lay members.	Yes	
Access			
<i>That subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</i>	All Panel members and observers are treated equally in terms of access to papers and advice.	Yes	

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/Partial	Reason for non-Compliance (if applicable)
Scope			
<i>That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</i>	The terms of reference for the Pension Fund Panel, includes all administering authority responsibilities and therefore the Panel considers wider scheme issues and not just investments. The one exception to this principle is that the Northumberland County Council Constitution provides that, prior to 29 January 2018 its Staff Committee should, where necessary, exercise administering authority discretion over the payment of death grants. From 29 January 2018, this discretion will be delegated to the Head of Pensions at Tyne and Wear Pension Fund.	Yes	
Publicity			
<i>That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</i>	Each revision of the Governance Compliance Statement will be consulted upon. The Governance Policy and Compliance Statement is published on the Northumberland County Council website. The Governance Compliance Statement is reproduced in full within the Northumberland County Council Pension Fund Annual Report and Accounts, a copy of which is distributed to all participating employers with active Scheme members.	Yes	

