NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Approved at the Pension Fund Panel Meeting held 16 April 2010

NORTHUMBERLAND COUNTY COUNCIL PENSION FUND CASH POOLING POLICY

This policy is effective from 1 April 2010. It follows the Communities and Local Government (CLG) guidance on pooling published on 4 March 2010.

Throughout this policy the terms used are:

The "**Pension Fund**" which means the Northumberland County Council Pension Fund*.

The "**County Council**" which means Northumberland County Council, i.e. the Pension Fund administering authority exercising its non-Scheme functions as a local authority.

This policy has been implemented at the request of the Pension Fund. It will be reviewed when further CLG guidance is issued or sooner if the Pension Fund Panel considers it necessary.

POLICY

The County Council will place the Pension Fund daily cash balance, which is held in the Co-operative Bank p.l.c. account number 61140310 entitled 'N.C.C. PENSION FUND', with its own cash balances into a pool, for joint investment, in accordance with the County Council's **most recent Treasury Management Policy Statement.**

The purpose of pooling the Pension Fund cash is solely so that the Pension Fund can gain interest on the cash balance held in the above named account in an efficient and cost effective manner. The County Council is not permitted to use the Pension Fund cash other than for Treasury Management purposes.

INTEREST EARNED

The interest earned on pooled cash balances will be divided between the Pension Fund and the County Council in proportion to the shares they each contributed to the total within the pool that was subsequently invested.

* Northumberland County Council is the administering authority for the Northumberland County Council Pension Fund under the Local Government Pension Scheme Regulations. The Pension Fund and the County Council are <u>not</u> legally separate entities. The distinction is

made between the two in this policy statement because their interests can appear to be in conflict at times.

In practical terms, this will be achieved by a single annual payment of interest paid post year end by the Country Council to the Pension Fund based on the actual cash held in the Pension Fund's Co-operative Bank account adjusted for any amounts due to or from the County Council not yet paid over (i.e. adjusted for timing differences), calculated using the average interest rate earned by the County Council in that year. The average interest rate earned will be taken as the rate calculated by the Senior Accountant responsible for Treasury Management and notified to CIPFA in April each year for benchmarking purposes.

DEFAULT RISK

The impact of a default of one or more of the County Council's Approved Borrowers** on pooled cash balances will be divided between the Pension Fund and the County Council in proportion to the shares they each contributed to the total pool that was invested at the time the default occurred.

In practical terms, this will be achieved by sharing any loss in the value of the amount loaned to the Approved Borrower, caused by the default, between the Country Council and the Pension Fund in the proportions of the actual cash held by each, after adjusting for timing differences.

The Pension Fund will carry a share of the default risk if *and only if* the County Council was complying with the Treasury Management Policy at the time the default occurred.

AUTHORITY

This policy gives authority to the County Council to invest Pension Fund cash in a pool/jointly with the County Council's own cash.

** The Approved Borrowers (also referred to as counterparties) are shown in the County Council's Treasury Management Policy Statement, together with the limits applied and the criteria for inclusion on the Approved Borrowers' List.