



**Northamptonshire
County Council**

Agenda Item No: 3

Democratic Services
Room 144
County Hall
Northampton
NN1 1DN

Northamptonshire Local Government Pension Scheme Local Pensions Board

Minutes of the meeting held on 25 April 2016

Venue: Room 28, County Hall, Northampton

(Meeting held in public)

PRESENT:-

Paul Evans (Chairman)

Employers Side

Councillor Allan Matthews
Audra Statham

Employees Side

Nina Thomas

Also in attendance (for all or part of the meeting)

Paul Hanson	Democratic Services Manager
Michelle Oakensen	LGSS Pensions Governance Officer
Jenny Rendall	Democracy Officer (minutes)
Paul Tysoe	Investment & Fund Accounting Manager
Joanne Walton	LGSS Pensions Governance & Regulations Officer
Mark Whitby	LGSS Head of Pensions

There were no members of the public present.

11/16 Apologies for non-attendance and Declarations of Interest

Apologies were received from Penny Smith who had resigned from the Local Pension Board.

12/16 Declarations of interest by members, if any:

There were none.

13/16 Minutes of the Meeting held on 21 January 2016:

RESOLVED that: The Local Pensions Board approved: the minutes of the meeting held on 21 January 2016 subject to the amendment of Audra Statham's status as a member from the Employers side.

14/16 Executive Summary of standing items from the Pension Committee meetings held during March:

At the Chairman's invitation, LGSS Pensions Governance & Regulations Officer, Jo Walton, introduced this report (copies of which had been previously circulated) highlighting the standing items as:

- Governance & Legislation Report
- Government's Investment Reform Agenda
- Employers' Admissions & Cessations Report
- Risk Strategy

Queries from the Local Pension Board were answered as follows:

- LGSS had responded on behalf of the Cambridgeshire and Northamptonshire Funds to the consultation on public sector exit payments.
- The risk register which identified areas of most concern would be brought to the Local Pension Board in July.

RESOLVED that: the Local Pensions Board noted the contents of the report on the March 2016 Pension Committee meetings standing reports.

15/16 Business Plan and Fund Objectives (including Fund Valuation Plan):

At the Chairman's invitation, LGSS Pensions Governance & Regulations Officer, Jo Walton, introduced this report (copies of which had been previously circulated) highlighting that this had been presented to the Pensions Committee in March where it had been approved. It set out a plan for the year, what had been undertaken and how these actions related to performance indicators which were unchanged from the previous year. The migration from Oracle to an in-house payroll system would become live in August 2016.

Queries on the report were provided as follows:

- The majority of employers transferring staff into the Fund sponsored the transfer and would therefore take responsibility should the new body fail. The Fund as a whole would be responsible for any bodies that failed and did not have a sponsor. In such cases assets would be paid from the failing body until such time as they ran out.
- Northamptonshire County Council (NCC) would be the guarantor for the bodies it was currently creating to provide services. It was the guarantor for Fit for Wellbeing.
- There could be some negotiation between NCC and the new body concerning whether that new body took on some of the debt in order to stabilise the rate for NCC.
- NCC acting as a guarantor was about as strong as a covenant could be.

The Local Pensions Board also noted there could be a time when it would have to discuss unitary authority status and the affects this could have on the LGPS.

RESOLVED that: the Local Pensions Board noted the Pension Fund Business Plan for 2016-17.

16/16 Results of the Pensions Regulator's Survey of Public Survey Governance and Administration and Compliance with the Code of Practice::

At the Chairman's invitation, LGSS Pensions Governance & Regulations Officer, Jo Walton introduced this report (copies of which had been previously circulated) highlighting the following:

- Section 2 provided survey results alongside whether the Fund was in compliance and details of the plan to achieve compliance.
- Not every LGPS in the country responded to the survey.
- Areas of concern were highlighted as were details of what was required to become compliant. In some instances there were already good plans in place relating to compliance.
- As the Local Pensions Board would like to review the plans before they are presented to Pensions Committee it would come back to the Board in July and the Committee in October 2016.

In response to queries on the report, the following was confirmed:

- All items were considered equally important as they all applied to the Code of Practice.
- There was a need to ensure better monitoring of record-keeping which to date had not been measured.
- Using the Altair system would be an improvement on Oracle. Aggresso would not be used for payroll although information would be provided for it.
- It was suggested the Local Pensions Board take a role in ensuring procedures for publishing were noted correctly. A report would be made to the Board in July 2016.

RESOLVED that:

- 1) the Local Pensions Board noted the contents of the report and approved the proposed course of action to achieve full compliance with the Pensions Regulator's Code of Practice;**
- 2) That the Managing Risk Strategy and Register would be presented to the Local Pensions Board at its meeting to be held in July 2016; and**
- 3) Progress with plans for meeting the Pensions Regulator's Code of Practice would be provided to the Local Pensions Board at its meeting to be held in July 2016.**

17/16 LGSS Pensions Service Administration Performance Report:

At the Chairman's invitation, LGSS Pensions Governance & Regulations Officer, Jo Walton introduced this report (copies of which had been previously circulated) stating key areas in the report related to receipt of employers and employee contributions. It also included details of key performance indicators and an internal audit update. The Pensions Committee had received it during March 2016.

In answer to queries on the report the following was confirmed:

RESOLVED that the Local Pension Board reviewed the Admission Bodies, Scheme Employers and Bulk Transfer Policy with no recommendations to the Pensions Committee at the current time.

08/16 Statement of Investment Principles:

At the Chairman's invitation, LGSS Pensions Governance & Regulations Officer, Jo Walton introduced this report (copies of which had been previously circulated) highlighting that this was a document that was required under regulations and could come to the Pensions Committee quite often for reasons such as a change of investment managers. Paragraphs 2.3 and 2.4 highlighted when and why it had been brought to Committee in recent months. It set out how the LGPS invested and should be read alongside the Funding Strategy.

Queries on the report were answered as follows:

- There was 1 employer within the Scheme who had made frequent late payments and nothing had been received from them since December 2015. A contract between them and a local authority had been terminated and there would be a recommendation to the Pensions Committee to terminate them from the Scheme. They had 3 active employees.
- Only 2.5% of employers made late payments and it was rare to have to chase employers.
- The Pensions Committee received information in greater detail.

RESOLVED that: The Local Pensions Board noted the LGSS Pensions Service Administration Performance Report.

19/16 Annual Report of the Local Pensions Board:

At the Chairman's invitation, Democratic Services Manager, Paul Hanson introduced this item (copies of which had been previously circulated) stating the Annual Report had been created which included background, who people were, their attendance at meetings, details of the code of conduct and the training undertaken. It would be great to be able to report that all members had undertaken the Pensions Regulator Toolkit training which was mandatory.

The Chairman confirmed the Pensions Regulator's toolkit had only taken him approximately 1.5 hours to complete and it had contained on great surprises.

Queries on the report were answered as follows:

- Communications was mentioned briefly in the work programme for 2016-17.
- Information on the work of the task and finish group relating to asset pooling would also be provided as members of the Board attended where possible.
- The Communications Plan would also be included.
- Sharing best practice was not a requirement of the Annual Report but the Democratic Services Manager would seek opportunities were possible.

It was also noted the members felt the annual report was very good.

RESOLVED that: The Local Pension Board reviewed and approved the Annual Report.

20/16 Investment Training:

At the Chairman's invitation, Investment & Fund Accounting Manager, Paul Tysoe provided a presentation on Investment Training (copies of which were provided at the meeting) highlighting the following:

- Part of the process as cash was received was to pay benefits out to members of the Scheme. Currently the Scheme had a surplus which projections suggested would be the case for at least the next 3 years.
- From the Scheme's age profile since the year 2000 it could be seen that people tended to live longer and their money tended not to be relative to how long they lived.
- The Scheme had 2 sources of income: contributions and investments. Good investments relieved the pressure on contributions.
- The Fund's Actuaries performed a review of the Fund every 3 years to produce a rate of deficit certificate. As of March 2014 the Fund was 70% funded and a plan was devised to recover approximately £650million over the course of 20 years.

- Whilst the Fund was currently worth more than it had been on 2007, the deficit was higher because of liabilities.
- The investment strategy set by the Pensions Committee was actioned by the Investment Sub-Committee (ISC). The 2009 investment regulations were due to be re-set that year but this might not be until the autumn because of asset pooling. Appropriate independent advice was part of the regulations and the Fund received this from Mercers Ltd as well as an independent advisor.
- Members were recommended to attend either the Schroders 2 step course or the one provided by UBS.
- A target was set by ascertaining the performance expected of a particular asset and then adding a relevant sum above it. Figures were shown that by December 2015 performance had exceeded this significantly. Achieving the 4.6 target consistently over 20 years would ensure the Fund was fully funded by that time.
- The ISC was made up of members from the Pensions Committee and there was quarterly monitoring of investment managers.
- Northern Trust as the Fund's Custodian held all assets globally and were very willing to assist. Mercers provided an annual report on all investment managers.
- Abel Noser reviewed trading behaviour on an annual basis and it had been a long time since any fund manager had been written to in this respect.
- WM Company was no longer trading in performance so a replacement would be required for them.
- The Fund had various managers: Newton undertook equities, Baillee Gifford undertook a diversified growth fund, CBRE property, Skagen overseas equities and Majedie managed a closed fund in UK equities.
- The bulk of the Fund was invested in equities, 18% in fixed income, 8% in private property and 8% in diversified growth fund.
- Investment pooling was considered to be a good idea but Funds could not pick their investment managers. Benefits could be achieved through collaboration and could provide six figure savings. There was also a beauty parade planned in another asset class that could provide a 6 figure fee saving. The fund on its own had too small a sum in property to gain savings but could as part of an asset pool.
- Investment pooling would require each Fund to set its own strategy that the pool would be required to deliver. ACCESS currently had 197 investment mandates across 14 funds, approximately 10 of which were held by NCC. None of the mandates within ACCESS were the same and all would need rationalisation.
- It was hoped passive liquids would be invested in early but active liquids were harder to arrange so quickly and may have to be invested after April 2018. Her Majesty's Treasury did understand this.

Answers to questions on the presentation were provided as follows:

- Everything was performance based. Targets were not pushed because that would be pushing against risk. Most targets were set at out-performing the market by 2.
- If it so chose the Fund could have 100% invested in equities. It was however, considered too big a risk to invest in this way. The Fund also maintained a strategy not to give too big a percentage to any manager.
- If you believed in equities you would buy during a downward trend and sell as they moved up. A decade was a short period of time in pensions terms.
- Discussions had been held with various people from the DCLG, Her Majesty's Treasury, and the Local Government Association (LGA) from which it had become clear that it was for a Fund to decide if it invested in infrastructure. There was also a clear intention that all investments were made for the benefit of the fund. Suggestions were always strongly challenged.

- The Valuation would not take account of asset pooling and officers did not know where the publically stated savings of £200-£300million were expected to be found from.
- An optimum and minimum number of sub-funds would need to be decided to gain the maximum savings. It was felt 6-7 sub funds would be a good optimum. More than that would create pressure and less than that would have an adverse affect on risks.
- The Fund had until April 2018 to start the new investments.
- Negotiation would be required with regard to closed funds and they would need to accept rationalisation and compromise.
- All performance monitoring and governance would remain with the Pool and reported back to each Fund.
- Her Majesty's Treasury had stated they wanted the new arrangements to provide better governance and control. They might eventually also achieve some infrastructure investment.

RESOLVED that: the Local Pensions Board noted the presentation on Investing Training.

21/16 Urgent Items:

The Democratic Services Manager informed the Local Pensions Board that Penny Smith had resigned from the Board and they would look to recruit a replacement by the next meeting. A letter of thanks would also be forwarded to Penny.

There being no further business, the meeting concluded at 11.50am.