



## **Pensions Committee**

Date: **Tuesday, 3 December 2019**

Time: **9:30am**

Venue: **Edwards Room, County Hall, Norwich**

### **Membership**

#### **Members**

Cllr Judy Oliver – Chairman

Cllr Danny Douglas  
Cllr Tom FitzPatrick  
Cllr Martin Storey  
Cllr Brian Watkins

#### **Co-opted Members**

Cllr John Fuller  
Cllr Alan Waters - Vice-Chairman

#### **Member Representative**

Steve Aspin

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**For further details and general enquiries about this Agenda  
please contact the Committee Officer:**

Tim Shaw on 01603 222948  
or email [timothy.shaw@norfolk.gov.uk](mailto:timothy.shaw@norfolk.gov.uk)

## **A g e n d a**

1. **To receive apologies – (please note that owing to the Trustee Status of this Committee, substitute members are not allowed)**

2. **Minutes** **(Page 5)**

To confirm the minutes of the meetings held on 1 October 2019

3. **Members to Declare any Interests**

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
  - Exercising functions of a public nature.
  - Directed to charitable purposes; or
  - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

If that is the case then you must declare such an interest but can speak and vote on the matter.

4. **To receive any items of business which the Chairman decides should be considered as a matter of urgency**

- |           |   |                   |
|-----------|---|-------------------|
| <b>5</b>  | <b>Administration Report</b>  | <b>(Page 13)</b>  |
|           | Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions  |                   |
| <b>6</b>  | <b>Update from the Pensions Oversight Board</b>   | <b>(Page 98)</b>  |
|           | Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions  |                   |
| <b>7</b>  | <b>Pensions Oversight Board Independent Chair arrangements</b>  | <b>(Page 100)</b> |
|           | Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions  |                   |
| <b>8</b>  | <b>Risk Register</b>  | <b>(Page 102)</b> |
|           | Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions  |                   |
|           | <b>Break in the meeting</b>   |                   |
| <b>9</b>  | <b>Exclusion of the Public (Items 9-13 only)</b>  |                   |
|           | The committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involve the likely disclosure of exempt information as defined by Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Act, and the public interest in maintaining the exemptions outweighs the public interest in disclosing the information. |                   |
|           | The Committee will be presented with the conclusion of the public interest test carried out by the report author and is recommended to confirm the exclusion.   |                   |
| <b>10</b> | <b>LGPS Pooling/ACCESS Update</b>   | <b>(Page 118)</b> |
|           | Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions  |                   |
| <b>11</b> | <b>Norfolk Pension Fund Governance Review Update</b>  |                   |
|           | <b>Presentation and Slides (Presentation will be available at the meeting)</b>  |                   |
| <b>12</b> | <b>Investment Performance Update by Hymans Robertson</b>  | <b>(Page 122)</b> |

**13 Investment Update; Future Strategic Considerations (Page 148)**

Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund

**14 Exempt Minutes (Page 176)**

To confirm the exempt minutes of the meeting held on 11 December 2018.

**Lunch**

**Chris Walton**  
**Head of Democratic Services**

County Hall  
Martineau Lane  
Norwich  
NR1 2DH

Date Agenda Published: 25 November 2019



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## **Pensions Committee**

### **Minutes of the meeting held on Tuesday, 1 October 2019 commencing at 9:30 am at County Hall, Norwich**

#### **Present:**

Mr S Aspin (Items 1 to 10 only)  
Mr D Douglas  
Mr T FitzPatrick  
Ms J Oliver (Chair)  
Mr M Storey  
Mr A Waters  
Mr B Watkins

#### **Officers Present:**

Simon George	Executive Director of Finance and Commercial Services
Nicola Mark	Head of the Norfolk Pension Fund
Glenn Cossey	Chief Investment Manager
Alex Younger	Investment and Actuarial Services Manager
Jo Quarterman	Norfolk Pension Fund Project and Development Manager
Tim Shaw	Committee Officer

#### **Others Present:**

William Marshall	Investment Adviser, Hymans Robertson
Rob Bilton	Hymans Robertson
Emma McCallum	Hymans Robertson
Aileen Gan	Mondrian Investment Partners
Clive Gilmore	Mondrian Investment Partners
Russell Mackie	Mondrian Investment Partners
Brian Wigg	Pensions Oversight Board

(For ease of reference, items appear in these minutes in the order in which they appear on the agenda. This was not necessarily the order in which these items were considered at the meeting).

#### **1A Apology for Absence**

**1.1** An apology for absence was received from Mr J Fuller.

## **1B Awards**

- 1.2** The Committee placed on record their congratulations to Nicola Mark, Head of the Norfolk Pension Fund, on being presented with the LGC Investment -Lifetime Achievement Award when she attended and chaired at the LGC Investment and Pensions Summit in early September 2019.
- 1.3** The Committee also placed on record their congratulations to the Norfolk Pensions Fund on having won the following LAPF Investment Awards:
- the LGPS Investment Strategy of the Year Award
  - the Collaboration Award (National LGPS Frameworks)
- 1.4** In addition, congratulations were due to Hymans Robertson on being awarded the Investment Consultancy Award for this year.

## **2 Minutes**

- 2.1** The minutes of the previous meeting held on 9 July 2019 were confirmed as a correct record and signed by the Chairman.
- 2.2** As a matter arising from the minutes it was noted that the publication date for the draft Pooling Guidance remained unknown. The draft guidance would, however, be subject to a formal consultation period of 12 weeks.

## **3 Declaration of Interest**

- 3.1** The following declarations of interest was received:
- Mr Waters declared an “other interest” because his wife was a member of the scheme.
  - Mr D Douglas declared an “other interest” because he was a member of the scheme.
  - Mr A Aspin declared an “other interest” because he was a member of the scheme and had investments with Fidelity and Standard Life who were fund managers.

## **4.1 Matters of Urgent Business**

- 4.1** The Committee received urgent business (containing exempt information) on the following issues: an Admission Agreement request and a a booklet from Hymans Robertson discussing Equitable Life (to be taken as part of item 14). These matters were urgent business because they related to developments since the publication of the agenda. With the exception of the two admission agreements, Equitable Life was considered as part of the “public interest test” at minute 5.

## **5 Exclusion of the Public Items 6-13**

- 5.1** The Committee was asked to consider excluding the public from the

meeting under Section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involved the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of the Schedule 12A to the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

- 5.2** Paragraph 3 stated “information relating to the financial or business affairs of any particular person” (including the Authority holding the information).

Having applied the “Public Interest Test” it was recommended the Pensions Committee confirm the exclusions listed below:-

**5.3 Item 6- 2019 Valuation: Whole Fund Results and Review of Funding Strategy**

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.4 Item 7- Class Actions – Latest Plaintiff Update**

The consideration of this item involved the discussion of business and commercial information including details about individual stock “buy and sell” activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.5 Item 8- LGPS Pooling/ACCESS update**

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.6 Item 9 - Norfolk Pension Fund Governance Review – Update**

The consideration of this item involved the discussion of business and

commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.7 Item 10- Investment Performance Update by Hymans Robertson (inc. Brexit Briefing)**

The consideration of this item involved the discussion of business and commercial information including details about individual stock “buy and sell” activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.8 Item 11- Investment Update – Global Equities & Setting Investment Consultant Objectives**

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.9 Item 12- Investment Manager Presentation**

The consideration of this item involved the discussion of business and commercial information including details about individual stock “buy and sell” activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice internal and third-party interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**5.10 Item 13 -Exempt Minutes**

These minutes contained commercially sensitive information related to the performance of third party individual fund management companies which if in the public domain could have a detrimental impact on the companies’ commercial revenue and consequently adverse impact on Pension Fund Performance.



## **5.11 RESOLVED**

That the above items be excluded from public disclosure by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 and the text applied above, confirming that the public interest in maintaining the exemption out-weighted the public interest in disclosing the information.

## **6. 2019 Valuation: Whole Fund Results and Review of Funding Strategy**

**6.1** The Committee received a report (containing exempt information) by the Executive Director of Finance & Commercial Services and Head of Pensions that accompanied a booklet from Hymans Robertson (Hymans) ("2019 Valuation: Whole Fund results and review of Funding strategy").

**6.2** Members carefully considered the initial results of the 2019 valuation of the Fund and proposed changes to the Funds funding strategy.

### **6.3 RESOLVED**

**That the Committee agree to the action set out in the report.**

## **7 Class Actions-Latest Plaintiff Update**

**7.1** The Committee received a verbal report, containing confidential information by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund, about two class action cases in the United States.

### **7.2 RESOLVED**

**That the Committee note the report.**

## **8 LGPS Pooling / ACCESS Update**

**8.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Head of Pensions updating Members on investment and governance matters pertaining to the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires).

### **8.2 RESOLVED**

**That the Committee note the contents of the report.**

## **9 Norfolk Pension Fund Governance Review – Update**

**9.1** The Committee received on the table a detailed booklet by Hymans (containing exempt information) ("Norfolk Pension Fund: Governance

Review Update 1 October 2019”) about progress with the governance and structural review, including:

- The structural arrangements of the Norfolk Pension Fund, including recommendations; and
- The arrangements for the transition to a new team structure to be implemented when the current head of the Norfolk Pension Fund stepped down from her current post.

## **9.2 RESOLVED**

**That the Committee note the presentation which set out progress with the main recommendations of the Governance Review.**

## **10 Investment Performance Update by Hymans Robertson (including a Brexit Briefing)**

- 10.1** Members received a detailed booklet by Hymans (containing exempt information) that reviewed Investment Managers’ performance for the second quarter of 2019 (including a Brexit Briefing).

## **10.2 RESOLVED**

**That the Committee note the detailed booklet and the work undertaken by Hymans.**

## **11 Investment Update – Global Equities & Setting Investment Consultant Objectives**

- 11.1** The Committee received the report containing exempt information, which considered two matters; the Funds value equity exposure and the impact of the Competition and Markets Authority (CMA) report reviewing the investment consultancy and fiduciary management markets.

## **11.2 RESOLVED**

**To agree the recommendation in the report**

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## **12 Investment Manager Presentation**

- 12.1** Three representatives presented a detailed booklet that was laid on the table. The representatives introduced the booklet, summarised the main issues, and responded to detailed questions by the Members.

- 12.2** The Chair thanked those that had given the presentations.

## **12.3 RESOLVED**

**To note the presentations by the Fund Manager.**

**13 Exempt Minutes of the meeting held on 9 July 2019**

- 13.1** The exempt minutes of the meeting held on 9 July 2019 were confirmed by the Committee and signed by the Chairman.

**14 Administration Report**

- 14.1** The annexed report (14) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received. The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in July 2019.

- 14.2** One item of urgent business was taken alongside this report in respect of an application for an admission agreement by Action for Children in respect of the Early Childhood & Family Service. This is in respect of the LGPS pension rights staff transferred under a contract let by Norfolk County Council.

**14.3 RESOLVED**

**That the Committee:**

- 1. Note the content of the report and specifically note the admission application by Aspen Services**
- 2. Agree that the Fund (Administering Authority) votes in favour of the proposal set out in section 4 (the transfer of Equitable Life to Utmost Life and Pensions.)**
- 3. Note the admission application by Action for Children in respect of the Early Childhood & Family Service (Norfolk County Council contract).**

**15 Update from the Pensions Oversight Board (POB)**

- 15.1** The annexed report (15) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board.

- 15.2** The Board expressed their thanks for the close working relationship they had with the Committee.

**15.3 RESOLVED**

**That the Committee NOTE the contents of the report.**

**16 Pensions Oversight Board Independent Chair Arrangements**

**16.1** The annexed report (16) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received. The report updated the Pensions Committee on the Interim Independent Chairing arrangements for the Pensions Oversight Board and proposed future arrangements.

**16.2 RESOLVED that the Committee;**

- Note the contents of the report, including the end of the current reciprocal chairing arrangement between the Norfolk and Essex Pension Funds, and record thanks to Mr Kevin MacDonald for his contribution to the establishment of and support to the Norfolk Pensions Oversight Board since its inception.
- Consider the proposals set out in this report and agree how to take forward the replacement of the existing Independent Chairing arrangements, including allowance payments, recruitment and subsequent updating of the Pensions Oversight Board's Terms of Reference.

**17 Corporate Governance and Shareholder Engagement Report**

**17.1** The annexed report (17) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received. The report was the six-month update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund. It followed the last full report to Pensions Committee in February 2019.

**17.2 RESOLVED**

**That the Committee note the contents of the report.**

**The meeting concluded at 3.05 pm**

**Chairman**

# Report to Pensions Committee

Item No. 5

<b>Report title:</b>	<b>Administration Report</b>
<b>Date of meeting:</b>	<b>3<sup>rd</sup> December 2019</b>
<b>Responsible Director:</b>	<b>Simon George, Executive Director of Finance and Commercial Services</b> <b>Nicola Mark, Head of the Norfolk Pension Fund</b>
<p><b>Executive Summary</b></p> <p>This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in October 2019.</p> <p><b>Recommendations</b></p> <p>The Committee note the content of this report and the following recommendations:</p> <ul style="list-style-type: none"> <li>• Item 5 - the Equitable Life AVCs transfer to Utmost Pensions</li> <li>• Items 9 &amp; 10 - the admission applications by Aspen Services and Lunchtimes.</li> </ul>	

<u>Item No.</u>	<u>Title</u>	<u>Appendices</u>
1	Background	
2	Governance framework for the Norfolk Pension Fund:	
	Pensions Oversight Board	
	National Scheme Advisory Board	Appendix A and B
	Ministry of Housing, Communities and Local Government (MHCLG)	
	The Pensions Regulator	Appendix C
3	Communications	
	With active and deferred scheme members	Appendix D
	With retired members	
	With Employers	
	Norfolk Pension Fund Website	Appendix E
4	Retirement Living Standards	
5	Equitable Life transfer to Utmost Pensions	Appendix F
6	Collaborative Working / Value for Money	
	CIPFA benchmarking	Appendix G
	National LGPS Frameworks	
7	Knowledge and Skills	
8	Awards	
9	Admission Agreement – Lunchtimes	
10	Admission Agreement – Aspen Services	
11	Freedom of Information Act (FoIA)	
12	Update on Bulk Transfer Values in Progress	
13	Representation on behalf of the Pension Fund	Appendix H

14	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix I
15	Other Implications	
	Equality Impact Assessment (EqIA)	
	Any other Implications	
16	Section 17 – Crime and Disorder Act	
17	Recommendations	

## **Background Papers**

Appendix A - Scheme Advisory Board update November 2019  
 Appendix B - Good Governance in the LGPS Phase II report November 2019  
 Appendix C - TPR Governance and Administration Risks in public service pensions  
 Appendix D - Pensions Clinics October 2019 Survey Results  
 Appendix E - Website Data  
 Appendix F - Equitable Life transfer to Utmost Pensions  
 Appendix G - CIPFA Benchmarking Summary Report  
 Appendix H - Representation on behalf of Pensions Committee  
 Appendix I – Pensions Committee Forward Plan

## **1 Background**

- 1.1 This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to Pensions Committee in October 2019.

## **2 Governance framework for the Norfolk Pension Fund**

### **2.1 Pensions Oversight Board**

- 2.2 Matters relating to the Pensions Oversight Board are covered by agenda items 6 and 7 at this committee meeting.

### **2.3 National Scheme Advisory Board**

- 2.4 The latest update following the November meeting of the National Scheme Advisory Board (SAB) is at Appendix A.

### **2.5 Scheme Practitioner at the SAB**

- 2.6 Since the establishment of the SAB, first in its shadow form and following its formal establishment, Nicola Mark, Head of the Norfolk Pension Fund, has been the elected scheme practitioner representative supporting the work of the Board.

- 2.7 Following the announcement of Nicola's retirement, the Board are seeking nominations for a replacement high profile and experienced Officer.

### **2.8 Good Governance Report**

- 2.9 The SAB published its [Good Governance Report Phase II](#) on the 15<sup>th</sup> November, setting out the recommendations and implementation proposals of the two working groups. The first working group focussed on defining good governance outcomes and the guidance needed to clearly set them out; and the second to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes

- 2.10 A copy of the Phase II report is at Appendix B.

- 2.11 The SAB have invited comments on the Phase II report and its recommendations. Final proposals for Phase III of the project, that will identify KPIs and develop the draft guidance required to implement these proposals, will be considered by the Board when it next meets on the 3<sup>rd</sup> February 2020.

### **2.12 Establishing investment consultant objectives – update on the CMA Order**

- 2.13 The SAB has published guidance on how the Order applies to the LGPS. The requirement for Funds to re-establish objectives for their investment consultations comes into effect from 10<sup>th</sup> December 2019. Pensions Committee approved the Norfolk Pension Fund objectives at the October 2019 meeting.

- 2.14 A number of other issues are in abeyance pending the General Election.

## 2.15 **Ministry of Housing, Communities and Local Government (MHCLG)**

MHCLG have published the [Local Government Pension Scheme Fund statistics for England and Wales \(SF3\)](#) for 2018 to 2019

2.16 The data identifies that 1 in 10 of the English & Welsh population have an LGPS entitlement. For the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers, and although local authorities represent less than 1 in 5 of these, they account for 3 out of 4 members.

2.17 A number of other issues are in abeyance pending the General Election.

## 2.18 **The Pensions Regulator**

2.19 Governance and administration risks in public service pension schemes: an engagement report'

2.20 TPR have published 'Governance and administration risks in public service pension schemes: an engagement report', following their close engagement with 10 LGPS Funds, focussing on a number of key areas of risk within the 'Code of Practice 14: Governance and administration of public service pension schemes'.

2.21 The report sets out their finding and recommendations together with case studies. Overall, they found a number of common areas, some requiring improvement but others demonstrating good practice.

2.22 The key improvements areas identified, which reflected their findings from their annual scheme surveys, were:

- Key person risk
- Pensions Boards
- Fraud / scams
- Employers

2.23 The Norfolk Pension Fund will review and update its practise against the findings as part of the overall Fund Review Programme and workstreams.

2.24 A copy of TPR's report is at Appendix C.

2.25 Public Service Governance and Administration Survey 2019

2.26 TPR has published its annual Governance and Administration survey, which we will respond to by the deadline of 29 November.

## 3 **Communications**

3.1 **With active and deferred scheme members**

3.2 Pensions Clinics and Annual Meeting

3.3 Pension Clinics (where members are invited for one-to-one meetings with our pension advisors following receipt of their annual benefit statements) were held in Norwich, Kings Lynn and Great Yarmouth in October 2019.



- 3.4 These opportunities are highly valued by scheme members. 118 individual meetings with Scheme Members took place over the 4 days. 92% of the attendees who completed the satisfaction survey were very satisfied and 100% were satisfied.
- 3.5 A copy of the survey results is at Appendix D.
- 3.6 As in the last few years, the Annual Meeting was cancelled as there was no interest expressed by members to attend.
- 3.7 Annual Allowance and Lifetime Allowance
- 3.8 Pension Savings Statements were issued to all scheme members who exceeded the Annual Allowance in 2018/19 before the statutory deadline of 6<sup>th</sup> October.
- 3.9 **With retired members**
- 3.10 Invitations to the next retired Members events (scheduled for the 11<sup>th</sup> – 14<sup>th</sup> May 2020) were sent to all pensioners with their November payslips.
- 3.11 As in previous years we will seek donations from our Custodian, Investment Advisor and Fund Managers to support this service.
- 3.12 **With employers**
- 3.13 Employer Forum
- 3.14 The Employer Forum meets on Tuesday 26<sup>th</sup> November.
- 3.15 Rob Bilton, Hymans Robertson, will attend to present the main sessions focussed on the Triennial Valuation overview and results, and the Funding Strategy Statement.
- 3.16 The Forum will also give an opportunity for Employers to speak directly with Fund Officers or the Fund Actuary following receipt of their Valuation Reports.
- 3.17 Employer Newsletter
- 3.18 Our latest Employer Newsletter will be published immediately following the Employer Forum in November.
- 3.19 This edition's main focus will be on the Triennial Valuation, the Funding Strategy Statement and Ill Health management.
- 3.20 A copy of the newsletter will be available at Pensions Committee.
- 3.21 **Norfolk Pension Fund website**
- 3.22 Usage
- 3.23 Appendix E shows the latest analysis usage of the Norfolk Pension Fund's main website.
- 3.24 The analysis shows that the website is an increasingly important source of resources, information and signposting for scheme members and employers and other stakeholders, with 23,147 unique visitors in the year 1<sup>st</sup> November 2018 to 31<sup>st</sup> October 2019.

- 3.25 The number of members registered to view their personal details on line also continues to increase, with approximately 1 in 5 scheme members now registered.
- 3.26 The page views analysis does not include visits to the secure area.
- 3.27 Website Review
- 3.28 As part of their ongoing review of member and scheme member experience, the Pensions Oversight Board have supported a review of the Fund's public facing website: [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org)
- 3.29 Following presentation to the Board in December the final report will be brought to Pensions Committee in February 2020.

## **4 Retirement Living Standards**

- 4.1 The Pensions and Lifetime Savings Association (PLSA) has published its new UK Retirement Living Standards aimed at helping people visualise their life in retirement to encourage a more effective long-term view in planning.
- 4.2 It sets out average incomes required for individuals and couples to achieve minimum, moderate, and comfortable standards of living, with these retirement lifestyles described by the expenditures on goods and services relevant and realistic to each (excluding housing costs).
- 4.3 The PLSA's ambition is for schemes to incorporate the Standards in their services to members and for the pensions sector and the Government to proactively advocate the Standards.
- 4.4 We have publicised these via our website as a further aid to help people with their retirement planning and will consider how best to make use of this resource for members in other communications and engagements.

## **5 Equitable Life transfer to Utmost Pensions**

- 5.1 The outcome from the vote from Equitable Life members was for the transfer to Utmost Pensions to proceed. The High Court hearing began on 22 November and assuming their approval is given the transfer will take effect from 1 January 2020. Hymans Robertson LLP were asked for recommendations for the transfer of member benefits to Utmost. Their recommendations are at Appendix F and are summarised here:
- NPF adopt the 3-month investment timetable
  - NPF choose to invest members' funds as follows:
    - For members under age 60, Utmost's lifestyle option; and
    - For members over age 60, in the Money Market Fund

## **6 Collaborative Working/Value for Money**

### **6.1 CIPFA Benchmarking**

- 6.2 The Norfolk Pension Fund takes part in the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club.

- 6.3 We use this data to compare our service provision with other authorities and target any areas of improvement. It helps us to understand specific service pressures that the Fund faces and to operate as effectively and efficiently as we can.
- 6.4 28 Funds participated in this year's exercise. The results indicate that the Norfolk Pension Funds cost per member is £20.01, compared with a club average of £21.34.
- 6.5 The executive summary of the results for Norfolk are at Appendix G.
- 6.6 **National LGPS Frameworks**
- 6.7 The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).
- 6.8 The latest National LGPS Frameworks Annual Meeting was held on Wednesday 27<sup>th</sup> November 2019 and was well attended by representatives from LGPS Funds and LGPS Pools.
- 6.9 Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements.
- 6.10 Since the inception of National LGPS Frameworks in 2012:
- 10 Live frameworks in place
  - 40 Funds and Pools have acted as 'Founding Authorities'
  - 101 funds and pools joining the frameworks (plus 3 non-LGPS users)
  - 330 contracts awarded
  - 137 years of estimated effort saved by procuring through the frameworks
  - £119m projected savings across the LGPS
- 6.11 The National LGPS Frameworks received the 'Collaboration Award' at the 2019 LAPF Investment Awards.

## **7 Knowledge and Skills**

- 7.1 There is an ongoing requirement for members of the Pensions Committee to demonstrate a level of knowledge commensurate with the decisions they are making.
- 7.2 Members of Pensions Committee, the Pensions Oversight Board and Officers attended 2 days focussed training on November 14<sup>th</sup> - 15<sup>th</sup>.
- 7.3 Details of the annual LGPS Governance Conference, which takes place in York 23<sup>rd</sup> - 24<sup>th</sup> January 2020 have been circulated to all members of Pensions Committee and the Pensions Oversight Board. If you haven't yet done so, please let Officers know if you would like to attend.
- 7.4 All mandatory e-learning is up to date across the team.
- 7.5 Four members of the Administration Team attended an 'Aggregation' training event delivered by the Local government Association.

- 7.6 A full Norfolk Pension Fund Team takes place on 26<sup>th</sup> November (following the Employer Forum).

## **8 Awards**

### **8.1 LAPF Investment Awards 2019**

Norfolk Pension Fund received the LGPS Investment Strategy of the Year award at this year's LAPF Investment Awards.

- 8.2 In addition, the National LGPS Frameworks received the Collaboration Award.

## **9 Admission Agreement – Lunchtimes**

- 9.1 We have received application for a new admission agreement from the catering contractor Lunchtimes, as they onboard a new contract win.
- 9.2 The admission is in respect of a contract covering Gaywood Primary School and Heacham Junior School. Both schools are part of the West Norfolk Academy Trust.
- 9.3 The admission agreement will cover only those staff transferring in respect of this contract, with the current right to LGPS membership. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.
- 9.4 The Scheme Employer (West Norfolk Academy Trust) will be party to the admission agreement.
- 9.5 The admission agreement will be constructed on the "pass through" basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1<sup>st</sup> October 2018.
- 9.6 The legal agreements will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

## **10 Admission Agreement – Aspen Services**

- 10.1 We have received application for a new admission agreement from the catering contractor Aspen Services, as they onboard a new contract win.
- 10.2 The admission is in respect of a contract covering Wroughton Infants, part of the Creative Education Trust.
- 10.3 The admission agreement will cover only those staff transferring in respect of this contract, with the current right to LGPS membership. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.
- 10.4 The Scheme Employer (Creative Education Trust) will be party to the admission agreement.
- 10.5 The admission agreement will be constructed on the "pass through" basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1<sup>st</sup> October 2018.

- 10.6 The legal agreements will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

## **11 Freedom of Information Act (FoIA)**

- 11.1 Since the last Committee papers were finalised, we have provided the following responses to Freedom of Information Act enquiries. All responses have been made via the Corporate Freedom of Information Act Officer within statutory deadlines.

11.2

29/08/2019	Preqin Ltd ENQ-361567-T8F4X4	Commitment, Contribution, Distribution, Value and IRR as of 31 <sup>st</sup> December 2018 and 31 <sup>st</sup> March 2019	Responded
02/09/2019	PEI Media ENQ-361123-M3J0J2	Investment information at the partnership level	Responded
07/10/2019	Bloomberg Private Equity Data ENQ-368929-L7S8F8	Copies of alternative investment portfolio records specifically for close-ended funds	Responded
11/10/2019	Altman ENQ-370444-K4J0N3	Quarterly cash-flow information of all private capital investments	Responded
22/10/2019	Financial Times ENQ-372290-Z4N6L5	All currency or foreign exchange transactions since January 2019 executed on behalf of the fund	Responded

## **12 Update on Bulk Transfer Values in Progress**

- 12.1 No current live transfers to report.

## **13 Representation on behalf of the Pension Fund**

- 13.1 Please see Appendix G for meetings and events which have taken place since the last Pension Committee and ones which may be of interest to trustees or officers of the Fund.

## **14 Norfolk Pension Fund – Pensions Committee Forward Plan**

- 14.1 The rolling one-year Pensions Committee Forward Plan is attached at Appendix H.

## **15 Other Implications**

- 15.1 **Equality Impact Assessment (EqIA)**

15.2 There are no issues relevant to equality in this report.

### 15.3 **Any Other Implications**

15.4 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

## 16 **Section 17 – Crime and Disorder Act**

16.1 There are no implications under the Crime and Disorder Act.

## 17 **Recommendations**

17.1 The Committee note the content of this report and specifically note the Admission Applications by Aspen Services and Lunchtimes.

17.2 The Committee note the content of this report and specifically note Equitable Life AVCs transfer to Utmost Pensions. The committee are asked to approve these recommendations. Officers will then communicate with Equitable Life/Utmost Pensions (and members when the transfer has been agreed).

## **Background Papers**

- Appendix A - Scheme Advisory Board update November 2019
- Appendix B - Good Governance in the LGPS Phase II report November 2019
- Appendix C - TPR Governance and Administration Risks in public service pensions
- Appendix D - Pensions Clinics October 2019 Survey Results
- Appendix E - Website Data
- Appendix F - Equitable Life transfer to Utmost Pensions
- Appendix G - CIPFA Benchmarking Summary Report
- Appendix H - Representation on behalf of Pensions Committee
- Appendix I - Pensions Committee Forward Plan

## **Officer Contact**

If you have any questions about matters contained in this paper please contact:

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## Board updates

### November 2019

An archive of all previously published Advisory Board updates is available [here](#).

This note summarises the meeting of the Scheme Advisory Board on the 6th November 2019. Full details of the meeting and agenda papers can be found on this website.

The Chair opened the meeting by introducing a new member, Councillor John Beesley, Chair of the Dorset Pension Fund. The Chair also thanked the practitioners representative, Nicola Marks (Norfolk Pension Fund), for her help and support over many years in what will be her last Board meeting before her retirement in December. The Chair reminded members that we were now in a pre-election period which was why MHCLG were not present at the meeting. Members were also advised that certain aspects of the Board's work and that of MHCLG may be affected in the run up to the election on the 12th December

#### Actions and Agreements

1. Jon Richards, Vice-Chair, asked the minutes of the July meeting to be amended to record that UNISON were disappointed with the outcomes of the Good Governance report published on the 31st July 2019. He also said that it was unfortunate that the working group meeting dates set to discuss the report meant that no member representatives were able to attend either meeting. He asked that in future any SAB working group meetings should be set to ensure that member and employer representatives are able to attend.
2. Jeff Houston, Board Secretary, updated members on the McCloud legal case. He explained that the Employment Tribunal has started to meet on the Judges and Firefighters' schemes but that government had yet to comment on how remedies will be applied to the other public service pension schemes. Discussions with GAD on potential costs will continue. Any resolution this financial year is unlikely.
3. Bob Holloway, Pensions Secretary, explained that the Local Pension Board is currently being prepared by an external provider and that online publication is expected before Christmas. The survey will run for two months.

#### Good Governance

4. Bob Holloway explained that as agreed by the Board in July, two working groups had been established to develop proposals for new standards of governance and administration and how these can be measured and assessed independently. Catherine McFadyen (Hymans Robertson) thanked members of the working groups for their valuable input enabling the draft Phase II report to be published in time for it to be considered by the Board.
5. The Board considered the draft report into the findings of both working groups and agreed that it should be published on the 15th November with comments invited from scheme stakeholders. The Board also considered and approved the recommendation that the Secretariat should proceed with Phase III of the project including working up a set of key performance indicators and drafting instructions for revised statutory guidance on governance compliance statements. Proposals will be considered by the Board when it next meets on the 3rd February 2020.

#### Cost Management Committee Report

6. George Georgiou (GMB), Committee Chair, updated Board members on the committee meeting held on the 7th October 2019.
7. 95k Cap – The Board was advised that HMT still intend to bring forward regulations on the 95k Cap but there has been no confirmation when this will be. April 2020 is a possibility if the government publishes its response to the earlier consultation in the New Year.

8. Cost Management - Following Jeff Houston's update under "Actions and Agreements", the Board agreed the committee's recommendation that a small working group should be established to work with MHCLG, GAD and other scheme stakeholders to develop proposals and costing for the scheme's remedy arrangement.

9. CMI Data Request – The Board was advised that the committee had endorsed the request from Continuous Mortality Investigation (CMI) for GAD to release local mortality data in exchange for a benchmarking facility to administering authorities. In response to a question from Nicola Mark about the motive behind the request, Colin Wilson (GAD) confirmed that CMI is a chartered profession

### **Investment, Governance and Engagements Committee report**

10. Councillor Yvonne Johnson, (Chair of Ealing Pension Fund), Committee Chair, updated Board members on the committee meeting held on the 14th October 2019.

11. Responsible Investment Guidance – The Board was advised that the committee had considered and approved the draft of Part I of the responsible investment guidance that aims to set out the parameters within which investment decision makers in the LGPS can operate under scheme regulations, statutory guidance, the general public law and their fiduciary duty. The Board approved the committee's recommendation and agreed that the draft guidance should be published for consultation until the end of the year.

12. The Board also approved the committee's recommendation that the Secretariat should commence work on Part II of the guidance the aim of which is to offer practical help to investment decision makers who want to increase the integration of ESG policies in their investment strategies.

13. UK Stewardship Code – The Board was advised that the Financial Reporting Council has published the new stewardship code that will come into effect in the New Year. Bob Holloway explained that the FRC will be taking a more proactive approach in checking activity under the new code. Existing signatories to the Code will need to re-apply under the new code.

14. CMA Order – The Board was advised that new advice has been posted on the Board's web site at [www.lgpsboard.org](http://www.lgpsboard.org). In summary, the scheme would not be affected by remedy 1 of the Order (procurement of fiduciary managers) but will need to comply with remedy 7, setting strategic objectives for external consultants. This will need to be in place by the 10th December 2019 but the Board was advised that MHCLG will not be in a position to make necessary amendments to scheme provisions until after that date. Administering authorities are therefore being advised to anticipate the new requirement and have their strategic objectives in place before the deadline of the 10th December.

15. Committee membership – The Board accepted the committee's recommendation that Councillor Robert Chapman (Chair of Hackney Pension Fund) should become a member of the committee.

16. Cost Transparency – The Board was advised that Byhiras had been successful in the exercise to procure an entity to ensure compliance with the Code by asset managers. The system being developed would enable asset owners to compare their own data against the average at asset class and cost type level.

17. A programme of meetings with stakeholders in conjunction with initial testing has begun, with further engagement planned over the coming months.

### **AOB**

18. Asset Pool Governance – The Chair reported that a meeting had been held with the Chairs of the pool companies and that a further meeting with the Chairs of the various joint committees were planned. Board members discussed engagement with LGPS pools and agreed that this was an important area of work considering the differing roles, relationships and transition oversight. The Board also agreed that the Chair should write to the three asset pools asking for their reasons why membership of their governance arrangement has not been extended to include scheme member representatives.



19. Pension Regulator's Codes of Practice – Joe Dabrowski (PLSA) informed the Board that TPR was planning a single, modular Code as an online tool for pension schemes. The Board agreed to invite TPR to the next Board meeting in February.

20 . The Board was advised that the next meeting was scheduled for the 3rd February 2020.



# Good governance in the LGPS

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Phase II report from Working Groups to SAB

November 2019



## Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

## Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

**Euan Miller** Assistant Director of Pensions (Funding and Business Development), Greater Manchester Pension Fund

**Peter Moore** Chair of CIPFA's Pensions Panel

**Mark Wynn** Director of Corporate Services at Cheshire West and Chester Council, SCT

**Nick Gannon** TPR

**Con Hargrave** MHCLG

**Jenny Poole** Head of Finance & Audit/GO Shared Services at Cotswold District Council

**John Raisin** Independent Advisor

**Joe Dabrowski** Head of DB, LGPS and Standards, PLSA

**Karen McWilliam** Consultant, Aon

**Jeffrey Dong** Chief Treasury Officer at City & County of Swansea, SWT

**Caroline Holland** Director of Corporate Services at London Borough of Merton, SLT

**Nicola Mark** Head of the Norfolk Pension Fund, Practitioner representative to SAB

**Annemarie Allen** Consultant, Barnet Waddingham

**Chris Moore** Director of Corporate Services and Section 151 Officer, Carmarthenshire County Council

**Rachel Brothwood** Director of Pensions, West Midlands Pension Fund

**Robert Holloway** SAB secretariat, LGA

**Jeff Houston** SAB secretariat, LGA

**Jon Richards** Unison

**David Aldous** National Audit Office

**Yvonne Johnson** Chair of the Pension Fund Panel, London Borough of Ealing, Scheme Employer Representative, SAB.

### Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law



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# Terminology

## Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

## Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

**Administering authority** refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example "Each administering authority must publish an annual report."

**Committee.** A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example "The pensions committee should have a role in developing the business plan."

**Host authority** refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example "Delivery of the LGPS function must be constant with the constitution of the host authority."

**The fund** carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example "Taking this course of action will improve the fund's administration".

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example "The number of fund employers has increased in recent years."

# Workstream 1: Standards and outcomes

## Proposals and background

### A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. ("the LGPS senior officer"). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund's business. The role of the responsible person should be assigned through the host authority's scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority's s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

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**A.1** MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").

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**A.2** Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").

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**A.3** Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.

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## B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

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**B.1** Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

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**B.2** The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

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## C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

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**C.1** Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

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## D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

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- D.1** Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- 
- D.2** Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- 
- D.3** Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- 
- D.4** CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
-

## E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a "roles and responsibilities matrix" which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The "roles and responsibilities matrix" should reflect the host authority's scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund's budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund's business plan and deliverables for the forthcoming year. The practice should not simply be to update last year's budget by an inflationary measure or specify an "available" budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund's business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority's scheme of delegation and constitution.







## E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

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**E.1** Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

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**E.2** Each administering authority must publish an administration strategy.

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**E.3** Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

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**E.4** Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

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**E.5** Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

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# Workstream 2: Compliance and improvement

## F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
  - a. It will be mandatory for each Fund to commission an Independent Governance Review ("IGR") which will audit the fund's Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
  - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
  - c. It is critical that the IGR should be conducted by appropriate persons who:
    - properly understand the LGPS;
    - are sufficiently at arm's length from the administering authority's pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
    - are in some way "accredited" to ensure consistent standards of review.
  - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
  - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
  - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
  - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
  - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
  - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
  - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
  - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
  - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
  - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
  - n. Failure to submit an IGR report by the required date will result in automatic referral.
  - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
  - p. Nothing in this process overrides an individual's responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.







## F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

**F.1** Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

**F.2** LGA to consider establishing a peer review process for LGPS Funds.

### Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG

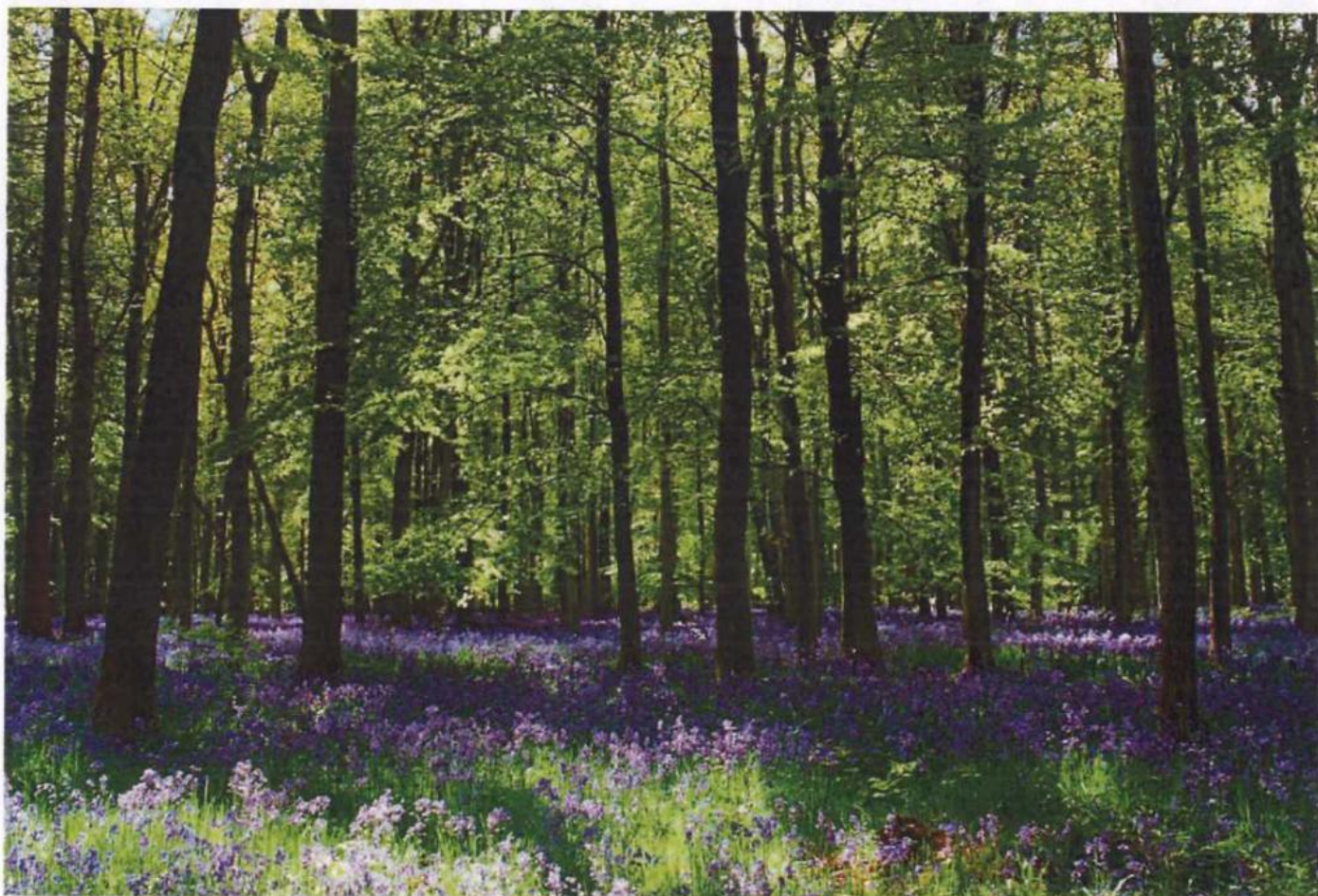


# Next steps

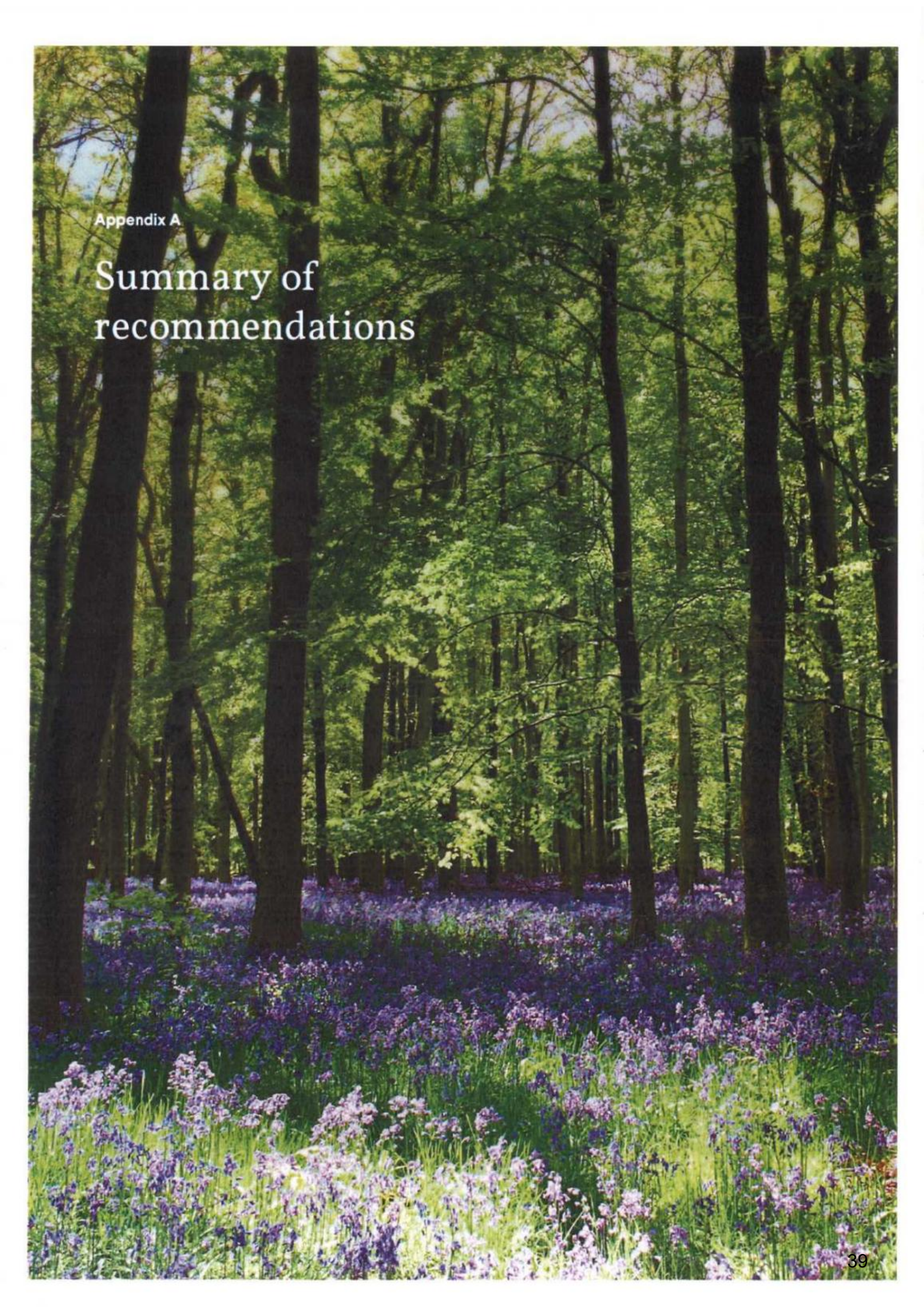
The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.





A photograph of a forest floor covered in purple flowers, with tall trees in the background.

Appendix A

## Summary of recommendations



Area	Proposal
<b>A. General</b>	<b>A.1</b> MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
	<b>A.2</b> Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
	<b>A.3</b> Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
<b>B. Conflicts of interest</b>	<b>B.1</b> Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	<b>B.2</b> The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
<b>C. Representation</b>	<b>C.1</b> Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
<b>D. Knowledge and understanding</b>	<b>D.1</b> Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	<b>D.2</b> Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	<b>D.3</b> Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	<b>D.4</b> CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
<b>E. Service delivery for the LGPS function</b>	<b>E.1</b> Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.
	<b>E.2</b> Each administering authority must publish an administration strategy.
	<b>E.3</b> Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	<b>E.4</b> Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	<b>E.5</b> Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
<b>F. Compliance and improvement</b>	<b>F.1</b> Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	<b>F.2</b> LGA to consider establishing a peer review process for LGPS Funds.







# Governance and administration risks in public service pension schemes: an engagement report

Findings from our engagement with 10 local government funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. As part of each engagement we fed back on good practice and suggested improvements that could be made.

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The engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. We were pleased to note that scheme managers were already sharing good practice with their LGPS peers and hope that working with us offered scheme managers a new perspective on their funds.

We carried out this review at a high level based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.

It is not a comprehensive evaluation of the funds' operations and is not intended to replace audit requirements, nor is it to be

considered as regulatory assurance or an endorsement of the fund by The Pensions Regulator (TPR).

## Glossary of terms

Term	Description
CETV	Cash Equivalent Transfer Value, a valuation of a members benefit entitlement that can be transferred to another scheme.
FCA	The Financial Conduct Authority, which regulates firms in the financial sector including IFAs.
Firm	A business in the financial sector carrying out activities that require authorisation from the FCA.
Fund	A locally administered element of a wider pension scheme.
IFA	Independent Financial Adviser, a person with FCA authorisation to advise people about financial decisions.
Member	A person who has paid into and expects to receive or is receiving a benefit from a pension scheme.
PAS	Pension Administration Strategy, a document detailing roles and responsibilities as well as penalties for non-compliance with duties to the fund.

Pension Board	A body that supports and advises the scheme manager.
Pension committee	A body running a pension scheme with the delegated authority of the scheme manager.
PSPS	Public Service Pension Scheme
Saver	A potential beneficiary of a pension scheme, whether or not they are a member.
s.151 officer	A senior member of staff at a Local Authority. Controls resourcing across the Authority, including for the running of the local element of the Local Government Pension Scheme.
Scheme	A pension scheme which may have separate funds within it.
Scheme manager	The person or body legally responsible for the operation of a PSPS.
SLA	Service Level Agreement, an agreed and measurable level of quality usually forming part of a contract.

## Executive summary

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our [annual public service governance and administration survey](#)

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis#b856d02f01714192895cdb91e84a4410>

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**Key person risk:** While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.

**Pension boards:** Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

**Fraud / scams:** We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.

**Employers:** We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The following sections detail our findings and recommendations, together with case studies we believe will be helpful to the PSPS community.

## Key findings and associated case studies

## Area of focus: Record-keeping

### Code of Practice 14 – Governance and administration of public service pension schemes

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4>)

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings	Recommendations
<p>Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete.</p> <p>Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to</p>	<ul style="list-style-type: none"><li>● Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate.</li><li>● The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.</li></ul>

<p>improve data quality, including tracing exercises and improving contract management methods.</p> <p>They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.</p>	<ul style="list-style-type: none"> <li>● Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The Pension Board should review the PAS and ensure it will stand up to challenges from employers.</li> </ul>
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### Record-keeping case study 1

One scheme manager we engaged with identified concerns with the accuracy of both the common and scheme specific data it held about the fund members. Following engagement with TPR, the scheme manager created and implemented a robust data improvement plan to drive up record-keeping standards.

One of the data areas of concern for the scheme manager was the number of missing member addresses - this resulted in data scores of 60-80% for common and scheme specific categories. After a review of available resources, the scheme manager undertook a tracing exercise and within a short period of time was able to locate and carry out existence checks on over 90% of the deferred members without known addresses. The exercise also involved reviewing the way active and pensioner members are communicated with to ensure the fund holds the correct contact details for them.

This is an example of a scheme manager taking a holistic approach to improving its record-keeping standards. It gave consideration to the resource available so the project achieved a positive result while providing good value for money. The scheme manager has established that having a data improvement plan which is regularly reviewed will improve oversight of the actions it needs to take and the associated deadlines.

## Record-keeping case study 2

The scheme manager of a fund we engaged with openly communicated with us about the challenges it faced in producing Annual Benefit Statements. We were told delays were caused by employers not providing member data to the scheme manager on time, and there were issues with the accuracy of some member data provided by employers.

Having considered its operational structure, and our expectations on governance and administration, the scheme manager reorganised itself internally. With the support of the s.151 officer, the scheme manager developed and implemented a robust data improvement plan which could be measured.

As well as creating a data improvement plan the scheme manager also strengthened its pension administration strategy, outlining responsibilities and the timeframes for action. This document made the consequences of non-compliance by employers clear, such as financial penalties. The scheme manager has also introduced regular employer forums to help further raise standards with employers.

As a result the scheme manager has seen a marked improvement in employer engagement and the quality of member data it holds. It continues to actively monitor both data quality and employer compliance.

## Area of focus: Internal controls

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#d4afe35ae78c404688a62e103fd192c5)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#d4afe35ae78c404688a62e103fd192c5>)

The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Findings	Recommendations



There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks.

We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role.

Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.

- A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board.
- The scheme manager should take a holistic view to risks and understand how they are connected.
- The pension board should have good oversight of the risks and review these at each pension board meeting.
- Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels.
- The scheme manager should ensure all processes are documented and reviewed on a regular basis.
- Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.

### **Internal controls case study 1**

A scheme manager has reviewed the approach it takes to maintaining a risk register, having found the approach it was taking could be more effective.

The scheme manager developed a high level document which identifies a wide range of risks with all members of the senior leadership team having a role in the identification and scoring of potential risks.

This document is supported by detailed 'risk maps' which provide:

- (i) a description of the identified risks
- (ii) the person responsible for overseeing the risk
- (iii) how the risk is scored and
- (iv) details of the mitigating actions and controls in place

Action points identified have clear timescales for completion with an identified person being responsible for delivery.

The full risk register is made available to the pension committee and pension board each time they meet and its review is a standing item on both agendas. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

This is an example of a fund which is engaged at all levels of seniority to identify and mitigate risks to good saver outcomes. There are clear, identified processes in place along with strong oversight of the work being done. This approach was devised before TPR began to engage with the scheme manager and demonstrates a clear desire to improve.

### **Internal controls case study 2**

A scheme manager has developed two risk registers, one for the pension committee (which acts as delegated scheme manager) and a separate, shorter, register for the pension board.

The risk register for the pension board had been reduced in size and detail at the request of the pension board. We have concerns the reduced risk register will prevent the pension board members from having full oversight of all the fund's risk and applying their knowledge and understanding in an appropriate way as they will not

be fully conversant with the facts surrounding each risk.

The pension board also only reviews the risk register twice a year. We believe the risk register should be a standing item on the agenda for both the pension committee and the pension board and reviewed at each meeting – ie it will be reviewed at least each four times a year by each body.

We gave feedback to the scheme manager about our concerns and recommendations, and would encourage funds that adopt similar practices to consider how they can make more effective use of the pension board and improve the engagement levels of its members.

## Area of focus: Administrators

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#458801ec082a49e0bb494b6ff7480d12)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#458801ec082a49e0bb494b6ff7480d12>)

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings	Recommendations
Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports	<ul style="list-style-type: none"><li>● Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met.</li></ul>

<p>from administrators to ensure they fully understand the work being done.</p> <p>Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members.</p> <p>There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.</p>	<ul style="list-style-type: none"> <li>● Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator.</li> <li>● It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided.</li> <li>● Scheme managers should hold regular meetings with their service providers to monitor performance.</li> </ul>
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### Administrator case study 1

A scheme manager had entered into a outsourcing contract with an administrator. The administrator's performance over a period of time was unsatisfactory, and targets and SLAs were not consistently met. Despite the council's finance director personally intervening with the administrator, matters were not improved to acceptable levels and penalty clauses were invoked.

The scheme manager decided to terminate the contract and review alternative administrative options, with a key aim of including more

visibility, which the previous contract type arrangement had not provided.

The scheme manager decided not to take the administration back in house, but to enter into a third option, a shared service partnership with another administrator. This is charged on a shared cost per member basis. The new administrator also provides administrative services for a few other public service funds. The scheme manager is now part of a collaborative board and engages regularly with other scheme managers, has better visibility and good reporting functionality which now enables easy monitoring of the administrator's performance.

Data quality improvements were recognised as a key focus for the new administrator on its appointment. The scheme manager developed and put in place a robust data improvement plan with the new administrator and has made considerable improvements in its data quality scores in a short period of time. They are now using the plan as a living document to continue to target the areas needing improvement.

## **Administrator case study 2**

One of the scheme managers had appointed a third party administrator using a partnership agreement, rather than a commercial contract. This demonstrates one of a number of approaches taken by scheme managers to secure administration services.

The scheme manager has established a clear set of objectives for the administrator and receives monthly reports about whether these are being met. The reports are shared with the pension board. Additionally, at each pension board meeting a representative of the administrator is present. This allows the pension board members to directly question the administrator about the work it is doing on behalf of the scheme manager and ensure that good saver outcomes are achieved.

Even when a scheme manager uses an outsourced administration service it remains liable for the work done on its behalf. This example demonstrates positive steps taken by a scheme manager to ensure it has effective oversight and can hold an administrator to account.

### Administrator case study 3

A scheme manager was informed that its third party administrator intended to restructure in order to improve the level of service it provided to its clients. The administrator was confident that the restructure would not affect its business as usual work and the scheme manager took comfort from this without seeking more detailed assurances.

The restructure did not go as planned, which led to delays in member data being processed and SLAs not being met for around six months. The scheme manager has since increased the number of both operational and strategic meetings it holds with the administrator to combat the declining performance of the administrator.

As part of this work the scheme manager has set clearly documented expectations and provided priorities to the administrator to minimise the number and impact of poor saver outcomes. The scheme manager has now developed new ways of working with the administrator to ensure it probes the administrator's plans in more detail in the future.

This is an example of a scheme manager placing excessive reliance on assurances from an administrator without seeking evidence that supported the assurances. Robust contract management is important and will help scheme managers to identify upcoming risks to savers and to build a strong understanding of the information being provided.

### Area of focus: Member communication

#### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#d4afe35ae78c404688a62e103fd192c5)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#d4afe35ae78c404688a62e103fd192c5>)

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings	Recommendations
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<p>A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive.</p> <p>Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.</p>	<ul style="list-style-type: none"> <li>● Information sent to members should be clear, precise and free from jargon.</li> <li>● There should be senior oversight of communications sent to members and prospective members.</li> <li>● It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.</li> </ul>
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### Member communication case study 1

A scheme manager had previously delegated responsibility for communication with members to its third party administrator. However, it had a number of concerns about the quality of the service being provided, which included how members were kept informed and the level of detail provided.

The scheme manager took the decision to change its administrator and has now taken greater control over the communication with members. This has led to the development of a new pension administration strategy, with clear expectations around member communications being set and monitored.

A new website is being developed and the scheme manager recognises that having a clear online presence is an important method of communicating with current and potential members.

It is important to communicate with members, potential members and other relevant savers in a clear way. The information provided by a scheme manager will be used by members to make important decisions about their financial affairs. This is an example of a scheme manager looking to improve the member experience through revising the way it communicates.

## **Member communication case study 2**

We engaged with a scheme manager that has developed a detailed communication strategy, which covers the content, frequency, format and methods of communicating. The scheme manager actively promotes the benefits of joining the fund to prospective members and through the participating employers.

Two people are responsible for different aspects of member communications, with all material being formally approved by the scheme manager before being used. The scheme manager has developed a wide range of accessible materials for savers, including a website, a wide range of information booklets, and newsletters.

Members are informed clearly of how they can raise any queries or concerns about the operation of the fund. This includes members being able to go to the scheme manager's offices in person to discuss any queries with a suitable member of staff.

The scheme manager conducts annual surveys of its members, publishing the outcomes on its website and in its annual report. It uses this information, together with complaint trends, to identify how it can provide a better service to savers.



## Area of focus: Internal Dispute Resolution Procedure (IDRP)

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4>)

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings	Recommendations
<p>Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries.</p> <p>Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers.</p>	<ul style="list-style-type: none"><li>● There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff.</li><li>● People entitled to use the IDRP should be given clear information about how it operates.</li><li>● This information should be easily available, eg on the fund website.</li><li>● The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house.</li><li>● Complaints and compliments could be</li></ul>

<p>Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.</p>	<p>analysed to identify changes that can be made to improve the operation of the fund.</p>
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### **IDRP case study 1**

All the scheme managers we engaged with operate a two stage IDRP, where the first and second stages are looked at by people who are independent of each other.

Initially, one of the scheme managers we engaged with didn't have oversight of complaints entering the first stage of the IDRP. These complaints were dealt with by employers as they were not considered to be issues about the fund or an in-house administration matter. This meant the scheme manager did not have full oversight of the first stage complaints and therefore could not identify whether there were any trends or patterns that needed addressing, eg an employer training issue.

Following engagement as part of the cohort work, we recommended that the scheme manager develop greater oversight of the work being done on its behalf. The scheme manager now recognises this is an area where it should improve and has amended its processes to ensure it is aware of how member outcomes are being managed when first stage IDRP complaints are received.

### **IDRP case study 2**

Like all other funds we engaged with, this scheme manager operates a two tier IDRP. However, the scheme manager stood out in this instance for the detailed and methodical manner in which it records complaints that are raised.

All complaints are recorded in a single log which detail how it progresses, potentially from an initial concern through to a finding

issued by the Pensions Ombudsman. This allows the scheme manager to analyse complaint trends and the learning points are used to improve the operation of the fund.

Additionally, all actions relating to complaints have a clear owner. This allows for strict quality control and helps ensure complaints are dealt with as soon as possible.

We would encourage all scheme managers, where they have not already done so, to adopt a detailed and auditable approach to monitor complaints and compliments received through all channels.

## Area of focus: pension boards

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4>)

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function.

Findings	Recommendations
Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board.	<ul style="list-style-type: none"><li>● The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance.</li><li>● Individual pension board member training and training needs should be assessed and clearly recorded.</li><li>● The pension board should meet an</li></ul>

We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding.

The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager, including a willingness to challenge, we found better-run funds.

appropriate number of times a year, at least quarterly.

- Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager.
- Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs.
- Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration of the fund.
- The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency.
- Pension board members should be fully engaged and challenge parties where appropriate.

## **Pension board case study 1**

One scheme manager spoke to us about the challenge it has faced regarding attendance at pension board meetings, and ensuring the pension board has the required level of knowledge and understanding. At one time it had to reschedule a meeting of the pension board because so few people attended the meeting.

Since then the scheme manager has changed its policy on pension board meetings. One pension board member with a low attendance record has been removed and replaced with a more engaged representative.

The scheme manager is also reviewing how it records the training that pension board members attend. Currently, training is recorded at a high level and there is no clear method of identifying training needs, although informal discussions take place between the scheme manager and individual pension board members.

The scheme manager has recognised that it needs to better understand how pension board members are meeting their obligation to have an appropriate level of knowledge.

## **Pension board case study 2**

Another scheme manager we engaged with has reviewed how the pension board operates and decided to appoint an independent chair. While the chair does not have voting rights, this person lends their expertise to the running of the pension board to ensure meetings run effectively.

Having an independent chair is not compulsory but in this instance is a positive example of a scheme manager being aware of the needs of the local pension board and taking steps to ensure it operates effectively.

The scheme manager has also developed a strong working relationship with the chair, holding a number of informal meetings outside of the formal pension board meetings. This working practice allows the scheme manager to ensure the pension board receives all the information it needs and that the scheme manager can comprehensively answer any anticipated questions.

## Area of focus: Employers and contributions

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#e6e12897999d45e5bc8ead7983fd15b4>)

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

<

Findings	Recommendations
Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems.	<ul style="list-style-type: none"><li>● Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus.</li><li>● Employer solvency should be considered on an ongoing basis and not just at the time of each valuation.</li><li>● Where employers outsource the payroll function, early engagement with the employer on the potential risks will help</li></ul>

Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk.

Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types, generally those with larger funds.

Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.

them manage their supplier.

- Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations.
- Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees.
- Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security.
- Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets.
- Where security is in place, Scheme Managers should have a policy on



	when the security should be triggered.
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### Employer case study 1

Having a robust method for reviewing employer risk is a high priority for one of the scheme managers we engaged with. It has developed a process to maintain oversight of the various participating employers in the fund, covering a range of topics from the provision of member data to the strength of the employer covenant.

Each employer is risk rated and the risk levels are regularly monitored. This allows the scheme manager to gain advance notice of potential problems so it can take steps to mitigate the risks and to provide comfort that guarantors are in a position to pay additional amounts to the fund if a call on the guarantee is made.

This information is also used to inform employers of any failures to meet their obligations to the fund at an early stage, identifying action points they need to carry out.

### Employer case study 2

Scheme manager 1 has decided to incorporate a charging policy for seeking the reimbursement of costs caused by an employer's failure to comply with its obligations into admission agreements. This means the scheme manager has a clear policy in place that all employers will be aware of when they start to participate in the fund.

Not all scheme managers have approached the issue of employer compliance in the same way. Scheme manager 2 has a small portfolio of participating employers and relies on having a good relationship with them in order to achieve compliance. This scheme manager also considers that as most employers are supported by central government it need not be concerned with affordability.

We were concerned about the lack of formal processes to ensure compliance. While the scheme manager has not encountered difficulties to date, we have recommended that it makes some improvements. Additionally, all scheme managers should remember that, should a participating employer suffer an insolvency event, any

missing payments due to the fund will need to be paid by someone and there should not be an over-reliance on the taxpayer and other employers.

## Area of focus: Cyber security

**[Guidance: Cyber security principles for pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/cyber-security-principles-the-pensions-regulator)**  
(<https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/cyber-security-principles-the-pensions-regulator>)

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. Scheme managers need to take steps to protect their members and assets accordingly.

Findings	Recommendations
<p>Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority.</p> <p>Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager.</p>	<ul style="list-style-type: none"><li>● Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.</li><li>● Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks.</li><li>● Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the</li></ul>

<p>Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.</p>	<p>procedure and ensure the fund's requirements are met.</p> <ul style="list-style-type: none"> <li>● Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.</li> </ul>
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### Cyber security case study 1

A scheme manager we engaged with identified cyber security as one of the top risks to the fund. It demonstrated a good awareness of the processes put in place by the Local Authority and carries out testing of these processes.

The scheme manager had recently tested both its cyber defences and the wider business continuity plan. As a result it is confident it can provide a good service to savers in the event of a wide variety of disaster scenarios.

As part of our engagement we also found the scheme manager has processes in place to assess the adequacy of steps taken by its service providers to protect member data. This gives the scheme manager comfort that member data will be secure when being handled by other bodies.

Although the scheme manager has not implemented its own controls it has rigorously reviewed the process put in place by the Local Authority. It has satisfied itself that those processes are of a sufficient standard to protect the fund and its savers.

### Cyber security case study 2

A scheme manager had not considered the importance of cyber security until we engaged with them as part of this work. The scheme manager was reliant on the security measures put in place by the council but did not engage on the topic, so it was not clear how it was affected.

Cyber security did not appear on the fund's risk register and the scheme manager was not actively considering the dangers of a successful cyber attack on the fund.

Following our engagement, the scheme manager has developed its understanding of the risks surrounding cyber security. It now records the risk on its risk register and as part of the Local Authority's strategy all staff will receive mandatory training in cyber security.

The scheme manager has also started engaging with third party service providers to ensure they also have robust cyber security and data protection procedures in place. This gives the scheme manager better oversight of how member data is protected when not under the scheme manager's direct control and marks a significant improvement in how this risk is monitored and mitigated.

## Area of focus: Internal fraud and false claims

### [Code of Practice 14 – Governance and administration of public service pension schemes](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#015b082d7b984f94a598a6377fae1b29)

(<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice#015b082d7b984f94a598a6377fae1b29>)

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings	Recommendations
Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of	<ul style="list-style-type: none"><li>● Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud.</li><li>● A clearly auditable process should be in place for the authorising</li></ul>

<p>publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.</p> <p>Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity.</p> <p>Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.</p>	<p>of payments. Ideally, this would require more than one person to provide authority to make the payment.</p> <ul style="list-style-type: none"> <li>● A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver.</li> <li>● Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence.</li> <li>● When paper records are being used they should be held securely to prevent the risk of loss or mis-appropriation.</li> </ul>
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### Fraud case study 1

A scheme manager has worked with its administrator to put in stringent measures to prevent fraudulent activity. In addition to participating in the National Fraud Initiative, it does regular life certificate exercises as part of the fund's policy, checking mortality

and addresses. Where doubts are raised the scheme manager will suspend payments pending clarification.

Many of the members of the fund are now non-resident in the UK, which provides challenges to the scheme manager in locating members. The scheme manager has adopted an innovative use of technology for the foreign domiciled members by arranging video calls to speak to the member who must show their passports to provide their identity and confirm personal details.

The scheme manager demonstrated good awareness of the risk of internal fraud by connected persons, and there is clear segregation of duties. Additionally the workflow processes being system driven provide automatic checks with different people checking and authorising the processes. Suspicious payments are immediately reported to senior management to check.

Fraud reporting policies are clear, and internal auditors are involved whenever there is suspicion of a fraudulent activity. The fraud reporting goes immediately to directorship and chief executive level.

## **Fraud case study 2**

In this instance the scheme manager has strong controls in place to identify potential frauds against the fund assets.

The scheme manager works with the National Fraud Initiative to identify instances of possibly fraudulent claims for a benefit from the fund. The scheme manager's work in this area is supplemented by its involvement with the 'Tell Us Once' initiative and the use of a third party agency to help identify when beneficiaries have passed away.

The scheme manager also demonstrated an awareness of the risks associated with members and other potential beneficiaries being overseas. It carries out existence checks on these people as well as those residing in the United Kingdom.

When a payment is due to be made, the scheme manager has introduced a vigorous set of controls. This has led to a clear separation of duties and the requirement for payments to be independently authorised, reducing the risk of fund employees misappropriating fund assets.

## Conclusion

We've outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

- Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority's policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk.
- Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.



- Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.
- Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

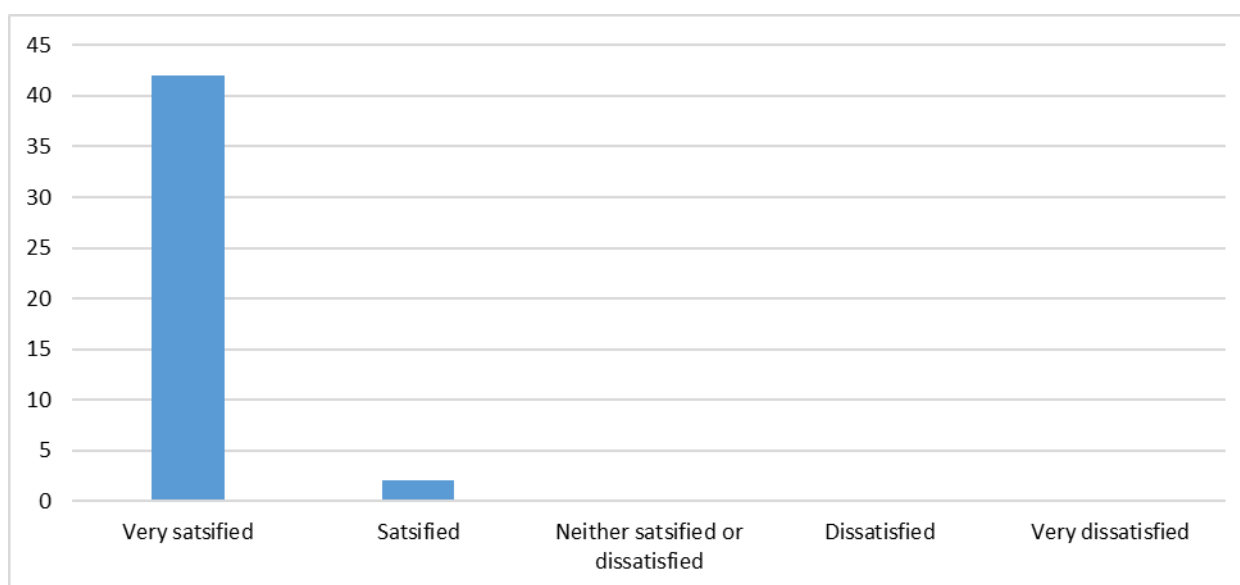
## Pension Clinics - October 2019

## Survey Results

## Summary

- The Pension Clinics were held in:
  - Norwich (Lawrence House) on 22, 23 and 29 October 2019
  - Great Yarmouth on 24 October 2019
  - King's Lynn on 25 and 28 October 2019
- A total of 118 scheme members attended across all dates compared to 125 in 2018 (93 in 2017).
- A total of 44 surveys were completed.

1. Overall how satisfied were you with the service you received from the Norfolk Pension Fund today?



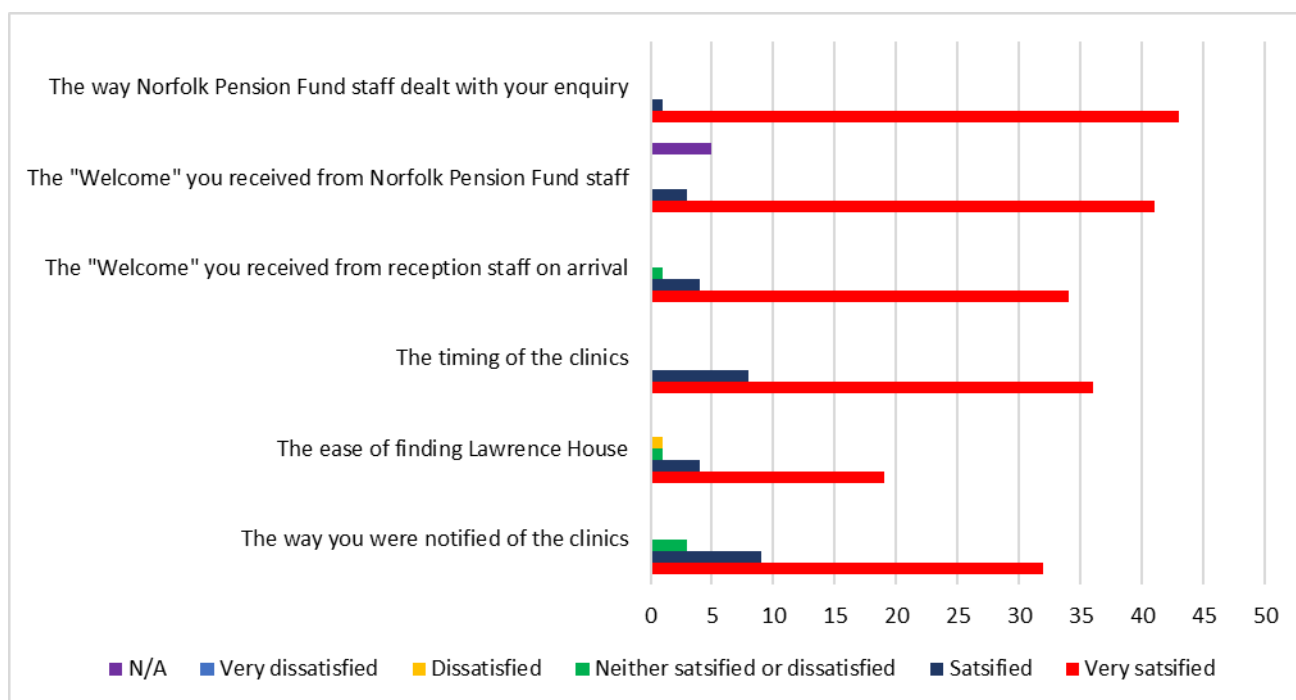
	2019	2018	2017
Very satisfied	92%	86%	84%
Satisfied	8%	14%	16%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Please tell us why you feel this way

- Very concise information and clear
- Daniel was understanding and explained at a pace which suited my situation. Very honest and clear

- Patsy was very clear. Made jargon understandable and was able to answer all my questions clearly – also documented an action plan which increased my confidence. Much appreciated
- Very informative. Clear and precise. I didn't feel rushed. Patsy was very welcoming and made me feel at ease
- Informative
- Every question answered full
- Explains everything in an understandable way
- It was really useful. Thank you very much for providing these face-to-face appointments
- All questions answered
- All of my questions were answered well and concisely
- Slotted me in at 10am. Very helpful
- Answered all my questions
- Very helpful
- Full explanation of deferred pension
- Knowledgeable staff
- Answered all the questions I need
- I knew nothing when I arrived and I now have plenty to think about
- All my questions were answered and additional information given. Good advice given
- Given the information I asked for
- The information I requested before my appointment was available to see and take home
- I had questions – they were answered clearly
- Very helpful clear advice explained in a user-friendly way
- I was able to get all the information I needed
- Clear, helpful advice
- Prompt, helpful, informative
- Very professional, friendly service
- Very helpful and informative
- Clear information. Was able to answer all my question
- Matthew answered all my questions full
- Less confusing
- Got all the answers I needed
- Starting from a low point of understanding (!), staff were able to explain my booklet in a straightforward and easy to understand way
- Really helpful and informative
- Good information, helpful and well prepared
- Efficient and answered all my questions
- Very helpful

## 2. How satisfied were you with the following parts of the event?



### a. The way you were notified of the clinics

Total	2019	2018	2017
Very satisfied	73%	57%	74%
Satisfied	21%	36%	21%
Neither satisfied or dissatisfied	6%	5%	5%
Dissatisfied	0%	2%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### b. The ease of finding Lawrence House

	2019	2018	2017
Very satisfied	76%	64%	67%
Satisfied	16%	25%	33%
Neither satisfied or dissatisfied	4%	2%	0%
Dissatisfied	4%	2%	0%
N/A	0%	7%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**c. The timing of the clinics**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Very satisfied	82%	77%	74%
Satisfied	18%	23%	26%
Neither satisfied or dissatisfied	2%	1%	N/A
Dissatisfied	0%	0%	0%
Very dissatisfied	0%	0%	0%
N/A	0%	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**d. The “Welcome” you received from reception staff on arrival**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Very satisfied	77%	83%	74%
Satisfied	9%	15%	26%
Neither satisfied or dissatisfied	2%	1%	N/A
Dissatisfied	0%	0%	0%
Very dissatisfied	0%	0%	0%
N/A	12%	1%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**e. The “Welcome” you received from Norfolk Pension Fund staff**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Very satisfied	93%	92%	82%
Satisfied	7%	8%	18%
Neither satisfied or dissatisfied	0%	1%	N/A
Dissatisfied	0%	0%	0%
Very dissatisfied	0%	0%	0%
N/A	0%	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**f. The way Norfolk Pension Fund staff dealt with your enquiry**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Very satisfied	98%	92%	87%
Satisfied	2%	8%	13%
Neither satisfied or dissatisfied	0%	1%	N/A
Dissatisfied	0%	0%	0%
Very dissatisfied	0%	0%	0%
N/A	0%	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### **3. What did you like about the service you received from the Norfolk Pension Fund?**

- Good information. Able to talk to someone in person
- Very useful and reassuring
- Easy to understand and very professional approach
- Clare and Carol were willing to see myself and my colleague together to help us navigate through the options
- Courteous, polite, patient (with my inane questions!) and explained how my benefits were accruing in an easy to understand way
- Easy, simple
- Welcoming. Felt at ease
- Information was comprehensive and ready for me. Anticipated other questions
- Friendly and helpful
- As mentioned previously, very friendly.
- Easy
- Clarified queries
- It all went smoothly
- Preparation was very good and everything explained clearly
- Friendly, approachable
- Personalised information
- 1-1 better than being in a group
- One to one service
- Full explanation of options
- Actual situation update
- Answered my query and will provide quotations for me
- My questions were answered and I was given a form to complete
- Patsy understood my needs and wished and provided me with different option
- Patsy offered to send me further information tailored to what I asked for
- Information given to help make choices
- Clear, concise and friendly – very professional
- The Town Hall in Great Yarmouth is a lovely venue. I arranged the appointment late in the day and was accommodated without any query. Thank you
- Friendly and helpful

### **4. What could we have done better?**

- Chatted about how to market clinics so more people know
- Better communication re personal clinics. Better publicity
- Nothing
- Not sure
- Nothing
- Nothing thank you
- Not much
- Nothing
- I would have liked a longer appointment as I slightly overran
- From my point of view nothing could have been done better

**5. Any comments or suggestions you would like to make**

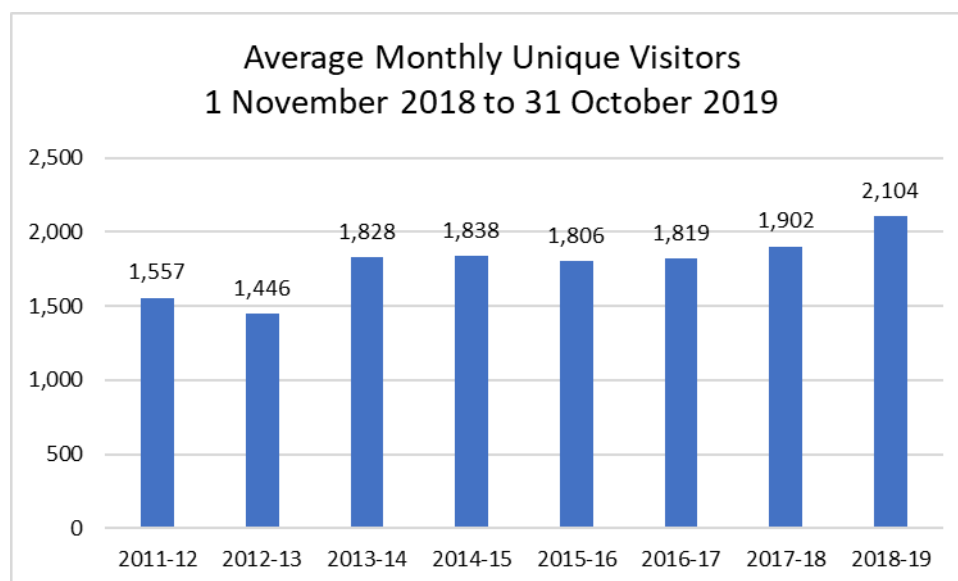
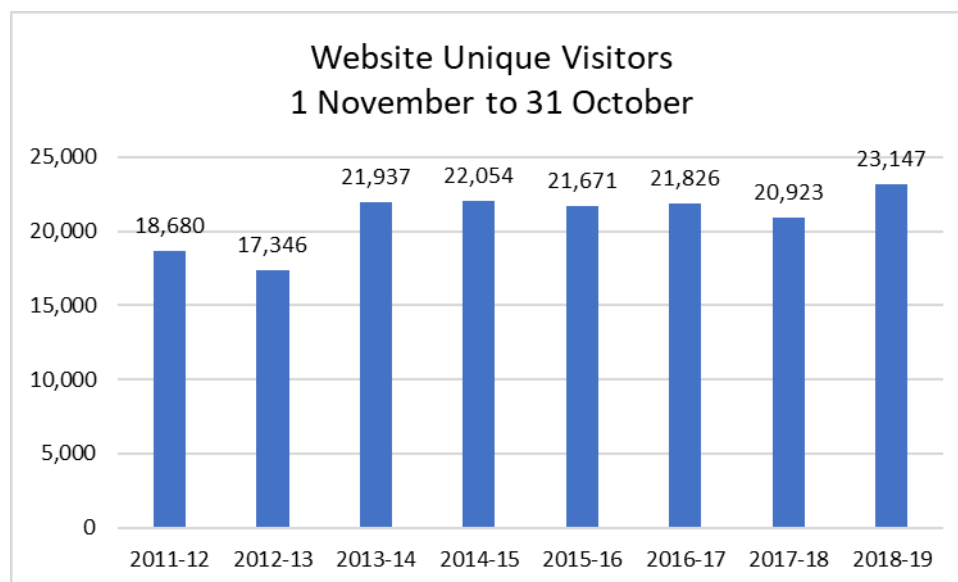
- No
- No
- Have made comments to the staff member
- Would like to see more appointments offered in the future, although I have no questions left
- Please keep these sessions happening – very useful and helpful. Thank you



## Norfolk Pension Fund Online Usage

The following charts represent some of the statistical highlights from the Norfolk Pension Fund website. We monitor the amount and type of traffic to the website each month, to ensure our communications are effective and identify any areas of improvement.

### Website visits



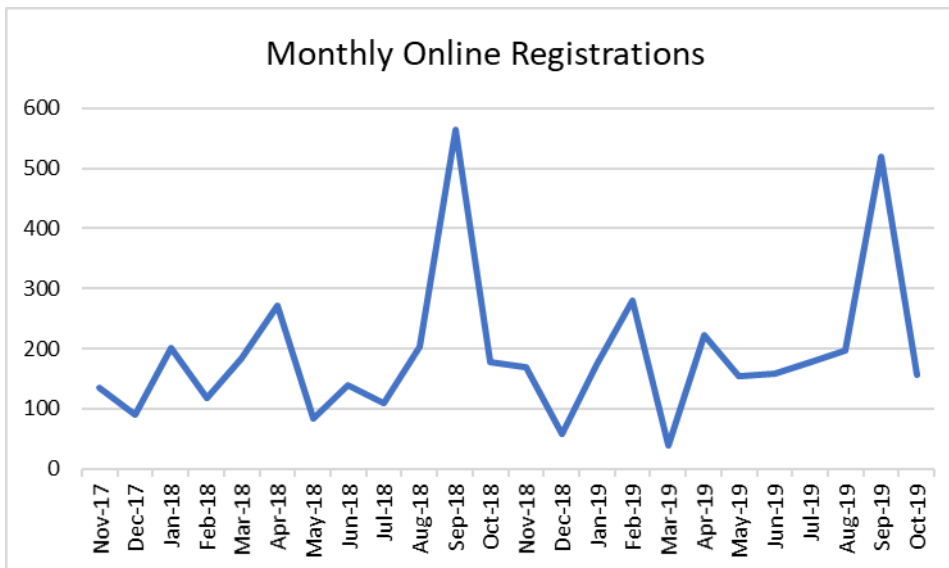
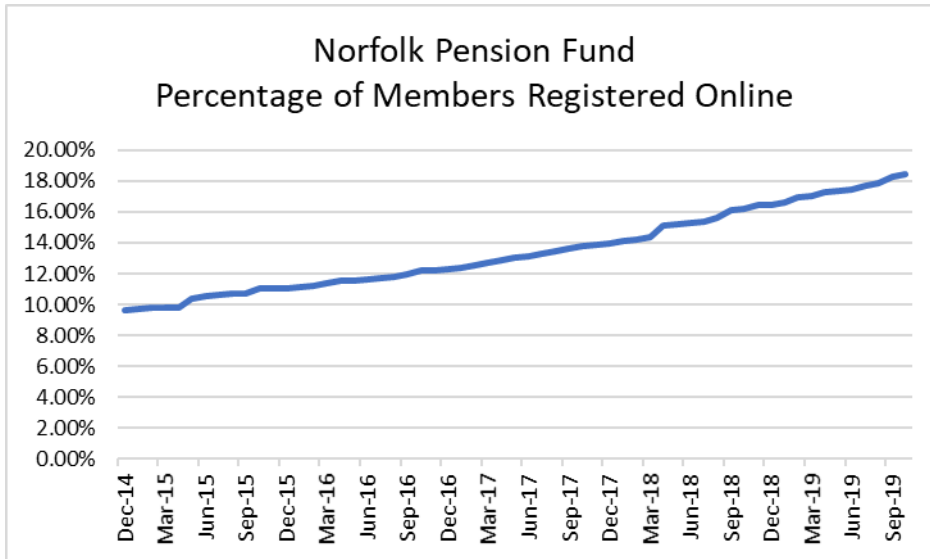
*Please note both charts above, and the commentary below, exclude statistics for October and November 2018 as no Google Analytics Reports were produced for these months.*

- For the year 1 November 2018 to 31 October 2019, the website received a total of 23,147 unique visitors, an average of 2,104 a month.
- The number of visits tends to spike directly after we send a communication to scheme members. For example, the 3,013 unique visitors in September 2018, which followed the publication of the Annual Benefit Statement, was the highest

number on record, representing a 13% increase on the 2,658 unique visitors received in September 2018, the previous highest number of visitors in a month.

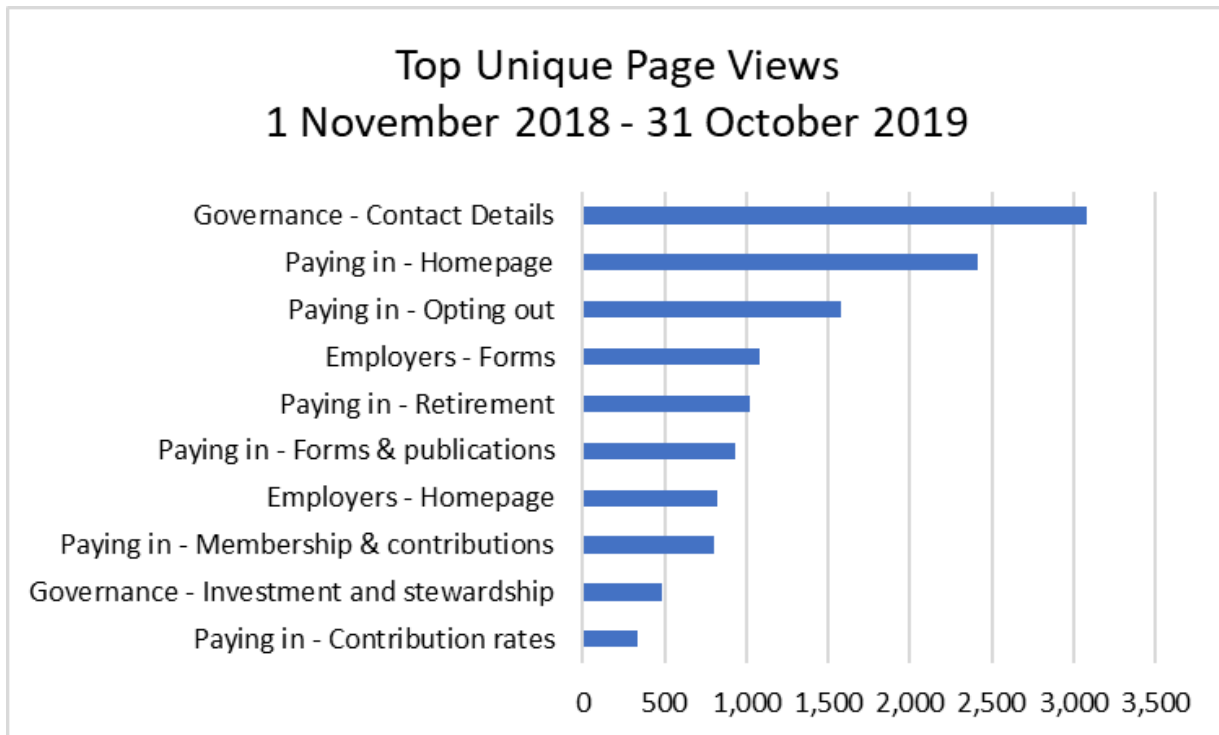
- Another driver of extra visits tends to be other cyclical events such as the end of the financial year and the annual CPI pension increase which usually generates a higher number of website visits during March and April.

### Number of scheme members registered



- Over 18% (17,142) of scheme members have now registered to use our online portal. This is a 45% increase on the 7,680 (9.65% of all members) members registered online as at December 2014.
- In line with the number of visits statistics, peaks in registrations were seen in April and September following the pensions increase and publication of the Annual Benefit Statement respectively.

## Most visited pages



*Please note the chart excludes statistics for November 2018 as no Google Analytics Report was produced for this month.*

- The chart details the top 10 unique page visits on the Norfolk Pension Fund website over the last year. Please note this excludes the website Homepage which had 24,097 unique visits
- The Paying-in pages are the most frequently visited making up six (total of 7,073 views) of the top 10 pages
- The most popular page is the Contact Details page which suggests that many visitors may use the website as a directory and then go on to contact Norfolk Pension Fund via telephone, email or letter.
- There was a total of 71,970 unique page views for the year 1 November 2018 to 31 October 2019. This means that the 23,147 unique visitors (people) viewed an average of 3.1 pages each.

# Equitable Life transfer to Utmost

## Introduction

This paper is addressed to the Officers of the Norfolk Pension Fund (“the Fund”). It follows up on comments made at the October Committee on this subject.

## Overview

This paper concerns the proposed “Part VII” transfer of Equitable Life’s business to Utmost Life on 1 January 2020. The purpose of this paper is to:

- Summarise the analysis of which members will and will not gain from the transfer and its windfall;
- Make recommendations for voting; and
- Make recommendations for the investment options with Utmost.

This paper should not be released or otherwise disclosed to any third party without our prior written consent except as required by law or regulatory obligation. We accept no liability to any other party unless we have especially accepted such liability in writing.

## Actions (for agreement, discussion or noting)

### Member analysis (for noting)

All members are expected to be better off as a result of the transfer to Utmost, based on analysis undertaken by Equitable. We note that some members will require a modest level of investment returns for this to be the case if not retiring in the short term.

### Recommendations (for agreement)

In this paper, reflecting on analysis undertaken by Equitable, we make the following recommendations:

- The Committee cast all its votes in favour of the transfer
- The Committee adopt the 3-month investment timetable
- The Committee choose to invest members’ funds as follows:
  - For members under age 60, Utmost’s lifestyle option; and
  - For members over age 60, in the Money Market Fund.

Finally, we recommend the Officers communicate with members, to inform them about the transfer and how their AVCs will be invested.

Prepared by:

William Marshall, Partner

Emma McCallum, Investment Consultant

Brenda Kite, DC Investment Specialist

Lachlan Smith, Investment Analyst

For and on behalf of Hymans Robertson LLP

**Disclosure, reliance and limitations**

This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our written consent. We accept no liability where the paper is used by or released or otherwise disclosed to a third party unless we have expressly accepted such liability in writing. In preparing this paper we have relied upon information supplied by the providers.

**General Risk Warning**

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

**With Profits Warning**

The performance of a with-profit policy is dependent on the bonuses declared by the insurance company and the manner in which these are distributed. Surrender of a policy during the early years may reflect the higher incidence of charges during this initial period. In addition, surrender or contractual termination may trigger an adjustment ("market value adjustment") to the amount payable in certain market conditions. This adjustment is applied at the discretion of the insurance company to protect the interests of continuing policyholders.

# 1 Summary and recommendations

## Recommended approach to voting

Below we provide an overview of Equitable's analysis:

Over/under NRD	Number of members	Expected to benefit from Part VII transfer?
Under NRD	56	Yes – Please see further detail in 'Member Analysis'
Over NRD*	2	

\*Assuming Equitable's addition of 5 years term for those already past NRD (Normal Retirement Date)

Overall, we believe that the Part VII transfer should prove beneficial for all members invested in the Equitable With Profits Fund.

We would therefore encourage the Officers to vote:

- Given the threshold of 75% of all policyholders voting in favour in order for the transfer to proceed; and
- To demonstrate it has met their fiduciary duties towards the members involved.

We should also note that the High Court would not have approved the policyholder vote if it was not likely to benefit the majority of policyholders/members, including members of the Fund.

**Recommendation: Whilst noting that there is a provision for the Officers to split votes across the membership, we recommend that the Officers cast all its votes in favour of the transfer.**

## Investment choices

In all cases, AVCs coming from Equitable's With Profits Fund plus the enhanced uplift will be initially invested in an Utmost Cash Fund.

The Officers have a choice of a period of up to 1, 3 or 6 months (with 6 months being the default if no choice is made), for the AVCs to be gradually re-invested in a longer-term investment approach. The options available are either:

- The Officer's choice of Utmost investment options; or
- If the Officers do not provide an instruction, a basic lifestyle strategy designed by Utmost.

While Utmost's staging of the transfer from its cash fund to the longer-term investment choice mitigates the risk of adverse market movements, we feel that 6 months is too long to be out of the equity and bond markets, while 1 month is too short for members to make their own fund choices.

**Recommendation: We recommend the 3-month investment timetable.**

### Replacement for With Profits

We generally believe that a lifestyle strategy is the most suitable replacement for a With Profits Fund, although it cannot give the same certainty of returns and capital security. The basic Utmost lifestyle option is the only lifestyle option available:

- Up to age 55 it invests 60% in equities, 35% in bonds and 5% in cash.
- Between ages 55 and 65 it gradually switches to 30% equities, 60% bonds and 10% cash – which is carrying too much equity market and interest rate risk in our view for members planning to take their AVCs as a cash lump sum at retirement; and
- Between ages 75 and 85 it gradually switches to 100% in cash.

This is some way from what we would typically recommend for a lifestyle strategy with a provider active in the AVC market. Nevertheless, we regard it as being fit for purpose at this time.

Given the age profile of the Fund's AVC members in the Equitable With Profits Fund, and Equitable's analysis of the level of investment returns required, **we recommend splitting the investment choices with Utmost into age groups:**

- For members under age 60 (*this applies to 43 members*) – transfer 100% into the Lifestyle Option; and
- For members over age 60 (*this applies to 12 members under NRD and 3 members over NRD*), transfer 100% into the Utmost Money Market Fund. We note that such members would be expected to take their AVCs as a cash lump sum.

### Communication

Members should be encouraged to review how well these default switches meet their own needs, particularly with regards to when they expect to retire (and accordingly how much investment risk they can afford to take) as well as how they expect to take their AVCs at retirement.

We support Equitable's request that AVC members are informed about the transfer and where the transfer from the With Profits Fund will be invested with Utmost.

**Recommendation: We recommend the Officers communicate with members, to inform them about the transfer and how their AVCs will be invested.**

## 2 Member analysis

### Equitable's illustrations

To support a decision on whether to vote for or against the proposed transfer, it is necessary to consider the potential impact on the value of members' funds. In particular, to support a decision to vote 'for' the proposals, the Officers should be comfortable that the value of members funds after the transfer are expected to exceed the value of the with-profits funds (with guarantees) given up to within a reasonable degree of certainty.

The illustrations included with your Decision Pack summarise analysis undertaken by Equitable for each member and consider:

- Transfer values including a) the current 35% uplift immediately before, and b) the enhanced uplift immediately after the transfer to Utmost;
- Guaranteed values with the 3.5% p.a. minimum return payable at members' normal retirement dates; and
- The rate of return needed going forwards in order that the transfer value to Utmost including the enhanced capital distribution exceeds the guaranteed benefits rolled up to their retirement if the transfer had not taken place.

These illustrations use a set of assumptions for future investment returns, but **do not take into account the effects of inflation** on the buying power of the projected values.

The Equitable have not sought to project what future individual transfer values plus future capital distributions would be if the transfer to Utmost did not take place given the uncertain levels of future capital distributions.

### Membership summary

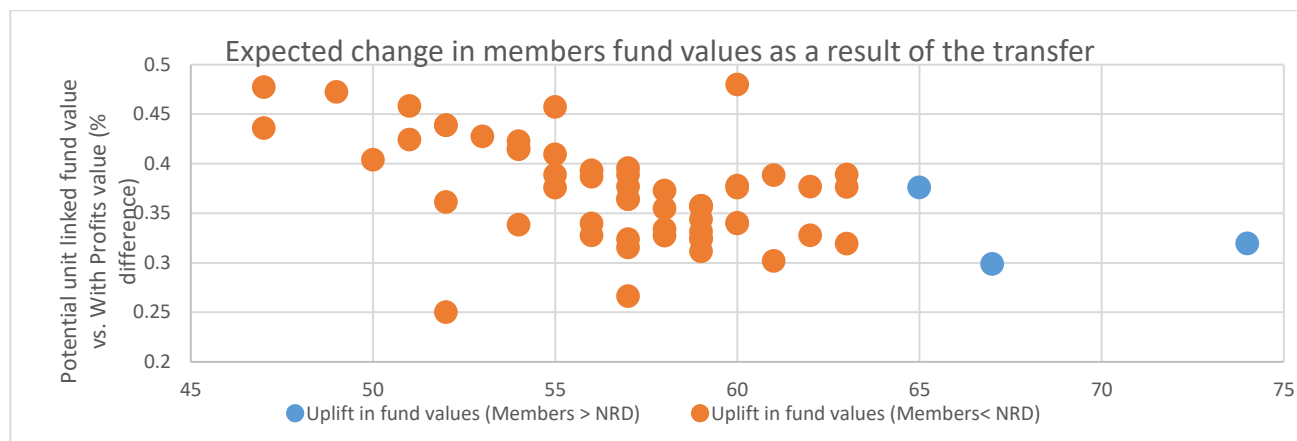
Aspect	Values
Guarantees	Capital + 3.5% p.a. minimum return
Number of AVC members	58
Age range of AVC members	47 to 74 (3 over NRD)
Current non-guaranteed transfer values	£115,793
Current transfer values + current 35% uplift	£155,967
Current transfer values + enhanced uplift	£213,837
Current accrued guaranteed values at NRD *	£178,279
Projected guaranteed values at NRD *	£239,819
Range of required returns	-6.49% p.a. to +2.25% p.a.

\* Guaranteed values are only payable on or after the Normal Retirement Date ("NRD") under the Equitable policy – 65 for all members.



### Review of analysis undertaken by Equitable

The following chart illustrates the expected change in the value of members' funds immediately after the transfer, should the proposals be accepted by policyholders (based on data as at end June 2019):



As shown in the chart above, all members are expected to be immediately better off as a result of the transfer which includes the application of the enhanced capital distribution from Equitable, but also the loss of guarantees. We note that the majority of members, indicated in orange above, will not be able to realise their fund until they have reached their respective NRDs.

In our view, the critical factor is the relationship between the return needed going forwards in order to ensure the value of members' funds after the transfer continue to exceed the projected guaranteed values if the transfer was not to go ahead. Nevertheless, the results need some member level interpretation.

### Members under NRD – 55 members

The member with the greatest required return is also one of the youngest members and requires a return of 2.25% per annum until retirement (18 years) to ensure that they will be no worse off as a result of the proposals.

A nominal return of 2.25% p.a. should be achievable in reasonable medium to longer-term market conditions. Also, for the younger members, Equitable's projection of their guaranteed values at NRD might prove optimistic if Equitable were to wind-up before then - or if the member were to retire early when the guarantees would be lost when they would be better-off as a result of the transfer to Utmost.

### Members over NRD – 3 members

In their analysis, Equitable have assumed that members already past NRD will remain invested for a further 5 years in their analysis. In practice, members may take their benefits either immediately or in more than 5 years.

We note that 2 of these members can sustain a fall in the value of their funds (-6.5% p.a. for one member and 0.9% p.a. for the other), and still be no worse off as a result of the proposals in 5 years' time. The remaining member only require modest investment returns of up to 0.3% per annum to be no worse off as a result of the proposals in 5 years' time.

**We imagine that this group of members, who may be making plans for their retirement, will appreciate receiving the windfall on 1 January 2020. Therefore, members may take their benefits ahead of the assumed 5 year projection period.**

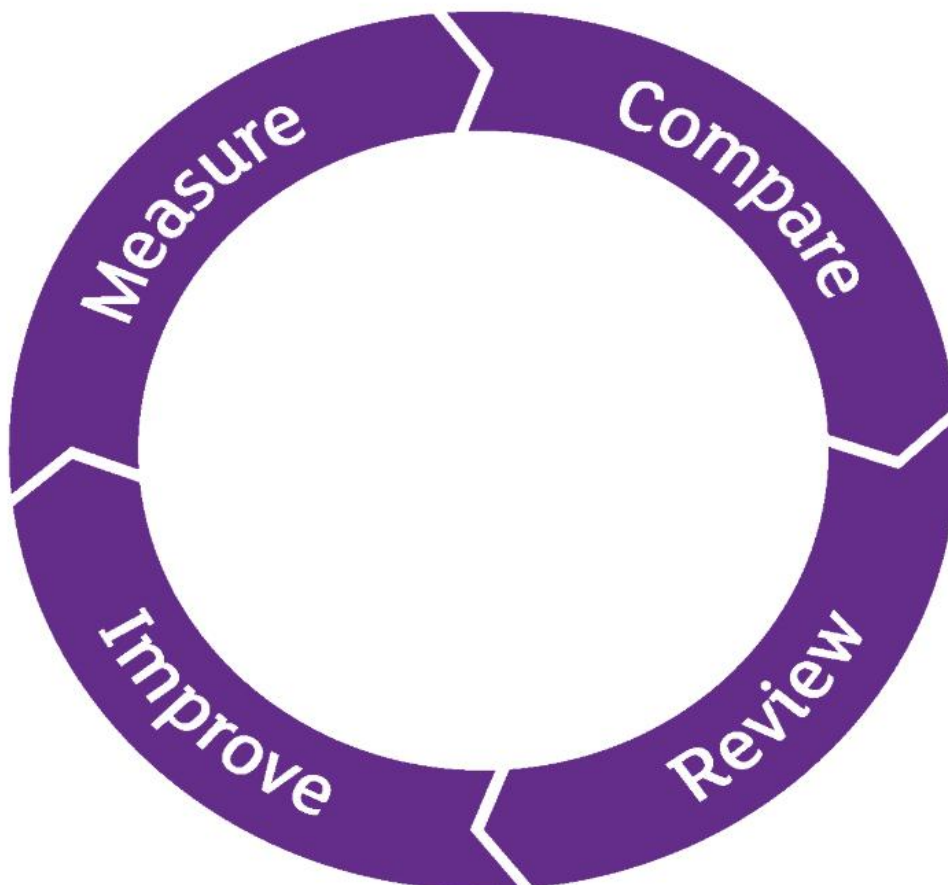
### Summary

A summary of our recommendations are including the first page of this report.

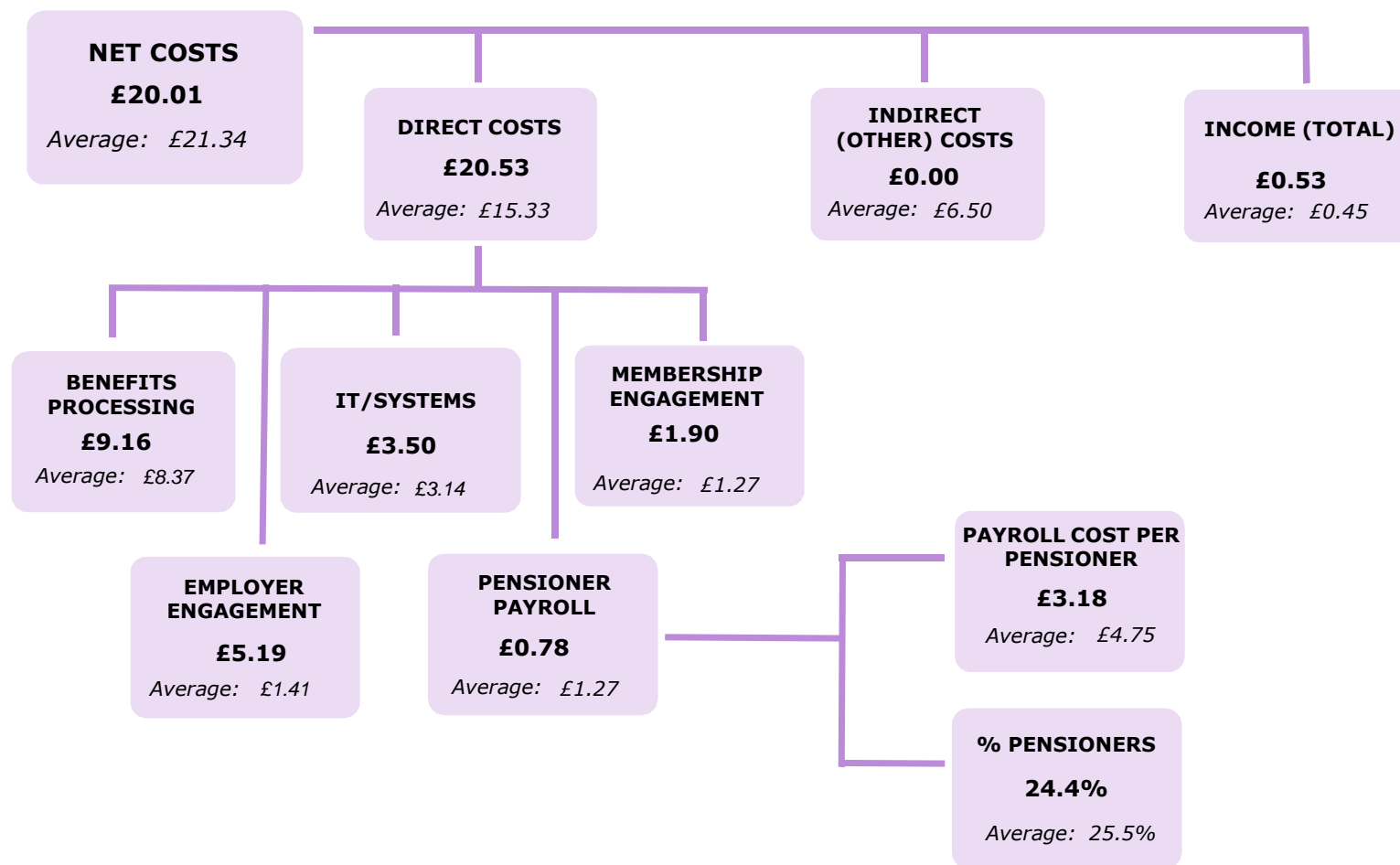
Analytics & Research

# pensions administration benchmarking club

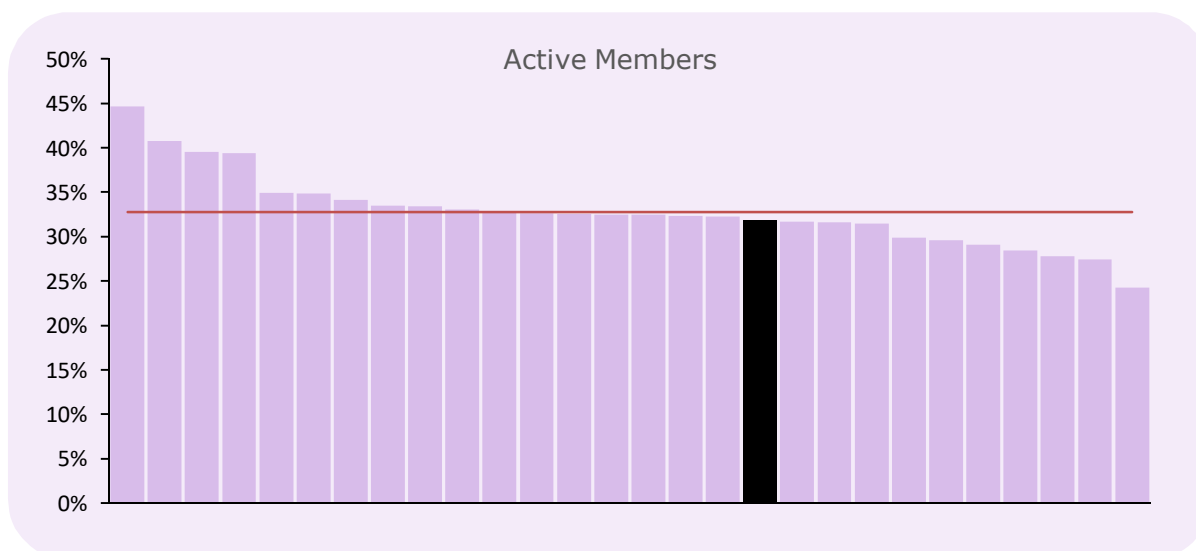
2019 - Norfolk Executive Summary



## Cost Analysis per Member

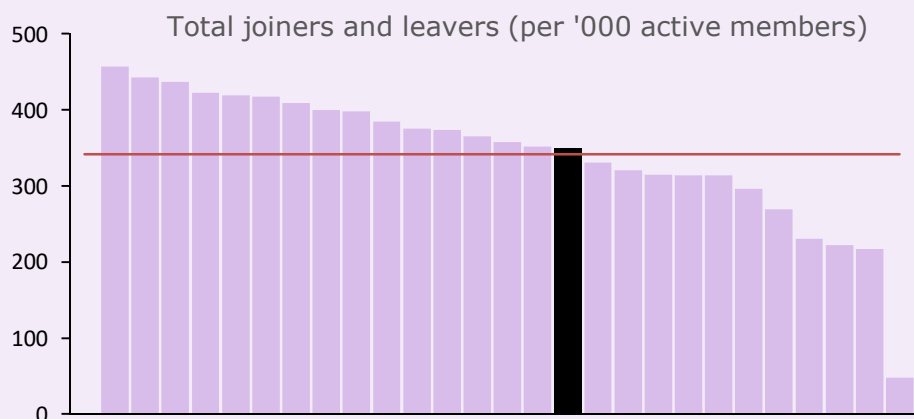


## WORKLOAD MEASURES



Composition of members at 31/03/2019	Number	%	Avg. No.	Avg. %
Active members	29,067	31.8%	40,492	32.7%
Deferred staff	30,635	33.5%	37,760	30.5%
Pensioners	22,297	24.4%	31,556	25.5%
Dependants	3,057	3.3%	4,829	3.9%
Frozen refunds	578	0.6%	4,878	3.9%
Leavers unprocessed/in progress	5,734	6.3%	4,304	3.5%
<b>Total</b>	<b>91,368</b>		<b>123,819</b>	

## WORKLOAD MEASURES



### Joiners & Leavers

Joining  
Retiring  
Deaths  
Transferred out  
Deferred  
Refund/Frozen refund

### Number

### '000

### Average

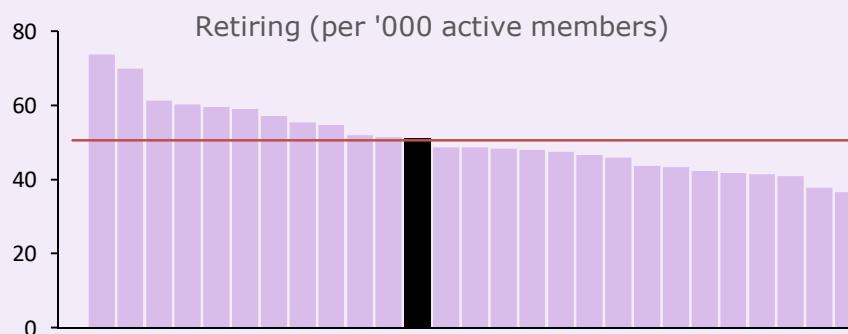
6,505 224 190  
1,482 51 51  
676 23 22  
na na 12  
1,394 48 54  
86 3 32

### Total

10,143

349

342



### Retirements

Incapacity  
Normal Retirement Date (NRD)  
Pre-NRD  
Post-NRD  
Redundancy / efficiency  
Flexible

### Number

### %

### Average

45 3% 4%  
158 11% 19%  
931 63% 57%  
173 12% 9%  
112 8% 8%  
63 4% 3%

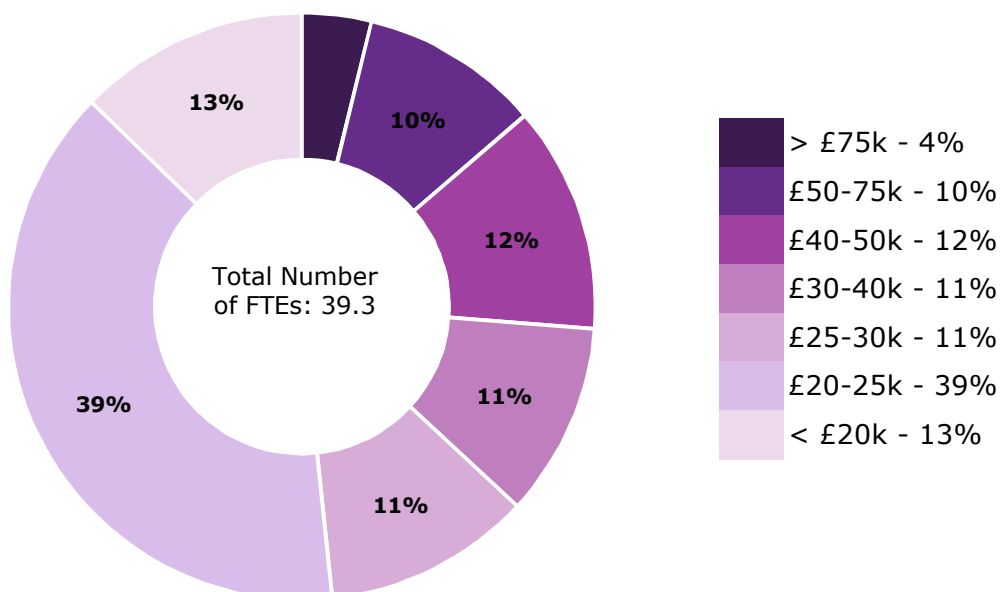
### Total

1,482

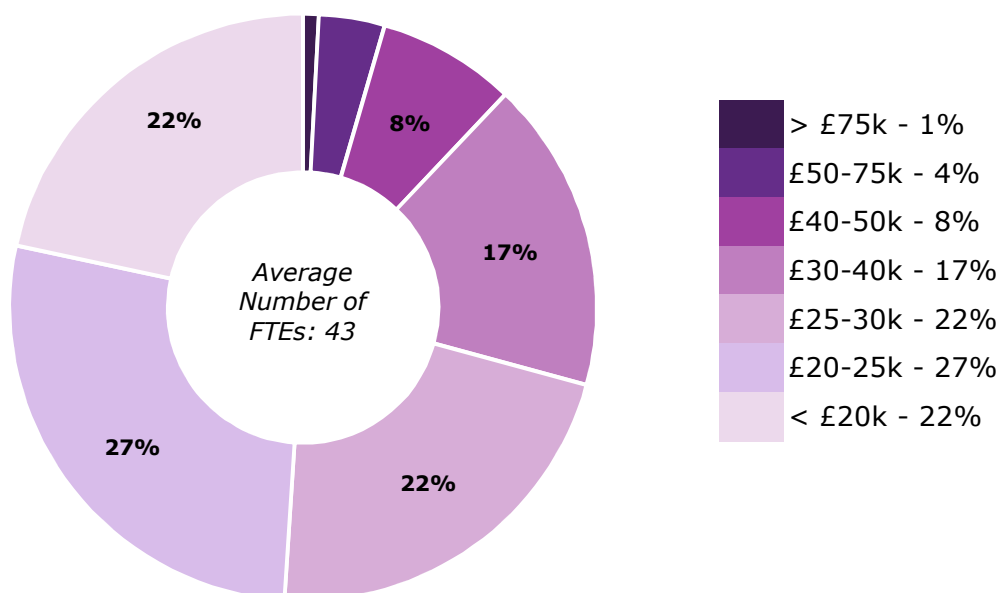


## STAFFING AND PROFESSIONAL EXPERIENCE

### Norfolk FTEs

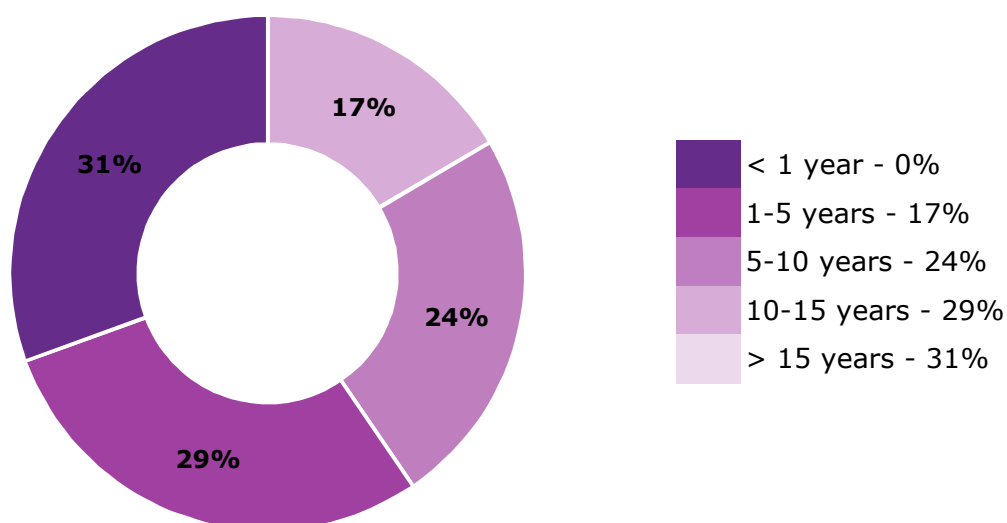


### Average FTEs

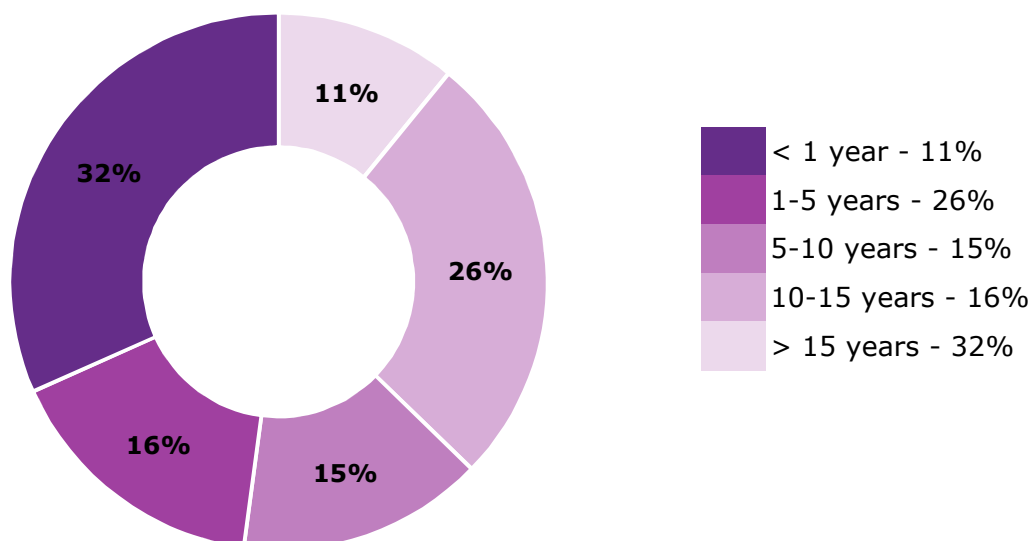


*For local authorities with percentages less than 5%, these will not be shown on the graphs above.*

### Norfolk Pensions Experience



### Average Pensions Experience



*For local authorities with percentages less than 5%, these will not be shown on the graphs above.*

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In addition to Pensions, other Benchmarking Clubs include Accountancy, Creditors, Debtors and Payroll.

We also provide other Pensions related services through TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care and Children's Services, or to see our Value for Money indicator stream, please see our website:

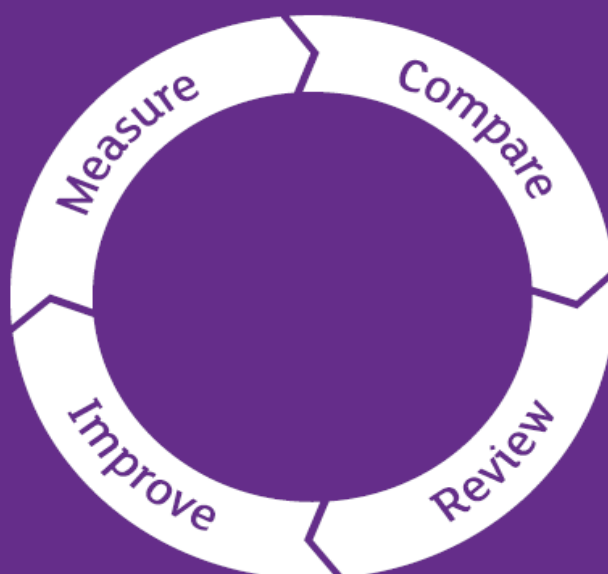
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## Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred:

Date	What	Who
<b>Oct 2019</b>		
2	La Salle Review Meeting	Alex Younger, Robert Mayes
2	Project Planning day with Hymans	Nicola Mark, Jo Quarterman, Glenn Cossey, Mark Alexander, Debra Keeling
3	ACCESS Onboarding Sub-Group	Alex Younger
4	SAB - Good Governance Working Groups	Nicola Mark
8-10	Baillie Gifford LGPS Investment & Training Seminar	Alex Younger
15	M&G DoF Review Call	Alex Younger, Glenn Cossey
16 - 18	PLSA Annual Conference - Manchester	Nicola Mark, Jo Quarterman
16	Access Investor Day	Glenn Cossey, Alex Younger, Robert Mayes, Cllr Judy Oliver, Rachel Farmer, Brian Wigg
17	ACCESS Onboarding Sub-Group	Alex Younger
21	CIPFA Pensions Panel	Nicola Mark
27-29	Norfolk Pension Fund Scheme Member Clinics	Pension Team
23	ACCESS Governance Sub Group	Nicola Mark, Jo Quarterman
25	LA Committee	Nicola Mark
29	Stafford Review Meeting	Alex Younger, Glenn Cossey
30	Pantheon Review Meeting	Alex Younger, Glenn Cossey
31	ACCESS Officer Working Group	Glenn Cossey
<b>Nov 2019</b>		
1	Project Planning day with Hymans	Nicola Mark, Jo Quarterman, Glenn Cossey, Mark Alexander, Debra Keeling
5	ASL SOF Advisory Board	Alex Younger
6	Fundamentals Training	Cllr Judy Oliver
6	Local Government Pensions Committee	Nicola Mark

6	Scheme Advisory Board	Nicola Mark
7	Access Onboarding Sub Group	Alex Younger
8	M&G REDF Advisory Call	Alex Younger
8	Neil Mason, Surrey Pension Fund	Nicola Mark, Glenn Cossey, Jo Quarterman, Debra Keeling
11	ACCESS Governance Sub Group	Nicola Mark, Jo Quarterman
12	PLSA LA Update Conference	Nicola Mark, Jo Quarterman
12	Portfolio Evaluation Review Meeting	Alex Younger, Glenn Cossey, Robert Mayes
13	Insight Review meeting	Glenn Cossey, Alex Younger
14	SPS ESG & Topical Investment Issues for Local Authority Pension Investors	Cllr Danny Douglas
14 - 15	2-day Trustee Training	Glenn Cossey, Alex Younger, Jo Quarterman, Judy Oliver, Alan Waters POB and Pensions Committee members
21	ACCESS Onboarding Sub Group	Alex Younger
22	HarbourVest Review Meeting	Alex Younger, Glenn Cossey
26	Employer Forum	Pension Team - Various
26	Pension Team Meeting	All Staff
26	ACCESS Officer Working Group	Glenn Cossey

## National LGPS Frameworks

<b>Oct 2019</b>		
7	Pensions Administration Software Framework Supplier Engagement	Pippa Bestwick, Leon Thorpe
8	Pensions Administration Software Framework Supplier Engagement	Pippa Bestwick, Leon Thorpe
10	Supplier Engagement	Pippa Bestwick, Leon Thorpe
29	National LGPS Frameworks	Pippa Bestwick, Leon Thorpe, Katie Willson, Jamie Freeman, Robert Mayes
<b>Nov 2019</b>		
4	National LGPS Framework for Pensions Admin Software - Project Meeting 9	Pippa Bestwick, Leon Thorpe
12	PLSA LA Update Conference	Pippa Bestwick
13	National LGPS Framework for Pensions Administration Software - Supplier Engagement	Pippa Bestwick, Leon Thorpe

19 / 20	Pensions Manager Conference	Pippa Bestwick, Leon Thorpe
26	National LGPS Framework for Pensions Admin Software - Project Meeting 10	Pippa Bestwick, Leon Thorpe
27	National LGPS Frameworks Annual Meeting 2019	Pippa Bestwick, Leon Thorpe, Katie Willson, Jamie Freeman, Glenn Cossey, Jo Quarterman

In addition to these meetings we have held a number of meetings with managers with whom we do not have a current commercial relationship, meetings in respect of transition and mandate changes and with various fund employers on individual issues. The Fund has attended various other meetings associated with the development of the ACCESS Pool.

The following forthcoming meetings and events have been identified as of possible interest to trustees or officers of the fund:

Date	What
<b>December 2019</b>	
4 - 6	Local Authority Pension Fund Forum Conference – Bournemouth Danny Douglas / Alex Younger
10	Pensions Oversight Board
12	Southern & East Counties Superannuation Officers Group
13	ACCESS Joint Committee
18	Fundamentals Training (Judy Oliver)
<b>January 2020</b>	
23 & 24	Local Government Association - LGPS Governance Conference - York

CIPFA – Chartered Institute of Public Finance and Accountancy

ACCA – Association of Chartered Certified Accountants

MHCLG – Ministry for Housing, Communities and Local Government

LAPF – Local Authority Pension Fund

LGA – Local Government Association

LGC – Local Government Chronicle

LGPS – Local Government Pensions Scheme

PLSA - The Pensions and Lifetime Savings Association (previously known as NAPF – National Association of Pension Funds)



## Pensions Committee forward programme – as at 3<sup>rd</sup> December 2019

<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Committee Training</b>
<b>25th February 2020</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>	<b>2020/21</b>
Administration Report	Administration Report	Administration Report	Administration Report	LGPS Good Governance SAB's RI in LGPS
LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	
Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	
Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	
Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	
Pension Fund Service Plan and Budget Report				
Triennial Valuation – Rates and Adjustment				
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

# Report to Pensions Committee

Item No. 6

<b>Report title:</b>	<b>Update from the Pensions Oversight Board</b>
<b>Date of meeting:</b>	<b>3<sup>rd</sup> December 2019</b>
<b>Responsible Director:</b>	<b>Simon George, Executive Director of Finance and Commercial Services</b> <b>Nicola Mark, Head of the Norfolk Pension Fund</b>
<b>Executive Summary</b> This report updates the Pensions Committee on the work of the Pensions Oversight Board.  <b>Recommendations</b> Pensions Committee is invited to note the contents of this report.	

## 1. Background

- 1.1. This report updates the Pensions Committee on the work of the Pensions Oversight Board. A further verbal report may be given by members of the Pensions Oversight Board who will also attend committee. The last update was given at the October 2019 Committee Meeting.

## 2. Pensions Oversight Board meetings

- 2.1. The Pensions Oversight Board (POB) has not met since the last report to Pensions Committee in October. The Board next meets on the 10<sup>th</sup> December 2019.
- 2.2. At the meeting on the 10<sup>th</sup> December the Board will be invited to ratify the appointment of the new Independent Chairman of the Board, subject to confirmation by Pensions Committee under Item 7 of this agenda.
- 2.3. The Board continues to explore the member and employer experience:
  - An Employer will attend the December meeting to share their experience of this year's Valuation process to date, and any other areas of interest.
  - The Board will receive a report following the review and refresh of the Pension Fund website, which they have overseen and contributed to.
- 2.4. The Board will also consider the findings of the TPR's 'Governance and administration risks in public service pension schemes: an engagement report' (please see Item 5, Appendix C of this agenda) alongside reviewing their ongoing training needs.

## 3. Knowledge and Skills

- 3.1. Members of POB attended the Norfolk Pension Fund training days on 14<sup>th</sup> and 15<sup>th</sup> November 2019, along with members of Pensions Committee and Fund Officers.

- 3.2. Members of POB also attended the ACCESS Investor Day on the 16<sup>th</sup> October 2019.

#### **4. Resource Implications**

- 4.1. There are no resource implications associated with this report.

#### **5. Other Implications**

5.1. **Equality Impact Assessment (EqIA):**

- 5.2. There are no equality issues arising from this report.

#### **6. Any other Implications**

- 6.1. Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

#### **7. Section 17 – Crime and Disorder Act**

- 7.1. There are no Crime and Disorder implications arising from this report.

#### **8. Recommendation**

- 8.1. Pensions Committee is invited to note the contents of this report.

#### **9. Background Papers**

- 9.1. None

#### **Officer Contact**

If you have any questions about matters contained in this paper, please get in touch with:

**Officer name :** Glenn Cossey

**Tel No. :** 01603 228978

**Email address :** [Glenn.cossey@norfolk.gov.uk](mailto:Glenn.cossey@norfolk.gov.uk)



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# Report to Pensions Committee

Item No. 7

<b>Report title:</b>	<b>Pensions Oversight Board Independent Chair Arrangements</b>
<b>Date of meeting:</b>	<b>3<sup>rd</sup> December 2019</b>
<b>Responsible Director:</b>	<b>Simon George, Executive Director of Finance and Commercial Services</b> <b>Nicola Mark, Head of the Norfolk Pension Fund</b>
<b>Executive Summary</b> This report updates the Pensions Committee on the Interim Independent Chairing arrangements for the Pensions Oversight Board.  <b>Recommendations</b>  Pensions Committee is invited to note the content of this report and confirm the recommendation to appoint Mr Brian Wigg as the Independent Chairman of the Pensions Oversight Board, subject to the ratification of this appointment by the Pensions Oversight Board.	

## 1 Background

- 1.1 At Pensions Committee on 1 October 2019, following the resignation of Kevin McDonald from the role of Independent Chairman of the Pensions Oversight Board, Pensions Committee agreed to retain the role of Independent Chairman for the Board and the basis on which to seek a new Independent Chairman for the Pensions Oversight Board.
- 1.2 Pensions Committee delegated authority to the Head of the Pension Fund, in consultation with the Chairman of the Pensions Committee, to shortlist and interview candidates.

## 2 Appointment of a new Independent Chairman for the Pensions Oversight Board

- 2.1 Following a competitive process, the Head of the Norfolk Pension Fund and the Chairman of Pensions Committee recommend that Brian Wigg is appointed to the position of Independent Chairman of the Pensions Oversight Board, subject to ratification of the appointment by the Board, in accordance with Pensions Oversight Board Terms of Reference.
- 2.2 Mr Wigg is currently the Retired Member Elected Representative on the Pensions Oversight Board.
- 2.3 Assuming Mr Wigg's appointment is confirmed, a replacement Retired Member representative for the Board will be recruited.

### **3 Resource Implications**

- 3.1 Costs associated with to this role will be met from the Pensions Oversight Board budget.

### **4 Other Implications**

#### **4.1 Equality Impact Assessment (EqIA):**

- 4.2 There are no equality issues arising from this report.

#### **4.3 Any Other Implications:**

- 4.4 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

### **5 Section 17 – Crime and Disorder Act**

- 5.1 There are no Crime and Disorder implications arising from this report.

### **6 Recommendation**

- 6.1 Pensions Committee is invited to note the content of this report and confirm the recommendation to appoint Mr Brian Wigg as the Independent Chairman of the Pensions Oversight Board, subject to the ratification of this appointment by the Pensions Oversight Board.

## **Background Papers**

None

## **Officer Contact**

If you have any questions about matters contained in this paper, please get in touch with:

**Officer name:** Glenn Cossey

**Tel No.:** 01603 228978

**Email address:** [glenn.cossey@norfolk.gov.uk](mailto:glenn.cossey@norfolk.gov.uk)



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# Report to Pensions Committee

Item No. 8

<b>Report title:</b>	<b>Risk Register Report</b>
<b>Date of meeting:</b>	<b>3<sup>rd</sup> December 2019</b>
<b>Responsible Director:</b>	<b>Simon George, Executive Director of Finance and Commercial Services</b> <b>Nicola Mark, Head of the Norfolk Pension Fund</b>
<b>Executive Summary</b>  Norfolk County Council's Risk Management Framework requires reporting on all aspects of the Council's Risk Management responsibilities to the relevant review panel or Committee on a regular basis.  This report updates the Pensions Committee on the Norfolk Pension Fund's Risk Register and Breaches Policy, last reported to Pensions Committee in July 2019.  <b>Recommendations</b>  The Pensions Committee is invited to note the contents of the Risk Register and summary of breaches.	

## 1. Background and Purpose

- 1.1 Risks are categorised under the headings of Governance; Benefits Administration; and Investment and Funding. Risks are scored using the methodology at Appendix A.
- 1.2 The Risk Register incorporates an assessment of likelihood and impact as well as control measures in place and an overall risk score.
- 1.3 The Register is regularly reviewed by the Management Team and appropriate action taken.
- 1.4 A single page Heat Map summarising all risks is attached at Appendix B. Risks are shown as either Low (green), Medium (amber) or High (red) by their respective category (governance, benefits administration and investment and funding) and symbols indicate movement in risk scores since the last report to Pensions Committee.

## 2 Recent movement in risks

- 2.1 There has been some movement since the last report to Pensions Committee in July 2019 as follows:

### Governance:

- increased risk of failure to meet regulatory and performance requirements (moves into red)
- decreased risk associated with Asset Pooling governance (moves out of red)



Funding and Investment:

- decreased risk associated with asset pooling (remains red)

Benefits Administration

- increased risk associated with the provision of online services to employers and scheme members (moves into red)

2.2 All other risks are stable.

### 3 Areas of High Risk

#### 3.1 Asset Pooling (ref. NPFF13)

3.2 Whilst acknowledged as a reducing risk, asset pooling remains an area identified as High Risk for Investment and Funding; and has been reduced to Medium Risk (previously High Risk) for Governance.

3.3 As at the 30<sup>th</sup> September 2019 Norfolk's pooled assets totalled £1.2bn. Norfolk is likely to transfer a further £850m of assets into the Pool over the next 6 to 9 months. Access continues to make good progress with the on-boarding of liquid assets, and the majority of liquid assets will be transferred to the Pool by early autumn 2020. Norfolk is also heavily involved in the work to identify options for pooling ACCESS illiquid investments. However, this is still an evolving process.

3.4 The Norfolk Pension Fund has provided significant resource to support the development of detailed ACCESS governance arrangements.

3.5 The ACCESS Inter Authority Agreement (IAA) and Governance Manual (which includes a comprehensive decision matrix) are intended to establish a clear governance framework for all stakeholders. Following approval by the ACCESS Joint Committee (JC) the Governance Manual is now being maintained by the ACCESS Support Unit as an operational document. ACCESS Authority Monitoring Officers have completed their review of updates to the IAA. Following presentation to the JC on the 9<sup>th</sup> December 2019, individual authorities will arrange for the revised agreement to be executed/sealed. The JC will receive comprehensive governance training when it meets on the 9<sup>th</sup> December. ACCESS has also appointed Kevin McDonald as Interim Director of the ACCESS Support Unit. The Governance Working Group will set out future recommendations for Pool Governance.

#### 3.6 Insufficient Skilled Resource (ref. NPFG8, NPFF12, NPFA2)

3.7 Insufficient skilled resource remains an area of High Risk across all areas (Governance, Investment and Funding, and Administration).

3.8 This risk is not unique to the Norfolk Pension Fund and is identified by both the Scheme Advisory Board and The Pensions Regulator as an area of concern. The Good Governance in the LGPS project, being led by the Scheme Advisory Board, attempts to help Funds address issues in this area. Locally we are seeking to address and mitigate some of the risk locally via the Norfolk Pension Fund Governance Review.

3.9 Meanwhile, the Fund continues to experience difficulties recruiting and retaining pensions staff. The apprenticeship programme established earlier this year only managed to fill two out of the three placements. The unfilled apprentice position will be

advertised along with vacancies in the administration and systems teams. The Pensions Manager is now working part-time (3 days a week) from 1<sup>st</sup> November.

- 3.10 The pace and scale of LGPS and pension reform continues, with increasing focus on governance and performance from the regulators. Until we are able to successfully address these areas of concern, there remains a significant impact upon key individuals at a time when resourcing is already stretched.
- 3.11 Over the coming months a large proportion of the Fund's governance budget (e.g. officer resource) will be focused on delivering the outcomes of the triennial valuation, implementing operational, structural and governance improvements, ensuring regulatory compliance and helping the Fund realise the benefits of Pooling.
- 3.12 **Cyber and Financial Crime (ref. NPFG11)**
- 3.13 Cyber and Financial Crime is identified as an area of increasing high risk, with a constantly evolving landscape, with complex interdependencies and an accelerating rate of change. Pensions are identified by the FCA and the Pensions Regulator as a prime target with an increasing threat level.
- 3.14 The TPR has identified 3 main themes to consider when assessing cyber resilience:
- Assessing and understanding the risks
  - Putting controls in place
  - Monitoring and reporting
- 3.15 In addition to reviewing and maintaining our own internal systems, arrangements and procedures, the Norfolk Pension Fund is reliant on the Administering Authority and 3<sup>rd</sup> party providers to maintain and monitor its cyber and financial crime safeguards.
- 3.16 The Fund is working with NCC's Information Management Technology team to scope a comprehensive review of Norfolk Pension Funds cyber security arrangements.
- 3.17 **Regulatory and performance requirements failure (NPFG1)**
- 3.18 Failure to comply with regulations is identified as an area of increasing risk, with ever increasing requirements and focus in this area by the Pensions Regulator (TPR), who have just completed a 'deep dive' into 10% of LGPS Funds.
- 3.19 The Norfolk Pension Fund Governance Review has identified the need for additional resource in this area alongside a comprehensive review of governance, risk and engagement to secure compliance with regulation and best practice.
- 3.20 **Employer and Employee on Line Services (ref. NPFA5)**
- 3.21 The Fund's secure web-portal provides employers and employees with on-line access to key pension fund services and information. The portal is hosted by a third-party supplier under a contract which is due to expire at the end of 2020. The Fund is working with the supplier to agree development priorities and consider options regarding the ongoing provision of these services.

### 3.22 Office Security arrangements

3.23 Office security arrangements have been reviewed and updated.

## 4 Compliance with Breaches Policy

4.1 Following a review of our compliance with the Pensions Regulator's Code of Practice (originally reported to Pensions Committee in June 2016), Committee approved the procedure for the reporting of breaches of law to the Pensions Regulator in December 2016.

4.2 Only breaches of 'material significance' should be reported to the Regulator. Criteria for determining whether a breach is material, together with examples of reportable breaches are detailed in the procedural document.

### 4.3 Data Protection

4.4 Limited information relating to a scheme member was shared with an incorrect employer.

4.5 The Norfolk Pension Fund has reported a Data Breach to NCC's Information Management team.

4.6 Training and processes have been updated and improved to avoid a repetition, and the details recorded on the Breach register. No further action is considered necessary.

### 4.7 Late pay over of employees and employers' contributions

4.8 The late paying over of employees and employers' contributions is one of the areas monitored for reportable breaches. An extract from the breaches log is detailed below. None of the late pay overs were deemed material and therefore reportable to the Regulator.

4.9	Month	Summary Description of Breaches
	April 2019	26 employers were late paying over their April contributions. The latest payment was 16 days late owing contributions of £738.38. The increase in late payments was mainly due to employers transitioning pay over arrangements between financial years.
	May 2019	8 employers were late paying over their May contributions. The latest payment was 10 days late and totalled £580.70.
	June 2019	16 employers were late paying over their June contributions. The latest payment was 18 days late and totalled £7,435.37.
	July 2019	8 employers were late paying over their July contributions. The latest payment was 34 days late and totalled £602.92.
	Aug 2019	12 employers were late paying over their August contributions. The latest payment was 10 days late and totalled £173.46.
	Sept 2019	6 employers were late paying over their September contributions. The latest payment was 3 days late and totalled £6,492.36.

4.10 All the above late payments were identified by the Fund's contribution monitoring process and chase communications were sent to ensure overdue amounts were received.

## **5 Proposals**

- 5.1 The Pensions Committee is invited to note the contents of the Risk Register and the summary of breaches.

## **6 Impact of the Proposal**

- 6.1 None.

## **7 Evidence and Reasons for Decision**

- 7.1 N/A

## **8 Alternative Options**

- 8.1 N/A

## **9 Financial and Other Resource Implications**

- 9.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

## **10 Other Implications**

- 10.1 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account.

## **11 Risk Implications/Assessment**

- 11.1 Risk implications relating to this report will be recorded on the Fund's risk register.

## **12 Select Committee comments**

- 12.1 N/A

## **13 Recommendation**

- 13.1 The Pensions Committee is asked to consider and note the contents of this report.

### **Background Papers**

Appendix A – Risk Scoring Methodology

Appendix B – Risk Heat Map

Appendix C – Risk Register Dec 2019 (Benefits Administration)

Appendix D – Risk Register Dec 2019 (Funding and Investment)

Appendix E – Risk Register Dec 2019 (Governance)

## Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

# Methodology

## Methodology - APPENDIX A

<b>Project Name</b>	Project XYZ
<b>Prepared by</b>	Project / Programme Manager
<b>Date RAIDD Log opened</b>	01 April 2011

### Project Risk Impact Criteria Model

Likelihood of risk occurring		
Likelihood	Definition	Value
Almost Certain	The event is expected to occur before the target date in most circumstances	5
Likely	The event will probably occur before the target date in most circumstances	4
Possible	The event might occur at some time before the target date	3
Unlikely	The event is not expected to occur before the target date	2
Rare	The event may occur only in exceptional circumstances before the target date	1

Impact if risk occurs (finalise and agree criteria with Project Board)			
Schedule	Costs	Performance / Quality	Value
<2 weeks delay	<1% of budget	Cosmetic impact only	1 Insignificant
2 weeks– 1 month	1%–<2%	Some minor elements of objectives affected	2 Minor
1 month–<2 months	2%–<8%	Significant areas of some objectives affected	3 Moderate
2 months–<4 months	8%–<12%	Wide area impact on some objectives	4 Major
>4 months delay	>12% of budget	Significant failure resulting in the project not meeting its objectives	5 Extreme

Impact					
Likelihood	5	4	3	2	1
	25	20	15	10	5
	20	16	12	8	4
	15	12	9	6	3
	10	8	6	4	2
	5	4	3	2	1

Risk Level Tolerances	
Band	Risk Treatment
<b>High 16-25 (Red Risks)</b>	Risks analysed at this level are so significant that risk treatment is mandatory
<b>Medium 6-15 (Amber Risks)</b>	Risks analysed at this level require a cost/benefit analysis to take place to determine the most appropriate treatment
<b>Low 1-5 (Green Risks)</b>	Risks analysed at this level can be regarded as negligible, or so small that no risk treatment is required

### Cost / Benefit Analysis

Cost		
	Cost Definition	Value
Savings Made	Outlay for new controls will be less than anticipated savings across the organisation	1
Nil Cost	Cost neutral	2
Minimal Costs Incurred	Minimal costs, including an appreciation of resource time and provision of facilities. Not exceeding £25,000	3
Significant Costs Incurred	Significant costs, in terms of resources, finance, provision of facilities etc. Above £25,000 but not exceeding £100,000	4
Major Costs Incurred	Costs would be a serious concern to the recommendation's viability. Above £100,000 but not exceeding £500,000	5
Substantial Costs Incurred	Costs would be very heavy so very clear tangible benefits would need to be apparent. A further examination of benefits may be required. Exceeding £500,000	6

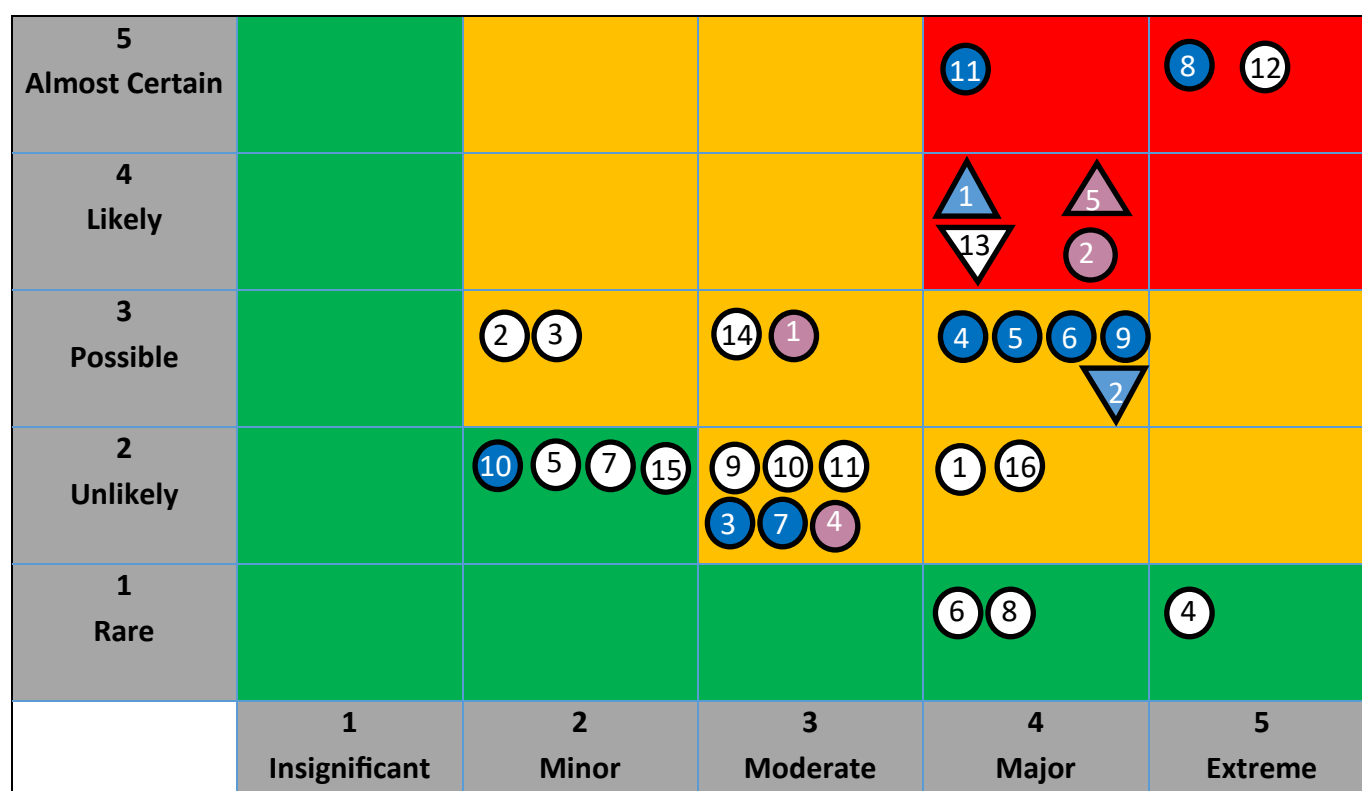
Benefit	
Score	Benefit Definition
1	<b>Must Do</b> : There is a legal requirement for this control action to be done, or the control action will assist the Council in the delivery of all its corporate objective/s in a clear and tangible way, which can be easily demonstrated
2	<b>Should Do</b> : The control action is not legally required but it does constitute best practice, or the control action will assist the Council in the delivery of one or more of its objective/s in a clear and tangible way, which can be easily demonstrated
3	<b>Could Do</b> : The control action is good practice, or the control action is not vital but may assist with the delivery of one or more of the Council's objectives

Benefit			
Cost	1	2	3
	1	2	3
	2	4	6
	3	6	9
	4	8	12
	5	10	15
	6	12	18




Risk Level Tolerances	
Band	Risk Treatment
<b>Green 1-4</b>	Controls cost little and benefits are high, control should be pursued.
<b>Amber 5-10</b>	Control costs are significant and have some benefits. A decision should be made as to whether to proceed or not based on local factors.
<b>Red 12-18</b>	Control costs outweigh the benefits and should not be pursued.



## Norfolk Pension Fund Risk Heat Map November 2019 : single page summary



	Governance (NPFG)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (Admin)
3	Knowledge & understanding (O)	Manager underperformance	-
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	Employer and Employee on line services
6	Business continuity (Gov)	Illiquidity	
7	Communication & Engagement	Default by participating employer	
8	Lack of skilled resource (gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	Brexit	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12		Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Becoming more of a risk Risk is stable Becoming less of a risk 

# Benefit Administration

Risk Register - Norfolk Pension Fund - Benefits Administration - APPENDIX C																							
Norfolk Pension Fund										Benefit Administration													
Prepared by:										Norfolk Pension Fund Management Team					H	High					Red	Significant concerns requiring urgent action by the risk owner.	
Date updated:										03 December 2019					M	Medium					Green	On schedule to meet the target risk score by the target date.	
Next update due:										01 July 2020					L	Low					Met	The target score for the risk has been met and the score is now being monitored.	
Risk Number	Risk Name	Risk Description	Date Entered on Risk Register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	Current Likelihood	Current Impact	Current Risk Score	Rating	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting the Target Risk Score by the Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update	Status		
NPFA1	Failure to meet regulatory and performance requirements	If Fund fails to meet regulatory and service commitments (including GDPR obligations) could negatively impact on scheme members and employers and result in reputational financial and / or regulatory consequences.	c/f	4	4	16	3	3	9	M	The Fund participates in national forums; the impact of current reform is being monitored and reflected in the Funds service development plan and operational budget where appropriate. On going communication with members and employers about the impact and timing of changes Monitor performance against TPR's Code of Practice 14; on going monitoring, testing and review of processes, documentation. Contractual arrangement with leading LGPS system provider and resources dedicated to system and technical areas. Appraisal and training programmes maintained. Maintain good relationships with employers and service providers.	Engage with SEC SOG, LGA, SAB, advisors; data quality audit annually (last Feb 18); regular internally delivered reviews; internal (NCC) audit plan delivered - data quality; member benefit payments and online services in 2016; external audit. System, process and performance controls framework in place and monitored daily. Employer engagement via Forums, newsletters, guides, workshops, 1:1's.. Team members supported through professional IPP qualifications. Appraisals completed and training needs followed up. Team briefings in place. All statutory policies in place (e.g. comms strategy, governance compliance, breaches etc). ABS issued to members August (online) and September (paper); clinics well attended in Oct / Nov. Regular and Employer newsletter and forum minimum twice a year. Invitation to retired members events sent in November. GDPR audit completed February 2019.	2	2	4	on going	Green	Pensions Manager	Management team	03/12/2019	Open		
NPFA2	Lack of skilled resource	An unforeseen increase in workload from employers – competing for pension resources (e.g. structural changes within employers, year end or other regulatory processes or changes to ICT). Unable to deliver in time against operational or legislative requirements -reputation impact. Difficulty recruiting and / or retaining skilled resource.	c/f	3	4	12	5	4	20	H	Maintain close relationships with employers to be aware of likely changes. Education of employers of the need to take account of pensions issues when considering restructuring or contracting out and to provide early warning of possible changes. Work closely with DCLG and other bodies to assess impact and timing of regulatory changes. Work closely with software providers and ICT Services to manage development, upgrade and planned maintenance to minimise impact. Keep staffing and structures under review ; invest in knowledge and skills of staff. Review of staffing levels underway as part of Governance Review (previous review Autumn 2017.) Establish Apprenticeship programme to help recruit, develop and retain resource.	Rapid increase in employers creating additional workload / pressure, movement of members between employers and continued trend of employer activity. 3rd Party admin framework may provide access to short term skilled resources. Engaging with employers to try to avoid surprises. Monitoring trends in activity and business intelligence to predict needs (e.g. academy conversions). Some temporary staff engaged in short term. Permanent recruitments (starting May / June 2018). 2 members of staff on maternity leave. Future options to be informed by Hymans review (commenced June 2018). Unable to recruit and retain staff (3 recent departures) - current high level longer term vacancies. Apprenticeship programme established, recruitment starting July 19. Dec 2019 update: 2 x apprentices recruited (1 vacancy to be readvertised); 1 snr admin recruited; 1 vacancy to be readvertised (2 on going vacancies). Mark Alexander, Pensions Manager, now part time w.e.f. 1/11/19.	2	2	4	on going	Red	Pensions Manager	Pensions Committee	03/12/2019	Open		
NPFA4	Business Continuity - Administration	Catastrophic event (e.g. fire, flood, cyber attack etc.) could affect pensions infrastructure (e.g. premises, ICT), or other event could seriously impact on ability to deliver pension administration, e.g. unavailability of staff (epidemic, severe weather); system failure; loss of pension records; error / omission fraud.; inability to deal with enquires effectively. Failure to meet statutory service obligations e.e. pay pensions on time, or corporate data requirements; impact on Pension Fund reputation; possible compensation claims. Data maybe corrupted or compromised.	c/f	3	4	12	2	3	6	M	Business continuity plans in place. Pension records imaged, reducing dependency on paper. Robust systems and processes in place; altair (admin) system hosted remotely with back up and recovery procedures in place. DNA enables remote access. BC plan being updated (see NPFG6).	Existing control measures in operation. Business Continuity plan revised and published Nov 2018. NCC audit of cloud service providers completed. W10 rollout has resolved most problems with remote access. See NPFG6 for update re BC plan.	2	3	6	on going	Green	Pensions Manager / Management Team	Pensions Committee	03/12/2019	Open		
NPFA5	Employer and Employee on line services	Contract for Pensions Web novated to new supplier; supplier relationship new and untested; commitment and resources for product untested; failure, removal or lack of investment in products will detrimentally impact on our services to scheme members and operational arrangements with employers and impair our ability to meet regulatory and performance requirements. Contract expires Dec20, replacement or extension needed by then.	Nov-16	4	4	16	4	4	16	H	Contractual arrangement in place. Monitoring and developing close relationship with supplier and ensuring they understand our reliance on these products. Work closely with other service users to agree development priorities and monitor situation. Continue to monitor performance; keep abreast of market developments.	Contractual docs reviewed by procurement as part of novation agreement. Regular communication with supplier established. Attending user groups. Supplier poor track record on delivery of scheduled product updates; limited progress in market may restrict their product investment . Dec 19 update: Concerns remain re supplier's commitment to maintaining and developing the products. Contract ends Dec 20. Implications and options being assessed.	2	2	4	31/03/2020	Amber	Pensions Manager	Management Team	03/12/2019	Open		

## Funding and Investment

Risk Register - Norfolk Pension Fund - Funding and Investment - APPENDIX D												Funding and Investment				<div><div><div>H</div><div>High</div></div><div><div>M</div><div>Medium</div></div><div><div>L</div><div>Low</div></div></div>				Red	Significant concerns requiring urgent action by the risk owner.			
Prepared by:												Norfolk Pension Fund Management Team	Amber	Some concerns but the risk owner is confident that actions taken will resolve any issues.										
Date updated:												03 December 2019	Green	On schedule to meet the target risk score by the target date.										
Next update due:												01 July 2020	Met	The target score for the risk has been met and the score is now being monitored.										
Risk Number	Risk Name	Risk Description	Date Entered on Risk Register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	Current Likelihood	Current Impact	Current Risk Score	Rating	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting the Target Risk Score by the Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update	Status			
NPFF 1	Financial Mismatch - relative movement in the value of the Funds assets (+/-) does not match the relative movement (+/-) on the fund's liabilities.	If the relative movement in the value of the Funds assets (+/-) does not match the relative movement (+/-) on the fund's liabilities there is a risk that the level of employer contributions required in the future may increase if the movement is adverse.	c/f	4	5	20	2	4	8	M	Ongoing monitoring maintained: Investment consultants supply regular review of the asset-liability position. Investment Strategy Statement maintained to reflect target allocation policy. Formal valuation carried out triennially. Interim valuations as required. Assets regularly reviewed against the strategic benchmark and rebalanced if required. Ongoing communication with the Actuary and Investment Consultant in relation to the investment performance and the movement on liabilities. The Fund utilises employer data which enables the allocation and tracking of underlying fund assets to facilitate the measurement of individual employer funding positions to inform the future development of the investment strategy - this is known as HEAT (Hyman's Employer Asset Tracking). In February 2017 the Pensions Committee agreed to move from one investment strategy to three in order to better support employers achieve funding outcomes. The asset categories of Growth, Enhanced Yield and Protection are mixed in different proportions to meet the objectives of the three investment strategies.	The 2019 Valuation provides a "health-check" of the funding position (assets held relative to liabilities) of the whole Fund and individual employer sections within it. The Valuation will certify the contribution rates payable by individual Fund employers for the three years commencing 1 April 2020. The Employer Contribution Rate Stabilisation Mechanism (ECRSM) that has been operated where appropriate, for the majority of Fund employers since the 2010 Valuation will remain place. Initial whole Fund draft results for 2019 show an improvement in the funding position, up from 80% (2016) to 99%, equivalent to an overall deficit of £28 million (£710 million 2016). Alongside the Valuation, the existing funding strategy has been reviewed to ensure it remains appropriate in the light of any changes to individual employer circumstances or wider regulatory, political, economic and demographic factors. Maintaining a level of prudence is considered appropriate particularly given uncertainty over the eventual outcome of the "McCloud" age discrimination case and the temporary suspension of the Cost Cap mechanism.	2	4	8	Implementation during 2019-20	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open			
NPFF 2	Concentration	If a significant allocation to any single asset category underperforms relative to expectation it could result in difficulties in achieving funding objectives, leading to an increase in the level of employer contributions required in the future.	c/f	3	3	9	3	2	6	M	Diversification by asset class in place. Investment consultants supply regular review of the asset-liability position. Assets regularly reviewed against the strategic benchmark and rebalanced if required.	Existing control measures in operation and being monitored.	3	2	6	on going	Green	Chief Investment Manager	Pensions Committee	03/12/2019	Open			
NPFF 3	Manager Underperformance	The failure by a fund manager to achieve benchmark (passive management) or performance target (active management) returns for their given mandates. Shortfall in investment return (measured against benchmark or performance target) must ultimately be met by increased employer contributions	c/f	3	3	9	3	2	6	M	Diversification of managers and asset classes in place. Targets are set with reference to the advice of investment consultants. Manager performance is regularly reviewed by committee against benchmark and performance objectives. Regular dialogue with the investment consultants and managers. Officers meet with managers at least twice a year for face-to-face discussions. Quarter end conference calls are held with managers to review performance. Managers regularly report to Committee in person.	Existing control measures in operation and being monitored.	3	2	6	on going	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open			
NPFF 4	Systemic Risk	Interlinked and simultaneous financial market volatility affecting multiple assets classes and/or investment managers, possibly compounded by financial markets 'contagion', passing without the intervention of Governments to stabilise the markets, could lead to the inability of Pension Funds to meet their liabilities.	c/f	1	5	5	1	5	5	L	Diversification of managers and asset classes may mitigates systemic risk. The majority of assets held by the Fund may be realised quickly if required (subject to market conditions). Assets held in 'custody' at arms length to the fund manager. Counterparty exposure is monitored (see NPFF 5 below).	Existing control measures in operation and being monitored.	1	5	5	on going	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open			
NPFF 5	Credit Default - Counterparty failure	Specific counterparty failure putting Fund assets at risk. Financial loss if all or part of asset at risk is irrecoverable.	c/f	2	3	6	2	2	4	L	Investment mandates included controls (e.g. counterparty credit worthiness, exposure limits and collateral agreements) to mitigate risk. Annual cash management strategy approved by Pensions Committee (February). Counterparty monitoring process established for Dynamic currency Manager (Insight) using the County Council's credit rating criteria and 'real-time' credit rating information from Fitch, Moody's and Standards & Poor.	Existing control measures in operation and being monitored.	2	2	4	on going	Green	Chief Investment Manager	Pensions Committee	03/12/2019	Open			
NPFF 6	Illiquidity	Insufficient liquidity available to meet liabilities which means that the Fund can not meet its immediate cash payments or contractual commitments.	c/f	1	4	4	1	4	4	L	Cash-flow is monitored and reconciled daily; monthly analysis is undertaken to review cash flow trends and rebalance if necessary. Medium to long term cash flow is informed by valuation and asset liability modelling. Investing in enhanced yield assets provide a regular source of income, while quoted equities and bonds may be sold to realise liquidity if required. 2016 LGPS Investment Regulations gives Pension Funds explicit powers to borrow for up to 90 days.	Existing control measures in operation and being monitored.	1	4	4	on going	Green	Chief Investment Manager	Pensions Committee	03/12/2019	Open			

# Funding and Investment

NPFF 7	Default by participating employer	If an employer failed to meet it's pensions liabilities any outstanding deficit would be spread amongst remaining employers	c/f	2	3	6	2	2	4	L	Triennial valuation manages the on going liabilities. Periods to repay deficits set dependent on the value of the employer covenant and linked to contract periods for transferee employer bodies. (For employers closed to new members the period is set at the remaining working life of the active membership). Admission policy requires all new employers to be guaranteed by a body with tax raising powers, but Community Admission bodies pre-dating the requirement for a guarantee present additional risk. Cessation lump sum payment from leaving employers is calculated on a minimum risk basis by the Actuary (this increases the level of funding within the departing employers section of the Fund). Major employers are 'scheduled' in regulations and backed by long term tax receipts and the constitutional permanence of local government. To provide stability to the deficit recovery payments, deficit recovery plans are expressed as annual cash sums rather than a percentage of payroll for certain types of employers. Where necessary / appropriate other forms of security are identified to mitigate risk, e.g. buildings. As part of the 2019 Valuation, the Actuary has tested the appropriateness of the stabilisation programme for certain employers and examined employer covenant.	Existing control measures in operation and being monitored.	2	2	4	on going	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open
NPFF 8	Poor advice	Receive and act upon inadequate, inappropriate or incomplete actuarial or investment advice, leading to increased employer costs.	c/f	2	4	8	1	4	4	L	Officer & member review and challenge advice received. Training material is made available to trustees to help develop knowledge and understanding; Trustee training programme maintained. Use of consultants/Actuary with experience across a number of LGPS funds. Professionally qualified investment consultant and actuary bound by professional standards.	Existing control measures in operation and being monitored.	1	4	4	on going	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open
NPFF 9	Changing Demographics - Actuarial Assumptions versus Fund Experience	Actuarial assumptions and fund experience relating to longevity, early retirements and ill health prove to be inaccurate verses actual experience, resulting in increased costs to employers. For example; the risk that longevity improves increasing the cost of Fund benefits; higher than expected increases in early retirements and ill-health retirements exceed the 'budget' assumed by the Fund Actuary.	c/f	3	3	9	2	3	6	M	Regular monitoring through triennial and interim valuations. Prudent assumption in accordance with Actuarial profession. The Fund subscribes to a longevity monitoring service (Club Vita) which allows the Actuary to adopt more sophisticated mortality assumptions, allowing for regional and industry-focused differences in mortality. Employer engagement to ensure understanding of implications and costs of early retirement. LGPS regulations require employers to make capital contributions in respect of pensions strain arising from early retirements as a result of redundancy or efficiency. Employer experience monitored through the triennial valuation process and incorporated if required in Employers ongoing contribution rates. Non ill-health retirements prior to Normal Retirement Date (NRD) are ultimately controlled by participating employers who bear the cost. Ill health experience in inter valuation period monitored. Experience is captured (both plus & minus) and reflected in the employer contribution rate. LGPS regulations allow the administering authority to invoice excess amounts if required. Annual monitoring of employer pay experience with invoicing of excessive increases in pensionable pay above level assumed by the Actuary in the triennial valuation.	Existing control measures in operation and being monitored. The Fund Actuary (Hymans) has prepared a set of assumptions to be used in the completion of the statutory valuation of the Fund at 31 March 2019. The assumptions (being recommended to Pension Committee in July 2019) maintain a consistent level of prudence.	2	3	6	on going	Green	Management Team	Pensions Committee	03/12/2019	Open
NPFF 10	Business Continuity - Investment and Funding	Catastrophic event (e.g. fire, flood, etc.) could affect pensions infrastructure (e.g. premises, ICT), or other event could seriously impact on ability to manage investments, accounts and cash flow, e.g. unavailability of staff (epidemic, severe weather). Systems failure could result in loss of investment / accounting records; the ability to deal with enquires effectively and meet statutory or financial obligations which impact on Pension Fund reputation.	c/f	3	4	12	2	3	6	M	Business Continuity Plans have undergone a full refresh and have been subject examination by Internal Audit.	Existing control measures in operation and being monitored.	2	3	6	on going	Amber	Chief Investment Manager / Management Team	Pensions Committee	03/12/2019	Open
NPFF 11	Communication	Failure to communicate or engage with scheme employers / potential scheme employers could limit their ability to make informed decisions, policy, planning and non-compliance with legislation and/or best practice. Reputation risk; financial penalty risk.	c/f	2	3	6	2	3	6	M	Maintain a communication and governance strategy, subject to regular review. Maintain good working relationships with employers. Utilise a range of formal and informal communication routes with stakeholders, e.g. dedicated website, newsletters, roadshows, regular forums. Changes to the investment strategy (NPFF 1) have been communicated via newsletter and at the Employers Forum. Where an employer has moved from the core strategy, meetings have taken place and formal notification given.	Existing control measures in operation and being monitored. An employer engagement plan have been developed specifically for the 2019 Valuation including consultation on changes to the Funding Strategy Statement arising from the valuation exercise.	2	3	6	on going	Amber	Chief Investment Manager / Management Team	Pensions Committee	03/12/2019	Open
NPFF 12	Lack of skilled resource - Funding and Investment	An unforeseen increase in workload (e.g. arising from ACCESS pooling) meaning that insufficient resource available with right knowledge and skills to safely and effectively manage investment and funding risks and operational / regulatory requirements, including engagement with managers, advisers, employers. Reputation and financial risk may result. Resource may not be sufficiently skilled/qualified to comply with changing regulatory environment.	c/f	5	5	25	5	5	25	H	Management team continues to monitor impact of changes in volumes, regulatory reform and Access pooling upon resources (estimated to be 1 FTE over the last 12 months). A new Finance Assistant role has been created to support employer contribution monitoring/reconciliation and assist with daily investment transaction processing. Continued Professional Development and officer Skills and Knowledge training being provided in areas such as Pooling, MiFID II, GDPR, Investment Strategy Statement, Valuation and Statutory Accounts. A governance/structure review by Hymans has been undertaken to identify / inform options to reduce this risk.	Existing control measures in operation and being monitored. Over the coming year a large proportion of the Fund's governance budget (e.g. officer resource) will focus on the triennial valuation process and helping the Fund get the most from LGPS Pooling. A new temporary post of Pooling Accountant has been created and the role of Chief Investment Officer will be advertised following the promotion of the incumbent to the position of Director.	3	3	9	on going	Red	Management Team	Pensions Committee	03/12/2019	Open
NPFF 13	Pooling of Assets (ACCESS) - Funding & Investment	Failure or delay by the Operator to make application to the FCA for the establishment of sub-funds. Failure or delay by ACCESS authorities to transition assets into sub-funds and realise manager fee savings.	c/f	5	5	25	4	4	16	H	Link Fund Solutions has been appointed Operator of the Authorised Contractual Scheme along with Northern Trust as custodian and depository. The Financial Conduct Authority approved the first sub-fund in August 2018. Application will be made for subsequent sub-funds over the next 12-18 months. At the 31st March 2019 Norfolk's pooled assets totalled £1.122bn. Norfolk will transfer further assets into the pool during 2019-20. Governance arrangements to oversee the set-up and operation of the Pool include; an Inter Authority Agreement (IAA), a Joint Committee (JC) of Chairs, Section 151 Officers, an Officer Working Group (OWG), an On-Boarding Group and a Governance Group. Professional advice is received from consultants and legal advisors and an ACCESS Support Unit has been set up, hosted by Essex County Council. A cross-pool group has been established to share knowledge. On-boarding meetings to discuss the FCA prospectus and seeding of sub-funds are held every two weeks - with project calls as required. Progress is reported to the OWG and JC.	Existing control measures in operation and being monitored. Following MHCLG's "informal" consultation in early 2019, it is understood that a "formal" consultation on LGPS asset pooling will be undertaken when Parliament time allows. Norfolk is involved in work to identify options for pooling illiquid investments. The JC were informed in September 2019 that the timing of future sub-fund tranches had slipped by approximately two months due to capacity constraints of the custodian/depositary. ACCESS held its first Investor day on the 16th October 2019. The day featured presentations from the first six investment managers onboarded to the Pool as well as round-table discussions between the investment managers on key topics. Members of Pensions Committee and Pensions Oversight Board attend. The timetable for the transfer of the remaining ACCESS liquid assets indicate that the majority of liquid assets will be on-boarded to the Pool by early autumn 2020.	2	2	4	on going	Amber	Management Team	Pensions Committee	03/12/2019	Open

Funding and Investment

NPFF 14	Currency Risk	The Fund invests in a range of overseas financial markets. While this provides investment diversification, currency volatility increases the Fund's risks and therefore should be managed. Currency risk being the risk that the currency of the Fund's overseas assets underperform relative to Sterling.	c/f	4	3	12	3	3	9	M	The Fund has a Dynamic Currency Hedging programme which is managed by two external fund managers. The programme hedges the US Dollar, Euro and Japanese Yen, these being the largest exposures to overseas equity holdings. Both managers operate an unhedged (0%) benchmark across each of the hedged currencies (USD, Euro, JPY). An unhedged benchmark reduces drawdown risk as the neutral portfolio positioning is unhedged. Cash flows (+/-) will only occur when a hedge is in place. Changes to EMIR (European Market Infrastructure Regulations) for derivative trades have been reflected in the processing of the Fund's FX collateral positions.	Existing control measures in operation and being monitored.	3	3	9	on going	Amber	Chief Investment Manager	Pensions Committee	03/12/2019	Open
NPFF 15	Environmental, Social & Governance (ESG)	The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.	c/f	2	2	4	2	2	4	L	Effective management of financially material environmental, social and governance (ESG) risks should enhance the Fund's long-term outcomes. The Fund takes a holistic approach to ESG matters, rather than focusing on single issues. The Fund's external investment managers proactively engage with the companies in which the Fund invests. The Fund believes this the most effective means of understanding and influencing the social, environmental and business policies of companies. The Fund expects it's external investment managers to sign up and comply with the Financial Reporting Council's Stewardship Code. The Fund participates in the LAPFF to leverage engagement with other LGPS funds and is a signatory to the Carbon Disclosure Project. Share voting is undertaken in accordance with the Fund's voting guidelines, contained within the Investment Strategy Statement. ACCESS has developed voting guidelines for pool sub-funds in-line with recognised best practice. In accordance with it's engagement policy, the Fund will continue to act as co-signatory to the latest living wage campaign letter encouraging FTSE100 companies to adopt the UK living wage.	Existing control measures in operation and being monitored. The Scheme Advisory Board intends to issue guidance on responsible investment later this year, setting out existing regulatory duties and best practice for adoption.	2	2	4	on going	Green	Head of the Norfolk Pension Fund	Pensions Committee	03/12/2019	Open
NPFF 16	Custody, Stock Lending, Transition	The risk of losing economic rights to Fund assets when held in Custody, the possibility of default through stock lending or incurring unexpected costs in relation to the transition of assets among managers.	c/f	2	4	8	2	4	8	M	Risks are monitored and managed in these areas through a process of regular scrutiny of its providers and the audit of the operations they conduct. Credit ratings of financial institutions are monitored and Internal Control Reports (ISAE3402, SSAE16 & AAF106) are reviewed and discussed with investment managers and the custodian before relevant findings are reported to committee. Where appropriate the Fund has delegated monitoring and management of these risks to the appointed investment managers or custodian having set appropriate criteria. Indemnification and collateral arrangements (stock lending) offer further protection.	Existing control measures in operation and being monitored.	2	4	8	on going	Amber	Chief Investment Manager	Pensions Committee	03/12/2019	Open

Governance

Risk Register - Norfolk Pension Fund - Governance - APPENDIX E																									
Norfolk Pension Fund										Governance											Red	Significant concerns requiring urgent action by the risk owner.			
Prepared by:										Norfolk Pension Fund Management Team											H	High	Amber	Some concerns but the risk owner is confident that actions taken will resolve any issues.	
Date updated:										13 December 2019											M	Medium	Green	On schedule to meet the target risk score by the target date.	
Next update due:										01 July 2020											L	Low	Met	The target score for the risk has been met and the score is now being monitored.	
Risk Number	Risk Name	Risk Description	Date Entered on Risk Register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	Current Likelihood	Current Impact	Current Risk Score	Rating	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting the Target Risk Score by the Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update	Status				
NPFG1	Failure to meet regulatory and performance requirements	Failure to comply with regulations (including investment and accounting regulations and TPR's Code of Practice for public sector schemes, GDPR etc) could lead to criticism, reputational damage and financial penalties	c/f	4	4	16	4	4	16	H	Use of professional advisors with experience across a number of LGPS funds. Professionally qualified investment consultant and actuary bound by professional standards. Engagement with MHCLG, LGA, SAB etc. Performance monitored against Code of Practice and reported to Committee, reviewed by POB.	Existing control measures in place. Code of Practice action plan in place after initial review in Feb 2016 and further review June 17. Focus on LGPS Governance by TPR; compliance; data quality remain major focus. Governance and structural review underway. GDPR audit completed February 2019. Dec 19 update: new role Head of Governance identified by Review (grade tbc and recruitment) + additional resource reqt for governance, risk and engagement	1	3	3	on going	Green	Management Team	Pensions Committee / Pensions Oversight Board	03/12/2019	Open				
NPFG2	Pooling of Assets (ACCESS) - Governance	There is a risk that the ACCESS pool is unable to deliver in accordance with the Governments' timetable and deliver the benefits as set out in the proposal put to Government in Autumn 2016 if an appropriate and effective governance and decision making framework and supporting infrastructure isn't agreed, established and supported by the 11 participating authorities within the timescale leading to poor decision making, lost opportunity, reputation risk, financial loss / penalties, unintended consequences, government intervention.	c/f	3	4	12	3	4	12	M	Approach based on agreed ACCESS principles. Specialist technical, legal and project management support in place. Regular planning and review of critical past and associated task and resources. Inter Authority Agreement (IAA) signed by all 11 ACCESS authorities, including Terms of Refence of Joint Committee and Officer Working Group. On going DCLG / LGA engagement. LGPS wide X-pool and infrastructure officer working group. Operator procurement lead by Kent procurement with specialist technical and legal support from Hymans and Squires respectively. ACCESS Support Unit agreed and establishment underway. IAA reviewed and proposed updates to reflect BAU / clarify S151 role being reviewed by MO's. Governance manual developed and approved.	Monitoring Officers, Chairs and OWG developed IAA and associated schedules (e.g. cost sharing mechanism) - agreed by all 11 authorities by March 2-16. Joint Committee and Officer Working Group established and meeting regularly. ACCESS Meeting with Minister to confirm approach in November 2016 - direction on approach received Feb 2017; on going updates to DCLG (Spring 2018). Comprehensive plan reviewed and maintained; resourcing needs and options being debated / agreed; risks and issue management on going within project. Operator Procurement completed and preparation for on boarding being finalised. MUSE (governance specialists) and Squries supporting further development of governance infrastructure and on going ACCESS support needs. ACCESS Support Unit (ASU) interim arrangements in place and proposal for permanent to Joint Committee 11 June 2018. ACCESS 151's mtg regularly. ASU establishment underway and interim arrangements retained in meantime. IAA review completed; governance manual and decision matrix drafted, now with S151, Monitoring Officers.	3	3	9	on going	Amber	Management Team	Pensions Committee	03/12/2019	Open				



# Governance

												Officers and JC for review. Regular reporting to Pensions Committee and POB. ASU Contract Manager and Admin support appointed; Director role no appt yet, therefore Interim Appt being progressed. IAA amendments being considered by MO's. ACCESS Governance Training package and resources being developed. ACCESS Governance Sub Group preparing to hand over oversight to ASU Director once appointed. Dec 19 ASU Director appointed. IAA review completed, awaiting final sign off by MO's and ratification by JC prior to full adoption. Package of governance training resources being developed. Givernance Sub Group preparing handover recommendations for future governance and monitoring oversight.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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# Governance

NPFG6	Business Continuity - Governance	Catastrophic event (e.g. fire, flood, epidemic, cyber crime etc.) could affect pensions infrastructure (e.g. premises, data, ICT), or other event could seriously impact on ability of Committee to make timely, informed decisions to manage investments, accounts and cash flow and administration leading to reputational damage, poor service, sub optimal investment management, financial penalty. Data may become corrupted or compromised.	c/f	3	4	12	3	4	12	M	Existing control measures in operation. Business Continuity plan refreshed and maintained.	Existing control measures in operation. Business Continuity plan full refresh and review completed Feb 2017. Plan tested by NCC power outage; minor amends made and feedback provided to BR team for inclusion in full review. BIA reviewed and updated Autumn 2017. Full BC plan review commenced; PDC visit planned prior to exercise. BC plan fully revised and reissued Nov 18. Feb 19 NPF took part in Operation Horseshoe (corporate exercise). Jan and March 19 remote working resilience tested. June / July 19 Call Tree refresh exercise underway. Dec 19 update: Lawrence House security review and refreshed. BIA's updated Nov 19, after which Resilience plan is to be reviewed. Meeting with Emma Tipple to refresh WAH arrangements and plan 2020 exercise.	2	3	6	on-going	Green	Management Team	Pensions Committee	03/12/2019	Open
NPFG7	Communication and Engagement	Failure to communicate or engage with scheme stakeholders e.g. scheme members, pensions committee, pensions board, admin Auth, ACCESS colleagues, DCLG,e tc) could lead to poor decisions decisions, policy, planning and non-compliance with legislation and/or best practice. Reputation risk; financial penalty risk.	c/f	2	3	6	2	3	6	M	Maintain a communication and governance strategy, subject to regular review. Maintain good working relationships with all stakeholders; utilise a range of formal and informal communication routes with stakeholders	Review of website effectiveness underway June 2019.. Dec 19 update: website update being completed following review. Member survey (recent retirements) planned for early 2020. Effectiveness of Pension Clinics Autumn 2019 being reviewed.	2	3	6	on going	Green	Management Team	Pensions Committee	03/12/2019	Open
NPFG8	Lack of skilled resource - Governance	Insufficient resource available with right knowledge and skills to safely and effectively develop and determine policy, strategy, make decisions and ensure regulatory compliance and performance could lead to reputational damage, poor service, sub optimal investment management, regulatory non compliance and financial penalty.	c/f	5	5	25	5	5	25	H	Full committee membership maintained; training and development programme maintained. Officer resources stretched. Committee and Management team monitor resourcing and in particular new requirements arising from pensions reform (e.g. POB, tPR Code of Practice) and impact of ACCESS pooling upon resources (Members and Officers). Governance review by Hymans to identify / inform options to reduce risk.	Committee training day June 13 2017 for new committee members. Replacement POB member (non levying / precepting representative) appointed and met with Officers for induction. Norfolk officers supporting ACCESS Client, Contract Management and Governance workstreams; MUSE (governance experts) appointed to assist in development of cohesive ACCESS governance arrangements. Governance review commenced; key stakeholder interviews underway. Review and recommendations reported to Committee Feb 19. New role Head of Governance, Compliance, Communications and Engagement identified and Job Description developed for evaluation and recruitment. Dec 19 update: new role Head of Governance identified by Review (grade tbc and recruitment) + additional resource reqt for governance, risk and engagement. New Independent Chair of POB being	3	3	9	on going	Red	Management Team	Head of the Pension Fund / Pensions Committee	03/12/2019	Open
NPFG9	National LGPS Frameworks	National LGPS Frameworks are a high profile initiative led and hosted by NPF, and supported by Norfolk Procurement and nPLaw, delivering multi £ million savings across the LGPS. Risk if project fails or legal challenge could reputationally and financially impact on Norfolk Pension Fund and Norfolk County Council; and not deliver potential benefits of project nationally; risk that resources needed for project could negatively impact on the Pension Fund / Norfolk County Council (e.g. nPLaw); and the other way round. Risk that project takes on more than can be safely delivered in response to needs identified within LGPS community.	c/f	3	4	12	3	4	12	M	Legal agreements in place to protect Norfolk County Council. Full time programme director and officers dedicated to project (self funding model), underwritten by participating Funds across the LGPS. Resourced service plan agreed by programme director with National LGPS Framework founding authorities; regular reporting and accountability by programme director to NPF and Founding Authorities; closer co-operation and engagement between Framework Manager and nPLaw / Norfolk Procurement. Regular engagement with cross-pool governance group, MHCLG, LGA.	Legal agreements in place to protect Norfolk County Council. Full time programme director and officer dedicated to project (self funding model), underwritten by participating Funds across the LGPS. Additional resource put in place - National LGPS Frameworks Support Officer (permanent); National LGPS Frameworks Assistant Officer (ftc). Further review of staffing / organisation underway	2	2	4	on going	Amber	National LGPS Frameworks Programme Director	Head of the Pension Fund / Pensions Committee	03/12/2019	Open

Governance

NPFG10	Brexit - The UK's exit from the EU	The UK Government has triggered Article 50 which starts the formal process of leaving the EU. There are now 2 years during which the details of the UK's exit will be negotiated.	c/f	2	2	4	2	2	4	L	There is likely to be a period of uncertainty as the UK negotiates its exit from the EU. This may result in economic, regulatory, political and social risks which could impact on the Fund. This situation is set to continue for some time to come. While Brexit negotiations are on-going, significant EU regulations like the General Data Protection Regulation and MiFID II will be implemented in the UK and the Fund will need to comply as appropriate.	Existing control measure are in operation. Arrangements for Brexit will be closely monitored and their potential impact upon the Fund evaluated as information becomes available. Dec 19 update: Brexit extension until Jan 2020.	2	2	4	on going	Green	Management Team	Head of the Pension Fund / Pensions Committee	03/12/2019	Open
NPFG11	Cyber and Financial Crime	The risk of loss, disruption or damage to the pension fund and / or its stakeholders as a result of the failure of information technology and financial systems, processes, operations and controls.	c/f	2	4	8	5	4	20	H	Internal controls maintained and audited. NCC has a comprehensive cyber security network in place, and manages risk via the corporate risk register. All NPF staff comply with corporate policies and procedures inc. regular training (eg Data Protection). 3rd party contracts tested for cyber security during procurement, supported by NCC procurement and NPLaw. Business Continuity plans maintained and tested.	Head of PF outlook a/c breached; appropriate authorities notified, action taken by ICT and Pension Fund staff to mitigate as fully as possible; action taken by corporate authority to prevent reoccurrence; case being closed. Review of Cyber / Financial controls in place to be undertaken. Dec 19 update: mtg with ICT to scope comprehensive review of cyber security at NPF	3	4	12	on going	Green	Management Team	Head of the Pension Fund / Pensions Committee	03/12/2019	Open