



Pensions Committee

Date: **Tuesday, 19 February 2019**

Time: **9:30am**

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

Membership

Members

Mr D Douglas
Mr T FitzPatrick
Ms J Oliver
Mr M Storey
Mr B Watkins

Co-opted Members

Mr J Fuller
Mr A Waters

Member Representative

Mr S 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

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 7)

To confirm the minutes of the meetings held on 11 December 2018.

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**

5 Exclusion of the Public (Items 6-13 only)

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 that 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 that 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.

6 Investment Strategy – Update and Real Asset Review

6.1 Copies of the presentation will be available for Members of the Committee on the day of the meeting. (Page 17)

6.2 Joint Report by the Executive Director of Finance and Commercial Services and the Head of Pensions (Page 38)

7 Investment Manager Presentations

7.1 Introduction to Proposed Investment (Page 53)

Copies of the presentation will be available for Members of the Committee on the day of the meeting.

7.2 Introduction to Proposed Investment (Page 75)

Copies of the presentation will be available for Members of the Committee on the day of the meeting.

Break in the meeting

7.3 Introduction to Proposed Investment (Page 124)

Copies of the presentation will be available for Members of the Committee on the day of the meeting.

7.4 Committee to consider Investment Strategy Recommendations

Lunch

8 Investment Performance Update by Hymans Robertson (Page 147)

Copies of the booklet will be available for Members of the Committee on the day of the meeting.

9	Valuation Planning (including Fair Deal Consultation)	(Not yet available)
	Copies of the booklet will be available for Members of the Committee on the day of the meeting.	
10	ACCESS Update	(Page 170)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	
11	Norfolk Pension Fund Governance Review-update	(Page 188)
	Copies of the presentation by Hymans Robertson will be available for Members of the Committee on the day of the meeting.	
12	Employer Request for Pooling of Cessation Obligation	(Page 247)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	
13	Exempt Minutes	(Page 250)
	To confirm the exempt minutes of the meeting held on 11 December 2018.	
14	Update from the Pensions Oversight Board	(Page 259)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	
15	Pension Fund Budget	(Page 263)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	
16	Administration Report	(Page 280)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	
17	Corporate Governance and Shareholder Engagement Report	(Page 364)
	Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund	

Chris Walton
Head of Democratic Services

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Date Agenda Published: 11 February 2019



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Pensions Committee

Minutes of the meeting held on Tuesday, 11 December 2018 commencing at 9:30 am at County Hall, Norwich

Present:

Mr S Aspin	
Mr T FitzPatrick	
Mr J Fuller	
Ms J Oliver	(Chair)
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
Tim Shaw	Committee Officer
Jo Quarterman	Norfolk Pension Fund Project and Development Manager

Others Present:

William Marshall	Investment Adviser, Hymans Robertson
Anish Butani	bfinance
Ian Colvin	Hymans Robertson
Rob Bilton	Hymans Robertson
Monique Stephens	JP Morgan
Gilly Zimmer	JP Morgan
Geoff Jackson	Equitix
John Haan	Equitix
Mili Parekh	Equitix
Sarah Emberson	Aviva
Ian Berry	Aviva
Rachel Farmer	Pensions Oversight Board
Brian Wigg	Pensions Oversight Board
Debbie Beck	Pensions Oversight Board

1 Apologies

1.1 Apologies for absence were received from Mr D Douglas and Mr M

Storey.

2 Minutes

- 2.1** The minutes of the previous meeting held on 18 September 2018 were confirmed as a correct record and signed by the Chairman.

3 Declaration of Interest

- 3.1** The following declaration of interest was received:

- Mr Waters declared an “other interest” because his wife was a member of the scheme.

4. Matters of Urgent Business considered by the Committee as part of the Administration Report

- 4.1** The Committee received as urgent exempt information verbal reports from the Head of Pensions on three separate issues: the settlement of a cessation obligation to the Fund, the Dynamic Currency Hedging Programme and a Class Action Update. These matters were urgent business because they related to developments since the publication of the agenda and were considered by the Committee as part of the Administration Report.

- 4.2** The Committee also received (as exempt information) booklets from Hymans Robertson about their presentations (at items 6, 8, 9 and 11 on the agenda) and booklets (containing exempt information) from three proposed investment managers about their presentations (item 7 on the agenda).

5 Exclusion of the Public Items 6-12, 13 (in part) and 15

- 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- Investment Strategies – Update and Real Asset Review

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 7.1- Introduction to Proposed Investment- Aviva

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.

5.5 Item 7.2- Introduction to Proposed Investment- Equitix

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 7.3- Introduction to Proposed Investment- JP Morgan

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 8- Investment Performance Update by Hymans Robertson

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.

5.8 Item 9- Valuation Planning

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 10- 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.

5.10 Item 11- Norfolk Pension Fund Structural 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.

5.11 Item 12- Risk Register Report and Compliance with Breaches Policy

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.

5.12 Item 13- Administration Report (verbal exempt urgent business)

The consideration of this item included the disclosure of verbal exempt urgent business and the discussion of business and commercial

information 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.

5.13 Item 15-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.

5.13 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. Investment Strategies – Update and Real Asset Review

6.1 The Committee received a report (containing exempt information) by the Executive Director of Finance & Commercial Services, Head of Pensions and Hymans Robertson (Hymans) that accompanied a booklet from Hymans ("Investment strategy update: Long-Term Enhanced Yield") that was laid on the table.

6.2 Members carefully considered the developments in the implementation of investment strategies that had taken place since the previous meeting and the action report authors recommended should take place following this meeting.

6.3 RESOLVED

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

7.1 Introduction to Proposed Investment- Aviva

7.1.1 Two representatives from Aviva presented a detailed booklet that was laid on the table. The representatives from Aviva introduced the booklet, summarised the main issues, and responded to detailed questions by the Members.

7.1.2 The Chairman thanked Aviva for their presentations.

7.1.3 RESOLVED

To note the presentations by the Fund Manager.

7.2 Introduction to Proposed Investment- Equitix

7.2.1 Two representatives from Equitix presented a detailed booklet that was laid on the table. The representatives from Equitix introduced the booklet, summarised the main issues, and responded to detailed questions by the Members.

7.2.2 The Chairman thanked Equitix for their presentations.

7.2.3 RESOLVED

To note the presentations by the Fund Manager.

7.3 Introduction to Proposed Investment- JP Morgan

7.3.1 Two representatives from JP Morgan presented a detailed booklet that was laid on the table. The representatives from JP Morgan introduced the booklet, summarised the main issues, and responded to detailed questions by the Members.

7.3.2 The Chairman thanked JP Morgan for their presentations.

7.3.3 RESOLVED

To note the presentations by the Fund Manager.

8 Investment Performance Update by Hymans Robertson

8.1 Members received a detailed booklet by Hymans (containing exempt information) that reviewed Investment Managers' performance for the third quarter of 2018.

8.2 RESOLVED

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

9 Valuation Planning

9.1 The Committee received a detailed booklet (containing exempt information) from Hymans Robertson ("Trustee Training: Actuarial Update") that was laid on the table. The booklet explained the methodology and timeline for the 2019 valuation of the Norfolk Pension Fund which formed part of a continual "health check" on fund solvency.

9.2 The Committee was informed that the valuation planning would establish

the funding position of each scheme employer and set employer contribution rates for the three years commencing from 1 April 2020.

9.3 RESOLVED

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

10 ACCESS Update

10.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Head of Pensions about the ACCESS Pool. The report provided an update to the Pensions Committee on the work of the ACCESS Pool since the last update was given at the September 2018 Committee.

10.2 A full set of agenda papers including both restricted and unrestricted items relating to the ACCESS Joint Committee meeting that was held on 10 December 2018 were sent to Members of the Pensions Committee by email as background documents prior to the meeting.
Note: Kent County Council (as 'host' authority for the secretariat) published electronic copies of the agenda and unrestricted public items on their website (Kent CC - Access Joint Committee Page).

10.3 RESOLVED

That the Committee note the current position and that Members would be kept informed of developments at future meetings.

11 Norfolk Pension Fund Structural Review-Update

11.1 The Committee received a detailed booklet (containing exempt information) from Hymans Robertson ("Pension Fund Review") that was laid on the table.

11.2 The booklet was an update about the context, research, best practice and key themes of the Norfolk Pension Fund Governance Review.

11.3 The Committee noted that a further update and early recommendations alongside a first draft service plan and draft 2019/20 budget would be taken to the February 2019 meeting.

11.4 RESOLVED

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

12 Risk Register Report and Compliance with Breaches Policy

12.1 The Committee received a report (containing exempt information) by the

Executive Director of Finance and Commercial Services and the Head of Pensions about the risk register and compliance with breaches policy.

- 12.2** The Committee noted that the Risk Register was regularly reviewed by the Management Team and appropriate action taken. There were no breaches of “material significance” that required reporting to the Regulator.

12.3 RESOLVED

That the Committee note the contents of this update report, including the actions and mitigations that had been taken corporately and locally within the Norfolk Pension Fund, and ask for a further update report in due course.

13 Administration Report

- 13.1** The annexed report (13) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received. The Committee also received (as urgent business and exempt information) verbal reports from the Head of Pensions on three separate issues: the settlement of a cessation obligation to the Fund, the Dynamic Currency Hedging Programme and a Class Action Update.

- 13.2** The report that the Committee received was a quarterly update on all operational and administration matters relating to the Fund. The report included updates on the Governance framework for the Norfolk Pension Fund,
(Pensions Oversight Board, National Scheme Advisory Board, The Pensions Regulator and LGPS National Confidence Survey), Pension Fund Structural Review, Communications (with active and deferred scheme members, with retired members, with employers and Norfolk Pension Fund website), Guaranteed Minimum Pension (GMP) Reconciliation, transfer of Fire Scheme Administration, Collaborative Working / Value for Money, Knowledge and Skills, LGPS Code of Transparency, Update on Bulk Transfer Values in Progress, Admission Agreement – Action for Children, Admission Agreement – Churchill Services, Admission Agreement – Compass Group t/a Chartwells (Clarion Academy Trust), Admission Agreement – Compass Group t/a Chartwells (Ormiston Academy Trust), Representation on behalf of the Pension Fund, Norfolk Pension Fund – Pensions Committee Forward Plan and External Audit Assurance from Norfolk Pension Fund.

- 13.3** The Committee’s attention was drawn to the publication by the Pensions Regulator (TPR) of their ‘Compliance and enforcement policy for public service pensions schemes’ which could be found at Appendix B to the report. This policy was in line with the TPR’s new message to the pensions industry (clearer, quicker and tougher), that showed greater engagement and focus on LGPS Funds.

- 13.4** The Committee noted that the next Employers Forum was scheduled for 12th December 2018 and would focus on preparations for the forthcoming triennial valuation, administration developments and latest LGPS 'hot topics' of interest to employers.

13.5 RESOLVED

- A. That the Committee note the content of the Administration report and specifically:**
Paragraph 12 - the admission application by Action for Children (Diss Childrens Centre contract).
Paragraph 13 - the admission application by Churchill Services (Wensum Trust – Alderman Peel High contract).
Paragraph 14 - the admission application by Compass t/a Chartwells (Clarion Academy Trust – Hobart High School contract).
Paragraph 15 - the admission application by Compass t/a Chartwells (Ormiston Academies Trust – Cliff Park Academy contract).
- B. That the Committee note the contents of the verbal exempt business update reports, including the actions and mitigations that were being taken corporately and locally within the Norfolk Pension Fund.**

14 Update from the Pensions Oversight Board (POB)

- 14.1** The annexed report (14) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.

14.2 RESOLVED

That the Committee:

- 1. Note the contents of the update report from the Pensions Oversight Board (POB).**
- 2. Agree to the changes to the terms of office for Members of the POB and subsequent amendments to the Terms of Reference that are set out in paragraphs 4.6 and 4.7 of the report. These changes are:**
 - The terms of reference to allow appointments to POB for 4 years, with the option to extend for a further 2 years.**
 - The terms of office for the current POB Members to be extended until July 2021 (subject to their agreement), in order for the POB to benefit from their accumulated knowledge and experience.**
- 3. Note that the current reciprocal Charing arrangements for the POB are being considered as part of the current Norfolk Pension Fund Structural Review and that officers will present**

recommendations to the Committee on this matter in the light of these findings in due course.

15 Exempt Minutes of the meeting held on 18 September 2018

- 15.1** The exempt minutes of the meeting held on 18 September 2018 were confirmed by the Committee and signed by the Chairman.

The meeting concluded at 3.10 pm

Chairman

Update from the Pensions Oversight Board

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

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 December 2018 Committee Meeting.

2. Pensions Oversight Board meetings

- 2.1. The Pensions Oversight Board (POB) last met on Tuesday 22 January 2019, and the agenda for the meeting is at Appendix A.
- 2.2 Current Consultations
- 2.3 In addition to regular Agenda items, the Board considered the current consultations, including informal consultation in respect of the draft MHCLG guidance on LGPS Asset pooling, as well as the New Fair Deal consultation. The Board also considered the arrangements for ensuring that employers were aware of the Fair Deal consultation and potential employer implications.
- 2.4 Operational Review: Administration Report
- 2.5 The Board spent some time considering in some detail the content of the most recent Administration report, received by Pensions Committee in December 2018.
- 2.6 Forward Programme
- 2.7 The Board will explore the experience of a small employer, and of a member approaching retirement in the next few months.
- 2.8 The Pensions Oversight Board's next scheduled meeting is on Tuesday 2 April 2019.

3 Knowledge and Skills

- 3.1 Members of POB attended the LGA's 15th Annual LGPS Governance Conference – 'Clarity in Confusion' in January 2019, along with members of Pensions Committee and Glenn Cossey, Chief Investment Manager.

4 Resource Implications

- 4.1 There are no resource implications identified at this time.

5. **Other Implications**

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

5.2 There are no equality issues arising from this report.

Any Other Implications:

5.3 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.

6. **Section 17 – Crime and Disorder Act**

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

7. **Recommendation**

7.1 The Committee is invited to note the contents of this report.

Background Papers

Appendix A – Pensions Oversight Board Agenda 19-01-22

Officer Contact

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

Nicola Mark Tel No: 01603 222171 email address: nicola.mark@norfolk.gov.uk



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Norfolk Pension Fund Pensions Oversight Board

Date: **Tuesday 22 January 2019**

Time: **10:30am**

Venue: **4th Floor Lawrence House, 5 St Andrews Hill,
Norwich, NR2 1AD**

Membership

Chairman

Kevin McDonald Director of Pensions, Essex Pension Fund

Employer Representatives

Cllr Chris Walker Poringland Parish Council
Debbie Beck Norfolk County Council
Howard Nelson DNEAT

Scheme Member representatives

John Harries Active / Deferred member
Brian Wigg Pensioner member
Rachel Farmer Trade Union

Agenda

1. Apologies
To receive apologies
2. Minutes and matters arising
To agree the minutes of the meeting held on the 8 October 2018.

3. Declarations of interest

Members to declare any conflict of interest. For the purposes of a member of a Local Pension Board (the Pension Oversight Board), a 'conflict of interest' may be defined as a financial or other interest which is likely to prejudice a persons exercise of functions of a Local Pension Board. (A conflict does not include a financial or other interest arising merely by virtue of being a member of the LGPS / Norfolk Pension Fund).

Therefore, a conflict of interest may arise when a member of a Local Pension Board:

- must fulfil their legal duty to assist the Administering Authority;
and

- at the same time they have:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Local Pension Board member.
- 4. Items of urgent business
To receive any items of business which the Chairman decides should be considered as a matter of urgency
- 5. Pensions Oversight Board Membership
To consider the future membership of the Pensions Oversight Board following agreement to extend current terms of appointment
- 6. Pensions Committee
Feedback from Pensions Committee meeting of the 11 December 2018 and items to be raised at 19 February 2019 meeting
- 7. LGPS reform
Update on the on-going reform programme within the LGPS, to include:
 - Investment pooling
 - Scheme Advisory Board news
- 8. Current Consultations
Review of current consultations, to include:
 - Draft MHCLG guidance on LGPS Asset pooling – informal consultation
 - LGPS – New Fair Deal Consultation
- 9. Operational review: Administration Report
To consider the Administration report presented to Pensions Committee in December 2018
- 10. Pensions Oversight Board
To consider and agree the forward work programme for the Pensions Oversight Board, to include:
 - Experience of small employer
 - Experience of scheme member approaching retirement
- 11. Knowledge, skills and training
- 12. Date of next meeting
To confirm the date of the next meeting

Contact for questions about this agenda:

Jo Quarterman, Business Development and Project Manager, Norfolk Pension Fund

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Date agenda published: 16 January 2019

Pension Fund Budget Report

Report by the Executive Director, Finance and Commercial Services and
Head of Pensions

1. Background

- 1.1 The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget. Regulation requires Pension Fund assets to be ring-fenced as the Fund is run on behalf of over 400 employers and over 90,000 scheme members, from a range of public, private and quasi-public organisations across Norfolk. All the costs (and efficiencies) of administering the pension fund are met by (or benefit) the Fund. The Fund is accountable to all its stakeholders (employers and members) via the Pensions Committee.
- 1.2 Savings on Pension Fund expenditure accrue within the Fund. They do not contribute directly towards, for example, Norfolk County Councils cost reduction targets, or those of any of the other employers in the Fund. Likewise, Pension Fund budgetary cost pressures are not met by any one single employer but are shared across all Fund employers as a small fraction of the contribution rate set at each Triennial Valuation.
- 1.3 Each year the Norfolk Pension Fund prepares a budget built upon its Service Development Plan. Where possible the Service Development Plan takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year. For 2019-20, this includes:
 - Norfolk's participation in the ACCESS Pool including work to set-up the Pool's governance structure, the planned restructuring/transition of assets and the reporting of pool costs.
 - The 2019 LGPS triennial valuation.
 - Managing the impact of incremental increases in the number of employers joining the LGPS and ensuring resources are in place to meet demand.
 - Managing the impact of wider Government Pensions Reform, including policy changes required by the Pension's Regulator.
- 1.4 The proposed budget for 2019-20 of £3.735m includes a number of significant projects totalling £765k. Many of these projects have previously been highlighted to Committee and include for example, LGPS investment pooling.
- 1.5 The 2019-20 budget does not include budgetary implications of the structural review currently being undertaken by Hymans. As reported to December Pensions Committee, the proposed new organisational structure is likely to increase staff costs by £300k to £400k or 10% of the total Fund budget. The final costings will not be known until the final structure is approved and new roles/changes to pay grades have been evaluated by Corporate HR.

2. Efficiency and Value for Money

2.1 The Fund has absorbed an increasing workload over the last few years, particularly in respect of member administration and employers. Total Fund membership has increased by 36% in the last 8 years. At 31st December 2018 there were 28,859 active scheme members, 22 more than at the 31st March 2018 (28,837).

2.2 Whilst total active membership is an indicator of increasing workloads it masks the actual 'turnover' in membership. Whilst total active membership numbers have increased by 22 between 31st March 2018 and 31st December 2018, the actual turnover of active members in this period results from 10,770 individual new starters and 10,748 leavers. This turnover results in a significant increase in the Funds administration workload in respect of starters and leavers and member transfer arrangements.

	31st March 2011	31st March 2012	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
Active	27,313	25,991	26,439	27,254	27,638	28,030	28,469	28,837
Deferred	20,909	22,773	24,535	26,776	29,125	32,477	34,216	36,520
Pensioner	17,563	18,796	19,851	20,887	21,247	22,215	23,220	24,211
Total	65,785	67,560	70,825	74,917	78,010	82,722	85,905	89,568

2.3 Total employers with active members in the scheme have also increased significantly, by 195% in the last 8 years.

	31st March 2011	31st March 2012	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
Employers	125	134	152	181	233	262	322	369

2.4 The Norfolk Pension Fund takes part in the annual CIPFA Benchmarking exercise for LGPS administration.

2.5 A comparison of our cost per member is shown in the table below. We use the detailed data from this exercise to target areas for improvement in our Service Development Plan.

Benchmark	Cost per member (£)
Norfolk Pension Fund	18.97
Club Average	21.16

2.6 The agreed efficiency target within the current Service Development Plan is 'to remain at or under the CIPFA cost per member average, but whilst targeting the upper quartile for performance across industry Key Performance Indicators'.

3. 2019-20 Pension Fund Budget

- 3.1 At the end of December 2018, the assets of the Fund were £3.65 billion. The proposed 2019-20 Pension Fund Budget equates to just 0.1% of this value and is made up of external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy and accounting, benefit administration and retired members payroll, facilities and support services, one-off projects and the Local Pension Board. This budget does not include Investment Expenses (circa £16m) which are paid directly from cash assets held at the Custodian.
- 3.2 The detailed Norfolk Pension Fund budget for 2019-20 is attached at Appendix 1. A high-level comparison of the proposed 2019-20 budget with the current approved 2018-19 budget is shown in the following table:

Service	Approved Budget 2018-19 (£)	Proposed Budget 2019-20 (£)	Change (%)
Advisory Fees	250,000	299,000	19.6
Investment Strategy Services	767,000	803,000	4.7
Administration Services	1,312,000	1,371,000	4.5
Facilities & Support Services	425,000	424,000	-0.2
Projects	601,000	765,000	27.3
Pension Board	62,000	58,000	-6.5
Total	3,417,000	3,720,000	8.9

- 3.3 The year on year comparison shows an increase in the budget of 8.9%. A detailed analysis of the movements in the budgets is shown below.

4. Analysis of Budget Movement

4.1 Advisory Fees – Appendix 1a

Category	2018-19 Budget (£)	2019-20 Budget (£)	% Increase/ Decrease
General Actuarial	100,000	100,000	0.0
Investment Consultancy	72,000	72,000	0.0
Investment Services	30,000	65,000	116.7
Legal Fees	48,000	62,000	29.2
Total	250,000	299,000	19.6

- 4.2 The General Actuarial budget is used to meet the cost of expert advice and calculations in respect of bulk transfers including negotiations with other funds. It also includes provision for the Actuary's attendance at Committee, advice on legislative change, support on fund policy updates and reviews and attendance at events to promote employer knowledge and understanding of the Pension Fund and specifically the nature and risks associated with pension liabilities. Where costs are specifically generated by an employer, usually advice relating to outsourcing decisions, these fees will be recharged to the employer generating the work. This meets the requirement of our regulator (Minister for Housing Department of Communities and Local Government) in respect of employer generated actuarial work. There is also

budget provision to support the on-going work on fund unitisation and the monitoring of multi-employer strategies within the unitisation model.

- 4.3 The Investment Consultancy budget provides for advice in relation to the Fund's investment mandates including reporting to and attendance at Committee, monitoring and advice in respect of the incumbent investment managers and a provision for advice relating to ad-hoc investment issues.
- 4.4 The Investment Services budget provides for the cost of performance monitoring services. Following the decision by the Fund's current service provider to withdraw from the LGPS market, a procurement exercise (using the LGPS National Frameworks) is underway to find a new performance monitoring provider. The budget has been increased to provide for the cost of the procurement exercise and one-off implementation costs (retrospective loading of performance data).
- 4.5 The budget in respect of Legal Fees has been increased to provide for professional and technical legal advice in respect of the recent infrastructure/real asset appointments.
- 4.6 Any specific costs arising from future changes to the existing Fund Manager line-up in 2019-20 will be brought to the Pensions Committee for separate approval during the year.
- 4.7 **Investment Strategy Services – Appendix 1b**

Category	2018-19 Budget (£)	2019-20 Budget (£)	% Increase/ Decrease
Staff Costs	610,000	659,000	8.0
Hired & Contracted Services	102,000	105,000	2.9
Membership of Organisations*	43,000	44,000	2.3
Internal NCC Recharges	12,000	10,000	-16.7
Total	767,000	803,000	6.6

*Included in the Membership of Organisations budget heading is £17,500 in respect of statutory levy's

- 4.8 This service is responsible for investment strategy, accountancy, business support and projects.
- 4.9 The increase in staff costs is largely the result of hiring temporary business support to assist with the smooth running of the office while other staff are involved in ACCESS Pooling and Governance related work. There is additional budget growth for incremental pay progression and the 2019 pay award. The budget for Hired and Contracted Services has been increased in line with projected spend relating to the drafting of new employer admission agreements by NPLaw. There has been a small decrease in services recharged by the corporate authority.

4.10 Administration Services – Appendix 1c

Category	2018-19 Budget (£)	2019-20 Budget (£)	% Increase/ Decrease
Staff Costs	1,050,000	1,099,000	4.7
Operational Costs	298,000	297,000	-0.3
Pensions Payroll Income	-36,000	-25,000	-30.6
Total	1,312,000	1,371,000	4.5

4.11 The increase in Administrative staff costs is the result of incremental pay progression and the two percent nationally agreed local government pay award.

4.12 The income budget for pensions payroll has reduced following the transfer of the Norfolk Firefighters pensions administration to West Yorkshire Pension Fund.

4.13 Facilities and Support Services – Appendix 1d

Category	2018-19 Budget (£)	2019-20 Budget (£)	% Increase/ Decrease
Facilities	179,000	179,000	0.0
Support Services	83,000	83,000	0.0
Training & Recruitment	21,000	21,000	0.0
Communication Expenses	115,500	111,500	-3.5
Online Services	41,500	41,500	0.0
Income	-15,000	-12,000	-20.0
Total	425,000	424,000	-0.2

4.15 The Facilities and Support Services budget includes property costs relating to Lawrence House and other operational expenses such as the ICT network. Amendments to both the expenditure and income budgets for the Pensions Week event have resulted in an overall next budgetary decrease of £1k.

4.15 Projects – Appendix 1e

Project	2019-20 Budget (£)
LGPS Investment Pooling (ACCESS)	150,000
2019 Triennial Valuation	300,000
Structural Review - Design Phase	100,000
Guaranteed Minimum Pension (GMP) Reconciliation Software	10,000
Altair Admin to Payroll Interface Upgrade	15,000
Preparation Work for SAB Monthly Return	50,000
Pension Admin Software Framework Founder Fee	20,000
Review of POB Governance	15,000
Review of Operational Admin Backlog	30,000
Review of Knowledge & Skills Compliance	50,000
Governance Health Check	25,000
Total	765,000

4.16 Project spend is one-off, non-recurring. The major projects proposed for 2019-20 include:

- LGPS Investment Pooling (£150K) – This budget represents Norfolk’s share (one eleventh) of the non-operator cost of the ACCESS Pool; operator costs being charged directly to the Fund as an investment management expense. The budget provides for the cost of the ACCESS Support Unit (ASU) hosted by Essex County Council. The ASU consists of a Director, Contract Manager, Administrative Support and a virtual Technical Team. The budget also provides for professional and technical support in relation to governance and on-boarding work. This is a provisional budgetary sum pending approval of the 2019-20 budget by the Joint Committee on 18th March 2019.
- Valuation Planning (£300K) – It is a regulatory requirement to value the Fund’s liabilities every three years and in doing so set employer contribution rates. Initial planning is already underway for the 2019 Valuation. ‘Clean’ data will be submitted to the Actuary following year end. The data will be modelled and risk-based valuations will be produced for each employer.
- Structural Review (£100K) – staff resources, resilience and development is identified as an areas of high risk on the Pension Fund’s risk register, driven in part by the pace and scale of LGPS reform. This budget will enable the Fund to plan and implement structural changes aimed at addressing resource issues including key man risk and succession planning.

4.17 Pension Board – Appendix 1f

	2018-19 Budget (£)	2019-20 Budget (£)	% Increase/ Decrease
Board Development and Training	45,000	41,000	-8.9
Member Allowances and Costs	5,000	5,000	0.0
Secretariat	2,000	2,000	0.0
Advice and Guidance	10,000	10,000	0.0
Total	62,000	58,000	-6.5

4.18 In accordance with Section 5 of the Public Service Pensions Act 2013 and the Public Service Pension Scheme (Amendment) (Governance) Regulations 2015, the Norfolk Pension Fund has established a local Pension Board. The Board includes representatives of scheme members and employers and assists the Administering Authority in ensuring the effective and efficient governance of the Scheme, in line with regulations.

4.19 National LGPS Procurement Frameworks Project – Appendix 1g

	2019-20 Forecast (Surplus) /Deficit* £
Actuarial Consultancy	-81,237
Actuarial Consultancy 2	-155,122
Custodian Consultancy	-24,575
Member Data Verification	20,646
Framework Development & Promotion	214
ESG Services	-7,070
Investment Consultancy	-86,848
Investment Consultancy 2	-76,264
Legal Services	-1,794
Legal Services 2	47,900
Investment Management Cost & Performance Monitoring & Reporting	2,253
Passive Investment	-25,570
Pension Administration Software	26,020
Third Party Administration	75
Transition Consultancy	32,932
Total	-328,444

*Note: Deficits relate to timing of cash out flows that are forecast to be recovered during the lifetime of the Framework.

- 4.20 The Norfolk Pension Fund is the host authority for the LGPS National Frameworks. Income and expenditure associated with the LGPS National Procurement Frameworks is accounted for under a separate ring-fenced budget. The number of active contracts being hosted by Norfolk is fifteen.
- 4.21 Due to the long lifespan of each framework and the need to distribute the framework surplus to founders and joiners, the annual net accumulated actual income or expenditure position is carried forward each financial year. Therefore for budgeting purposes the Frameworks budgets balance to zero after the roll forward of the forecast actual surplus or deficit forecast above.
- 4.22 Current estimates show that actual income from joiner fees and rebates on contract values “called off” from the frameworks is likely to exceed estimated costs over the life of each framework. Costs associated with the set up and ongoing running costs of each framework include direct framework costs for dedicated framework posts and bought in services such as procurement advice, specialist advisor and legal fees, publicity, launch costs and website hosting. The salary costs of other Norfolk Pension Fund staff involved in the frameworks are also recharged. Framework income and expenditure is monitored closely in order to ensure that income over the lifetime of a framework exceeds expenditure and internal controls have been developed to prevent deficits rolling forward for more than two financial years.
- 4.23 On termination of the final contract call off, any surplus generated by each framework will be distributed to its founder members and joiner funds.

- 4.24 An annual outturn position for each framework is produced and reported to the Founder Members. Details of the framework outturn will also be reported to Pension Committee in June 2019.
- 4.25 Nationally, the LGPS frameworks have proved to be an efficient and effective method of procuring pension services; reducing procurement timescales from 6 months to 6 weeks and costs from tens of thousands to just a few thousand. Together with volume rebates it is estimated that the National LGPS Frameworks has saved the LGPS over £105M since its launch seven years ago.

5. Budget Monitoring

- 5.1 The budget is monitored by the Pension Fund Management Team throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit.
- 5.2 The table below shows actual spend to date against the approved 2018-19 budget as at December 2018. The budget is not profiled to reflect periodic charges such as six monthly and annual invoicing.

Service	Budget 2018-19 (£)	Actual Spend to Dec 2018 (£)	% Spent	Forecast Outturn 2018-19 (£)	% Forecast Outturn
Advisory Fees	250,000	194,705	78	245,000	98.0
Investment Strategy Services	767,000	539,813	70	750,000	97.8
Administration Services	1,312,000	926,286	71	1,210,000	92.2
Facilities & Support Services	425,000	235,670	39	390,000	91.8
Projects	601,000	187,840	31	550,000	91.5
Governance Board	62,000	157	0	500	0.8
Total	3,417,000	2,084,471	61	3,145,500	92.1

6. Resource Implications

- 6.1 There are no additional resource implications resulting from this report beyond those detailed.

7. Other Implications

7.1 Equality Impact Assessment (EqIA)

There are no issues relevant to equality in this report.

7.2 Any Other Implications

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.

8. **Section 17 – Crime and Disorder Act**

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

9. **Recommendation**

9.1 The Pensions Committee approves the Pension Fund 2019-2020 budget.

Background Papers

Appendix 1 - Norfolk Pension Fund Budget for 2019-20

Appendix 1a - Advisory Fees

Appendix 1b - Investment Strategy Services

Appendix 1c - Administration Services

Appendix 1d - Facilities and Support Services

Appendix 1e - Projects

Appendix 1f - Pension Board

Appendix 1g - Frameworks

Officer Contact

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

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Pensions Budget 2019-20

2018-19 (£)	Division	2019-20 (£)
250,000	Advisory Fees (Appendix 1a)	299,000
767,000	Investment Strategy Services (Appendix 1b)	818,000
1,312,000	Administration Services (Appendix 1c)	1,371,000
425,000	Facilities & Support Services (Appendix 1d)	424,000
601,000	Projects (Appendix 1e)	765,000
62,000	Pension Board (Appendix 1f)	58,000
0	Frameworks (Appendix 1g)	0
3,417,000	Total	3,735,000

Advisory Fees Budget 2019-20

2018-19 (£)	Category	2019-20 (£)
	General Actuarial Fees	
40,000	Actuarial Fees	40,000
10,000	Demographic Profiling (Club Vita)	10,000
50,000	Unitisation	50,000
100,000	Subtotal	100,000
	Investment Consultancy	
30,000	General Investment Advice	40,000
16,000	Committee Attendance & Preparation by Investment Advisor	16,000
16,000	Quarterly Analysis & Reporting to Committee	16,000
10,000	Fund Manager Pre-Meet Investment Advice	0
72,000	Subtotal	72,000
	Investment Services	
30,000	Performance Monitoring	65,000
30,000	Subtotal	65,000
	Legal Fees	
48,000	External Legal Advice	62,000
48,000	Subtotal	62,000
250,000	Total	299,000

Investment Strategy Services Budget 2019-20

2018-19 (£)	Category	2019-20 (£)
610,000	Staff Costs	659,000
610,000	Subtotal	659,000
	Hired & Contracted Services	
16,000	RREV Corporate Governance	16,000
1,000	Internal Dispute Resolution Process (IDRP) Fees/Advice	1,000
27,000	External Audit Fees	27,000
26,000	Internal Audit Fees	26,000
18,500	Internal Legal Fees	21,000
8,000	Treasury Management Fees	8,000
4,000	Accounts Receivable Recharge	4,000
1,500	Accounts Payable Recharge	2,000
102,000	Subtotal	105,000
	Membership of Organisations plus Statutory Levies	
6,000	Local Government Employers Levy	6,000
9,000	LGPS Advisory Board	9,000
2,500	Financial Reporting Council (FRC) Levy	3,000
8,500	Local Authority Pension Fund Forum (LAPFF) Membership	9,000
10,000	National Association of Pension Funds (NAPF) Membership	10,000
7,000	CIPFA Pensions Network Membership	7,000
43,000	Subtotal	44,000
	Internal Recharges (NCC - Corporate Finance)	
10,000	Staff	10,000
2,000	Share of Departmental Costs Relating to Above Staff	0
12,000	Subtotal	10,000
767,000	Total	818,000

Administration Services Budget 2019-20

2018-19 (£)	Category	2019-20 (£)
1,050,000	Staff Costs	1,099,000
1,050,000	Subtotal	1,099,000
	Operational Costs	
1,000	Archive Storage	1,000
281,000	Heywoods Fees	280,000
10,000	Mortality Screening/Life Certificate/Member Tracing	10,000
6,000	Technical Advice	6,000
298,000	Subtotal	297,000
	Income	
-36,000	Pensions Payroll	-25,000
-36,000	Subtotal	-25,000
1,312,000	Total	1,371,000

Facilities & Support Services Budget 2019-20

2018-19 (£)	Category	2019-20 (£)
	Facilities	
80,000	Rent	80,000
50,000	Rates	50,000
25,000	Service Charge	25,000
9,000	Utilities	9,000
9,000	Cleaning/Refuse	9,000
2,000	General Maintenance	2,000
2,000	Buildings Insurance	2,000
2,000	Norfolk Property Services Fees	2,000
179,000	Subtotal	179,000
	Support Services	
14,000	ICT Network /Telephones	14,000
13,000	Copiers/Stationery etc	13,000
3,000	Courier/Post Collection	3,000
50,000	Postage	50,000
1,000	Business Continuity	1,000
2,000	IT Equipment Purchase	2,000
83,000	Subtotal	83,000
	Training & Recruitment	
15,000	Staff Training	15,000
4,000	Committee Member Training	4,000
2,000	Recruitment	2,000
21,000	Subtotal	21,000
	Communication Expenses	
5,000	Pre-Retirement Courses	5,000
39,000	Events	35,000
71,500	Communications	71,500
115,500	Subtotal	111,500
	Online Services	
41,500	Annual Fee	41,500
41,500	Subtotal	41,500
	Income	
-15,000	Pensioners Week Sponsorship	-12,000
-15,000	Subtotal	-12,000
425,000	Total	424,000

Projects Budget 2019-20

2018-19 (£)	Projects	2019-20 (£)
150,000	Investment Strategy Implementation	0
100,000	Valuation Planning	0
100,000	Review of Staffing Resource - Including Succession Planning	0
3,000	Transition Framework - Founder Fee	0
5,000	Data Verification Framework - Founder Fee	0
8,000	Legal Framework - Founder Fee	0
35,000	General Data Protection Regulations - Implementation Costs	0
150,000	LGPS Investment Pooling (ACCESS)	150,000
35,000	Guaranteed Minimum Pension (GMP) Reconciliation Software	10,000
15,000	Altair Admin to Payroll Interface Upgrade	15,000
0	2019 Triennial Valuation	300,000
0	Structural Review - Design Phase	100,000
0	Preparation Work for SAB Monthly Return	50,000
0	Pension Admin Software Framework Founder Fee	20,000
0	Review of POB Governance	15,000
0	Review of Operational Admin Backlog	30,000
0	Review of Knowledge & Skills Compliance	50,000
0	Governance Health Check	25,000
601,000	Total	765,000

Pension Board Budget 2018-19

2018-19 (£)	Pension Board	2019-20 (£)
35,000	Recruitment & Establishment	35,000
15,000	Training & Allowances	11,000
10,000	Advice & Guidance	10,000
2,000	Support	2,000
62,000	Total	58,000

Frameworks Budget 2019-20

	Actuarial Consultancy	Actuarial Consultancy 2	Custodian Consultancy	Member Data Verification	Framework Development & Promotion	ESG Services	Investment Consultancy	Investment Consultancy 2	Legal Services	Legal Services 2	Investment Management Cost & Performance Monitoring & Reporting £	Passive Investment	Pension Administration Software	Third Party Administration	Transition Consultancy	Total
	£	£	£	£	£	£	£	£	£	£	£	£		£	£	
Estimated Bal B/fwd from FY 2018/19	-102,415	-117,748	-125,978	10,909	-404	-1,206	-133,224	-49,809	-46,153	19,714	-8,516	-28,014	76,081	1,676	19,530	-485,557 0
Framework Posts *	13,049	13,049	12,034	18,892	45,790	6,304	13,049	17,688	12,034	16,304	12,542	13,049	26,469	11,055	16,673	247,982
Framework support Costs - NPF	1,757	1,757	1,757	1,757	0	1,757	1,757	1,757	1,757	1,757	1,757	1,757	1,757	1,757	1,757	24,600
Framework support Costs - Bought in	1,371	2,820	3,320	6,088	49,828	3,075	1,569	4,100	615	13,125	2,870	7,638	121,713	3,588	6,970	228,689
Founder Fee Reimbursement	0	0	95,391	0	0	0	0	0	30,452	0	0	0	0	0	0	125,843
Transfer to FD&P	40,000	0	0	0	0	0	55,000	0	0	0	0	0	0	0	0	95,000 0
Founders Fee*	0	0	0	0	0	0	0	0	0	0	0	0	-200,000	0	0	-200,000
Potential Joiners	0	-25,000	0	-10,000	0	-14,000	0	-45,000	0	0	-2,400	0	0	-3,000	0	-99,400
Rebate	-35,000	-30,000	-11,100	-7,000	0	-3,000	-25,000	-5,000	-500	-3,000	-4,000	-20,000	0	-15,000	-12,000	-170,600
Transfer from FD&P	0	0	0	0	-95,000	0	0	0	0	0	0	0	0	0	0	-95,000
2019/20 Forecast	-81,237	-155,122	-24,575	20,646	214	-7,070	-86,848	-76,264	-1,794	47,900	2,253	-25,570	26,020	75	32,930	-328,444
Carry Forward	81,237	155,122	24,575	-20,646	-214	7,070	86,848	76,264	1,794	-47,900	-2,253	25,570	-26,020	-75	-32,930	328,444
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

* Set Up costs including Framework Post costs and support costs will form the recharge fee to Founders.

Report to Pensions Committee

19th February 2019

Item No 16

Administration Report

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

<u>Item No.</u>	<u>Title</u>	<u>Appendices</u>
1.	Background	
2.	Summary of Highlights and Recommendations	
3.	Governance framework for the Norfolk Pension Fund <ul style="list-style-type: none">• Pensions Oversight Board• National Scheme Advisory Board• The Pensions Regulator	Appendix A
4.	Norfolk Pension Membership Data	
5.	Communications <ul style="list-style-type: none">• With scheme members• With employers	Appendix B
6.	Annual Data Quality Report	Appendix C
7.	Guaranteed Minimum Pensions (GMP) Reconciliation	
8.	Financial Year End	
9.	Cash Management Strategy for the Pension Fund – Management of Cash Balances <ul style="list-style-type: none">• Pension Fund Bank Account• Cash held by the Custodian	
10.	Cash Management Strategy – Approved Counter-parties for Dynamic Currency Programme <ul style="list-style-type: none">• Insight Investment• Berenberg Bank	
11.	Monitoring Custodian and Investment Managers Internal Control Reports	
12.	Norfolk Audit Services 2019-20 Audit Plan for the Norfolk Pension Fund	Appendix D
13.	External Audit Assurance from Norfolk Pension Fund and Audit Plan for year ended 31 st March 2019	Appendix E Appendix F
14.	Collaborative Working/Value for Money <ul style="list-style-type: none">• National LGPS Frameworks	
15.	Knowledge and Skills	
16.	Freedom of Information Act (FoIA)	
17.	Update on Bulk Transfer Values in Progress	Appendix G
18.	Admission Agreement – Capita (Breckland Council contract)	
19.	Borough Council of King's Lynn & West Norfolk Pooling Request	
20.	Prudential Additional Voluntary Contributions (AVCs) – Changes to Lifestyle Options	
21.	Representation on behalf of the Pension Fund	Appendix H
22.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix I
23.	Other Implications - Equality Impact Assessment (EqIA)	
24..	Any Other Implications - Section 17 – Crime and Disorder Act	
25.	Recommendations	

Appendix A	Scheme Advisory Board Update January 2019
Appendix B	Feedback from Employer Forum December 2018
Appendix C	Annual Data Quality Report February 2018
Appendix D	Medium Term Internal Audit Plan
Appendix E	External Audit: Assurance Letter to EY
Appendix F	EY Audit Plan
Appendix G	Bulk Value Transfers in Progress
Appendix H	Representation on behalf of the Norfolk Pension Fund
Appendix I	Pensions Committee Forward Plan

1. Background

- 1.1 This report is a quarterly update for the Pension Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to pensions Committee in December 2018.

2. Summary of Highlights and Recommendations

- 2.1 **Items 9 & 10** – The Committee approve the cash management strategies for the management of the Fund's cash balances and dynamic currency programme.

Item 12 – The Committee approve the 2019-20 Internal Audit Plan.

Item 18 – The Committee specifically note the admission application by Capita to the Fund (Breckland contract)

Item 19 – The Committee approve that Alive West Norfolk Limited is added to the guarantee and pooling agreement with the Borough Council of King's Lynn & West Norfolk.

Item 20 – The Committee delegate the decision on the appropriate replacement Prudential AVC lifestyle option (s) to Officers, with due consideration of advice received.

3. Governance framework for the Norfolk Pension Fund

3.1 Pensions Oversight Board

- 3.2 The report from the Pensions Oversight Board is covered by agenda item 14 at this Committee meeting.

3.3 National Scheme Advisory Board

- 3.4 The National Scheme Advisory Board (SAB) is leading on a number of significant issues and initiatives at the moment. The SAB met on 16 January 2019. A summary of the latest position with the initiatives and issues they are progressing is provided at Appendix A.

3.5 Cost cap

- 3.6 The summary at Appendix A covers the 'Cost Cap situation as at mid January'. Since then, the Government has announced a pause in the cost cap process, pending the outcome of the application to appeal the McCloud case to the Supreme Court (this is a case regarding equal treatment of co-habiting partners).
- 3.7 The LGPS Advisory Board (SAB) will now consider whether, given this announcement, it should withdraw the benefit change recommendations made to MHCLG as a result of its own cost cap process.
- 3.8 If McCloud is upheld, the LGPS could be required to make changes to the underpin and that such changes would need to be taken into account in a revised SAB cost cap result.

- 3.9 The SAB is also aware that delaying benefit changes to possibly 2020 while backdating them to April 2019 would constitute a significant administrative burden on administering authorities and employers. Any changes to benefits can only be made with the agreement of Government.
- 3.10 The advice to administering authorities therefore is not to anticipate implementing anticipated changes previously notified unless and until such time as MHCLG formally consult on them
- 3.11 Fair Deal consultation
- 3.12 After withdrawing draft 2016 regulations, MHCLG has published a further consultation on revised draft regulations to introduce Fair deal proposals into the LGPS. This has been covered in some detail under Item 9 of this agenda.
- 3.13 All employers were made aware of the current consultation via an email distribution on 18th January with details of the consultation and supporting analysis and information.

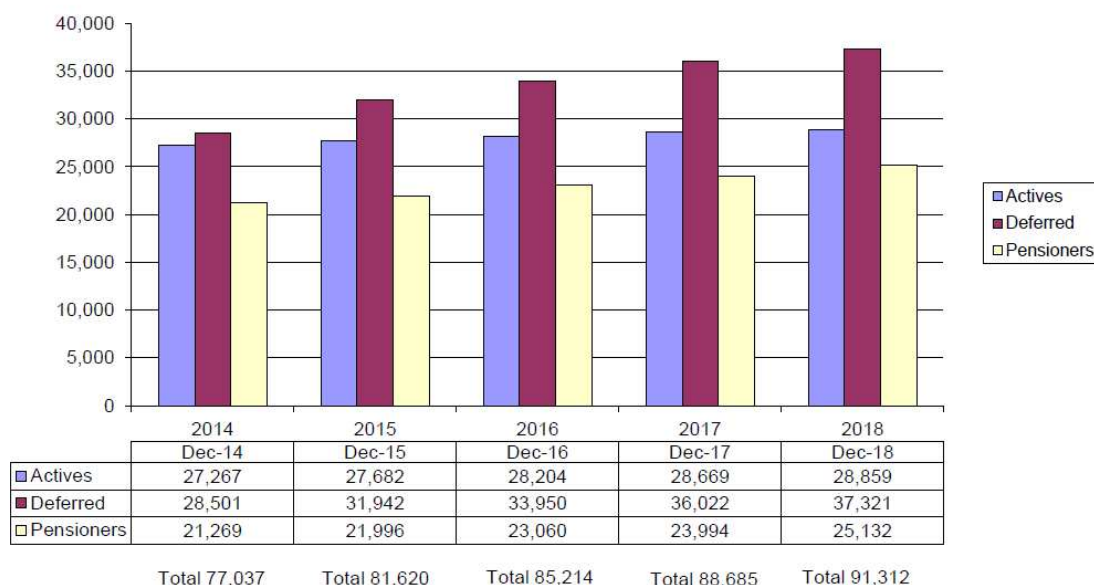
3.13 The Pensions Regulator (TPR)

- 3.14 Following the introduction of the Governance and Administration of Public Service Pension Schemes Code of Compliance 14 in 2015 and in line with the TPR's new message (clearer, quicker, tougher), we are seeing greater engagement and focus from the TPR across LGPS Funds.

4 Norfolk Pension Fund Membership Data

4.1 Scheme membership details

- 4.2 As at 31 December 2018 there were 91,312 scheme members in the Norfolk Pension Fund.
- 4.3 Total Fund membership has increased by 3% in the last year.
- 4.4 A breakdown of membership and comparison with previous years is shown below:
- 4.5



- 4.6 The average annual pension payment amounts as at January 2019 are below, with previous years alongside for comparison.

4.7

	Jan 2015	Jan 2016	Jan 2017	Jan 2018	Jan 2019
Pension in own right:	£5,060.41 (£421 per month)	£5,055.05 (£421 per month)	£4,956.29 (£413 per month)	£4,948.90 (£412 per month)	£5,003.56 (£417 a month)
Dependants pension:	£2,730.04 (£228 per month)	£2,731.21 (£228 per month)	£2,745.80 (£229 per month)	£2,771.27 (£231 per month)	£2,852.78 (£238 per month)
Average pension:	£4,760.30 (£397 per month)	£4,760.74 (£397 per month)	£4,680.98 (£390 per month)	£4,685.10 (£390 per month)	£4,747.35 (£396 per month)

Employer details

- 4.8 Employer numbers continue to increase rapidly, mainly driven by Academy conversions.
- 4.9 As at 31 December 2018 there were 401 employers in the Fund. This represents a 11.7% overall increase in the last year (359 as at December 2017).
- 4.10 The table below shows the increase in employer numbers from 2010 to 2018:

As at 31 March	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employers	107	125	134	152	181	233	262	322	369

5 Communications

5.1 With scheme members

5.2 Retired members forum

- 5.3 Invitations to the next retired Members events (scheduled for the 13th – 16th May 2019) were sent to all pensioners with their November payslips.
- 5.4 All sessions are already fully booked, and waiting lists are being maintained. As well as the latest information about their LGPS pension and a range of interesting speakers, attendees will also be able to access information about a range of relevant services.
- 5.5 As in previous years we have sought donations from our Custodian, Investment Advisor and Fund Managers to support this service.

Annual Newsletter

- 5.6 The annual newsletter for retired members, Primetime, will be published in February 2019. The booklet contains a mixture of articles of interest to retired members, including details of the annual pension increase and pay dates, what to do if you change your bank, latest tax news, how to access our online services, information about benefits for dependants and a summary of the Funds' investments and annual accounts.

With employers

Employers Forum

- 5.7 The most recent Employers Forum was held on the 12th December 2018, and focussed on preparations for the forthcoming triennial valuation, administration developments and latest LGPS 'hot topics' of interest to employers.
- 5.8 Feedback from the Employers Forum is at Appendix B.

Year end

- 5.9 As in previous years we are working very closely with all employers to support them as they complete their annual returns to try to secure the timely receipt of accurate data so that we can comply with the regulatory and evaluation timetable.
- 5.10 Between now and the completion of year end we will be publishing regular 'countdown bulletins' to support employers through the process.

Employer Clinics

- 5.11 As usual we are offering employer workshops to all employers in February and March.
- 5.12 Whilst Employers can use the Clinics to explore any aspect of LGPS administration, we anticipate that the main theme once again will be Employer online Services and submission of the year end return required for 2018/19.

6 Annual Data Quality Report

- 6.1 The latest Annual Data Quality Report by the Norfolk Pension Fund is at Appendix C.
- 6.2 The report includes scoring for "common data" and "conditional data" which is a requirement of The Pensions Regulator's annual return.

7 Guaranteed Minimum Pensions (GMP) Reconciliation

- 7.1 Further cases are coming to light now that other pension schemes are completing their reconciliation exercises, and as a result HMRC are now sending notifications to us for members who are not part of Norfolk LGPS. We are dealing with these cases as they arise.
- 7.2 We are still awaiting responses from HMRC in respect of a number of queries; we anticipate these imminently and will deal with them accordingly.
- 7.3 We are working with Heywood (our specialist LGPS administration software provider) in order to get the Altair Interface Tool to load in missing GMP details to our system.
- 7.4 We still anticipate having all records updated by the time we submit data to the actuary for the 2019 Triennial Valuation.

8 Financial Year End

- 8.1 All Local Authorities and the LGPS are required to 'close' their financial accounts on the 31st March 2019. For 2018/19 the statutory timetable period for the closure of the Pension Fund accounts and production of the Fund's annual report are the same as last year. The accounts must be ready for sign off by the Director of Finance and Commercial Services on 31st May 2019. The Pension Fund annual report and accounts deadline is 31st July 2019.
- 8.2 While the majority of the Fund accounting transactions will be posted to the general ledger by 8th April 2019, work will continue after this date to reconcile employer contributions, pension payroll and investment accounting data relating to March for which transactional processing is not completed until mid-April. Given the materiality of these transactions, reconciliation work continues until the end of April to include these transactions in the final general ledger balance.
- 8.3 The Pension Fund will then submit its draft financial accounts to Director of Finance and Commercial Services for sign off by 31st May 2019. These draft accounts will be presented to Pension Committee in June. External Audit will complete the audit of the accounts and issue their audit opinion by the 31st July 2019.

9 Cash Management Strategy for the Pension Fund – Management of Cash Balances

Pension Fund Bank Account

- 9.1 The management of the Pension Fund's locally held cash balances is undertaken by the County Council's treasury team in accordance with the Council's Investment Strategy. The Investment Strategy is approved by Full Council and includes credit rating criteria and maximum exposure limits in terms of value and duration. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council (NCC).
- 9.2 The NCC team manage the cash using a range of overnight and term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC.

Cash held by the Custodian

- 9.3 There are three options for Sterling and US Dollar frictional cash held by the investment managers within HSBC's custody system:
- 9.4
- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis. No manager currently elects to use this option.
- 9.5
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).

- 9.6
- For all other US Dollar and Sterling denominated cash holdings within the HSBC custody system, an overnight sweep is undertaken by the custodian and deposited through its cash liquidity investment platform into AAA rated constant NAV (net asset value) money market funds (US Dollar and Sterling denominated). In order to diversify cash holding risk exposure, the sweep allocates 50% of its US Dollar and GBP cash holdings to the Goldman Sachs liquidity reserves funds with the remaining 50% of the Fund's cash holdings swept to HSBC money market funds.
- 9.7 Cash balances in other non-Sterling currencies are significantly smaller than the GBP and US Dollar positions. These balances are held overnight on the custodian balance sheet (HSBC). The Fund has an operational policy of minimising non Euro cash exposure wherever possible.
- 9.8 Sterling and US Dollar operational and rebalancing monies, including cash to meet the liquidity requirements of the private equity programme, will also be deposited through HSBC's cash liquidity platform and split 50/50 between Goldman Sachs liquidity reserves funds and HSBC money market funds.
- 9.9 The use of the money market fund avoids a large single exposure to the balance sheet of one institution (HSBC) for the cash balances of the Fund held within the custody system.
- 9.10 The approach used by the Fund for the management of Pension Fund cash balances is in accordance with the Management and Investment of Funds Regulations and meets the best practice guidance issued by the regulator.
- 9.11 With the approval of Committee it is intended that the Fund follows the 2019-20 Investment Strategy approved by County Council on 11 February 2019.

10 Cash Management Strategy – Approved Counter-parties for Dynamic Currency Programme

Insight Investment

- 10.1 The external fund manager Insight Investment are responsible for half of the Pension Funds dynamic currency hedging programme.
- 10.2 Insight monitors the counterparties used to implement forward currency contracts required by the programme, but the relationship is between the Fund (Administering Authority) and the individual counterparty banks.
- 10.3 The Pension Fund Accountancy Team monitor the permitted counterparties against appropriate credit criteria included within the Administering Authority's approved Investment and Treasury Strategy, using credit ratings and other market material provided by Link Asset Services (treasury advisor to the County Council).
- 10.4 The forward contracts within the Insight programme have a quarterly settlement cycle (cash flow +/-).
- 10.5 The Pension Fund allocates non-cash collateral (Gilts), as part of its strategic allocation to protection asset, to cover the variation margin position (notional exchange loss prior to settlement) on foreign exchange currency transitions within the Insight hedging programme.

Berenberg Bank

- 10.6 The second half of the dynamic currency hedging programme is managed by Berenberg Bank.
- 10.7 Berenberg Bank are the Fund's counterparty on all trades within the programme it undertakes for the Fund. The Fund has agreed asymmetric credit lines of £15 million (the Fund owes Berenberg) and £1.5 million (Berenberg owes the Fund) in respect of any profits or losses on these activities. Both parties are required to post collateral to cover any balance sheet exposure above these limits but with a minimum transfer amount of £0.5 million i.e. a collateral movement would only be triggered when the actual exposure first reached £15.5 million or £2 million.
- 10.8 The process for the daily monitoring of collateral requirements and movement of collateral is undertaken by the Pension Fund Accountancy Team.
- 10.9 The forward contracts within the Berenberg programme have a monthly settlement cycle (cash flow +/-). This assists in diversifying the profile of the two managers employed to implement the dynamic currency hedging programme.

11 Monitoring Custodian and Investment Managers Internal Control Reports

- 11.1 The Norfolk Pension Fund uses third party investment managers to manage the Fund assets on its behalf and employs a custodian to ensure assets are held in safe custody. These organisations have internal control structures and procedures in place to safeguard client assets against loss through error or fraud and to ensure that client reporting is accurate.
- 11.2 Best practice internal control reporting frameworks have been developed by the investment industry to provide 'reasonable assurance' to third parties that internal controls are working effectively. UK reports are referred to as AAF 01/06 reports, the US report is an SSAE16 (updated to SSAE18 for future reports) and the international reporting standard is ISAE3402. There is not a common reporting period between managers as this is determined by the requirements of each organisation.
- 11.3 Scrutiny of control procedures is undertaken by 'reporting accountants' (usually the service organisation's external auditors) and requires them to deliver an opinion on the control environment in order to give 'reasonable assurance' that the controls operated effectively.
- 11.4 A summary of all the reports received is provided below. Following our review, there are no specific issues to report to Committee. Future reports will continue to be monitored.

Fund Manager	Report Type	Date of Last	Review completed	Next	Issues to bring to Committee's Attention
Henderson	SSAE16/ ISAE3402	01/10/16-30/09/17	Yes	Sep-18	No
Fidelity	AAF 01-06	01/07/17-30/06/18	Yes	Jun-19	No
Aviva	ISAE3402/AAF 01-06	01/10/16-30/09/17	Yes	Sep-18	No
Laselle	ISAE3402/AAF 01-06	01/01/17-31/12/17	New Manager start - review in progress		
Baillie Gifford	AAF 01-06	01/05/16-30/04/17	Yes	Apr-19	No
Capital	SSAE16/ ISAE3402	01/07/17-30/06/18	Yes	Jun-18	No
Standard Life	AAF 01-06	01/10/16-30/09/17	Yes	Sep-18	No
HarbourVest	SSAE16/ ISAE3402	01/10/16-30/09/17	Yes	Sep-18	No
GSAM	SSAE16/ ISAE3402	01/10/16-30/09/17	Yes	Sep-18	No
M&G	AAF 01-06	01/01/17-31/12/17	Yes	Dec-18	No
L&G	AAF 01-06	01/01/17-31/12/17	Yes	Dec-18	No
Wellington	SSAE16/ ISAE3402	01/11/16-31/10/17	Yes	Oct-18	No
Insight	SSAE16/ ISAE3402	01/01/17-31/12/17	Yes	Dec-18	No
Berenberg (N1)	ISAE 3402 Type II	01/01/17-31/12/17	Yes	Dec-18	No
UBS	SOC1	01/01/17-31/12/17	Yes	Dec-18	No
HSBC	ISAE3402	01/10/17-31/03/18	Yes	Sep-18	No
JP Morgan	SOC1	01/01/17-31/12/17	New Manager start - review in progress		
Equitix	TBC	TBC	New Manager start - review in progress		
AVIVA	ISAE3402	01/10/17-30/09/18	New Manager start - review in progress		
Link (ACCESS Pool)	ISAE3402	01/03/17-28/02/18	New Manager start - review in progress		

N1. The report received from Berenberg Bank is a partial report covering only the Overlay Management element of the organisation. A mechanism to review all internal controls has been developed and agreed between the Fund and Berenberg Bank.

12 Norfolk Audit Services 2019-20 Audit Plan for the Norfolk Pension Fund

- 12.1 A review of internal audit needs and the development of a medium term internal audit plan were undertaken during 2018-19. A three year Medium Term Internal Audit plan (see Appendix D) was agreed in consultation with Senior NPF staff, the Head of the Pension Fund and was considered by the Executive Director of Finance and Commercial Services.
- 12.2 This three year plan was reviewed as part of the 2019-20 planning process and has informed the Internal Audit plan for 2019-20. The plan is based on the model recommended by the Society of County Treasurers (SCT) for Pension Fund's and covers the key areas; Governance and Strategy, Pensions Administration and Investments. It also takes account of any significant changes taking place for Pensions Funds and the associated risks and controls. The plan has also been informed through researching topical risk areas in relation to Pension Funds and CIPFA TIS advisory and guidance online services and benchmarked against other Local Authority plans. The Internal Audit needs for 2019-20 will be re-assessed during the year as part of next year's planning process. We are satisfied with the level of proposed coverage.

- 12.1 It is recommended that the Pensions Committee should consider and approve the Pension Fund internal audit plan 2019-20

13 External Audit Assurance from Norfolk Pension Fund and Audit Plan for year ended 31st March 2019

- 13.1 The Fund is subject to separate external audit engagement and for the past six years EY (Ernst and Young) have audited the Fund. As part of the engagement, EY review their approach to auditing the Fund on an annual basis. Following a review by the engagement Partner, EY have decided it would be appropriate to approach the Chair of Pensions Committee assurance on Fund governance arrangements rather than just approaching the Chair of Audit Committee. A copy of the assurance letter from the Pension Committee to EY is attached at Appendix E.
- 13.2 It is important to note, that there have been no changes to auditing standards and the questions included in the letter do not reflect any particular concerns EY have regarding Fund governance. The Fund and Internal Audit have assisted the Chair of Pensions Committee in completing an appropriate response that gives assurance to EY.
- 13.3 EY have released the audit plan for 31st March 2019 audit. A copy of the plan is included at Appendix F. The Audit plan details the EY approach to the audit including, scope, materiality levels, team involved in the audit and timelines. As outlined in section 8, the Pension Fund has plans in place to meet the closure of accounts for 2018-19.

14 Collaborative Working/Value for Money

14.1 National LGPS Procurement Frameworks

- 14.2 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).
- 14.3 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. The LGPS is already collectively benefiting from more than £105m in savings as a result of the National LGPS Frameworks programme.
- 14.4 A new framework was launched in October for Member Data Services covering mortality screening, address tracing and overseas mortality screening and address tracing. This has been a collaboration between Bedfordshire Pension Fund, London Borough of Hackney, Lothian Pension Fund, Norfolk Pension Fund, Merseyside Pension Fund and West Midlands Pension Fund.

15 Knowledge and Skills

- 15.1 The TPR has updated its online training resources and modules developed to support public sector pensions, and all Pensions Committee, POB members and Officers are encouraged to look at these:
<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes>
- 15.2 The Service Plan currently under development will include a review of the Norfolk Pension Fund's training and development strategy, with the aim of introducing a comprehensive, structured programme to address knowledge, skills and professional development across Officers, Pensions Committee and the Pensions Oversight Board.
- 15.3 Dates and content for the training session in Spring 2019 will be confirmed after Committee.

16 Freedom of Information Act (FoIA)

- 16.1 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.

16.2

Date Received	Requestor	Details	Status
14/11/2018	Pitchbook.com	Investment Information	Responded
04/01/2019	Philip Wagstaff	Investment Information	Responded
10/01/2019	Preqin Ltd	Investment Information	Responded

17 Update on Bulk Transfer Values in Progress

- 17.1 Please see Appendix G for Bulk Transfer Values in progress.

18 Admission Agreement – Capita (Breckland Council contract)

- 18.1 Capita have requested an admission agreement for one member of staff transferring from Breckland Council in respect of their contract to deliver planning policy, development management and building control.
- 18.2 The original contract was let in 2009. At this time the staff transferring to the contractor left the LGPS and were offered membership of Capita's own broadly comparable pension scheme. They continue to have membership of that scheme. The regulations and guidance in this area have been revised since 2009, so that protection for pension rights upon transfer to a contractor is obtained through an admission agreement with the appropriate LGPS Fund.
- 18.3 During 2019 one additional member of Breckland employee will transfer to Capita in respect of the contract.

- 18.4 The admission agreement request is in respect of this member of staff only. It will not cover any other staff of the contractor and will be closed to any new hires working on the contract.
- 18.5 Breckland will be party to the admission agreement in its capacity as Scheme Employer (letting body).
- 18.6 The admission agreement will be constructed on the “pass through” basis agreed at the September 2018 meeting of Committee for new admission agreements with staff transfer dates on or after 1 October 2018.

19 Borough Council of King’s Lynn & West Norfolk Pooling Request

- 19.1 The Borough Council of King’s Lynn & West Norfolk have requested that Alive West Norfolk Limited (AWNLC) is added to its existing pension pooling agreement and guarantee, which currently comprises the Borough Council, Alive Management Limited and Alive Leisure Trust.
- 19.2 AWNLC is a local authority company 100% controlled by the Borough Council and operated on a not-for-profit basis.
- 19.3 AWNLC will be a resolution/designating body in the Fund. The majority of staff from the existing Alive entities will transfer to it on 1 July 2019 (provisional target date for transfer).

20 Prudential Additional Voluntary Contributions (AVCs) – Changes to Lifestyle Options

- 20.1 Prudential is one of the two AVC providers appointed by the Fund in accordance with the regulations. The other current provider is Clerical Medical.
- 20.2 Prudential contacted the Fund at the beginning of February to confirm they are planning to close certain “lifestyle” investment options. This change will affect a small number of current scheme members who have elected to invest in this way (<20).
- 20.3 Lifestyle investments are designed to manage an investors investment risk at an appropriate level, as they accrue savings over a working lifetime and towards eventual retirement.
- 20.4 Prudential have asked the Fund to confirm which ongoing lifestyle investment option should be offered going forward, following the closure of some existing options. The selection to be made from their current “off the shelf” lifestyle products.
- 20.5 The Fund needs to confirm its decision by 1 May 2019. This is prior to the next meeting of the Pensions Committee.
- 20.6 The Fund will be seeking specialist advice as appropriate to consider request from Prudential.
- 20.7 The Committee is asked to delegate the final decision on the appropriate option(s) to Officers with due consideration of advice received.

21 Representation on behalf of the Pension Fund

- 21.1 Please see Appendix H 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.

22 Norfolk Pension Fund – Pensions Committee Forward Plan

- 22.1 The rolling one-year Pensions Committee Forward Plan is attached at Appendix I.

23 Other Implications - Equality Impact Assessment (EqIA)

- 23.1 There are no issues relevant to equality in this report.

24 Any Other Implications - Section 17 – Crime and Disorder Act

- 24.1 There are no implications under the Crime and Disorder Act.

25 Recommendations

- 25.1 The Committee note the content of this report and the following recommendations;

Items 9 & 10 – The Committee approve the cash management strategies for the management of the Fund's cash balances and dynamic currency programme.

Item 12 – The Committee approve the 2019-20 Internal Audit Plan.

Item 18 – The Committee specifically note the admission application by Capita to the Fund (Breckland contract)

Item 19 – The Committee approve that Alive West Norfolk Limited is added to the guarantee and pooling agreement with the Borough Council of King's Lynn & West Norfolk.

Item 20 – The Committee delegate the decision on the appropriate replacement Prudential AVC lifestyle option (s) to Officers, with due consideration of advice received.

Background Papers

Appendix A	Scheme Advisory Board Update January 2019
Appendix B	Feedback from Employer Forum December 2018
Appendix C	Annual Data Quality Report February 2018
Appendix D	Medium Term Internal Audit Plan
Appendix E	External Audit: Assurance Letter to EY
Appendix F	EY Audit Plan
Appendix G	Bulk Value Transfers in Progress
Appendix H	Representation on behalf of the Norfolk Pension Fund
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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email nicola.s.mark@norfolk.gov.uk



If you need this document in large print, audio, Braille, alternative format or in a different language, please contact Customer Services on 0344 800 8020 or Text Relay on 18001 0344 800 8020 (textphone) and we will do our best to help.

Dear LGPS Colleague – The Scheme Advisory Board is keen to improve communication of the work it is undertaking on your behalf. Although the Board’s website at www.lgpsboard.org can be helpful in this respect, the Board has now agreed that a bullet point summary of each Board meeting should be sent to scheme stakeholders as soon as possible after each meeting. A more detailed summary will be available on the Board’s website in the “Board Publications” section.

This email covers the main points of the Board meeting held on the 16th January 2019. The meeting commenced with a minutes silence in memory of the late Councillor Ian Greenwood.

SAB Cost Cap

- Statement detailing the SAB package circulated on the 21st December 2018
- Ongoing discussions with HMCLG and other interested parties
- Q&A paper for administering authorities being prepared
- 1st April deadline for scheme changes is becoming increasingly challenging
- MHCLG confirmed that a consultation paper is almost ready to go
- A shortened consultation could take place once government has given the green light
- On introduction of the SAB package, the HM Treasury cost cap scheme valuation will then be undertaken

Cost Transparency – Compliance System

- Deadline for bids for the compliance contract was the 22nd January
- Four bids were received
- SAB will consider recommendation from the bidding panel.
- Northern Ireland LGPS is to be added to the Code of Transparency

Academies and Third Tier Employers’ Projects

- SAB was advised that work on both projects had been deferred because of other competing priorities but that work would recommence as a matter of urgency in January.

Good Governance in the LGPS Project

- Contract has been awarded to Hymans Robertson
- SAB agreed to rename the project to allay fears of separation from local government

Responsible Investment

- The Board agreed that the guidance on Responsible Investment should be extended to include a checklist on climate change risk.
- Work also to be undertaken on assisting administering authorities in developing policy statements on climate change risk.

MHCLG Draft Statutory Guidance on Pooling

- MHCLG confirmed that this was not a public consultation
- Informal comments from SAB, administering authorities, local pension boards and pool companies requested
- SAB will submit a composite response but member’s organisations may respond directly
- Closing date for comments is 28th March

IORP II Directive

- SAB agreed to open discussions with MHCLG on the scope for introducing some of the key elements of the Directive into scheme regulations or guidance

Local Pension Boards

- SAB agreed that the Secretariat should prepare a follow up survey to test the ongoing effectiveness of local pension boards for consideration at the next meeting in April

2019/20 Budget and Workplan

- 2019/20 to be a year of consolidation
- Some work on annual and lifetime tax allowances may need to be undertaken
- Secretariat to firm up 2019/20 budget and workplan for final consideration by SAB

Pensions Regulator

- SAB was advised that no reply had been received to the Chair's letter of November 2018.
- SAB tasked the Secretariat to chase a reply.

Stop Press – Following an exchange of emails it transpires that Lesley Titcomb had replied in December but that this had not been received by the Chair or the Secretariat. A copy of the missing letter has been requested. Lesley Titcomb also confirmed that a senior member of her team will be asked to attend the next SAB meeting in April.

BOB HOLLOWAY

Pensions Secretary
Scheme Advisory Board
4 February 2019

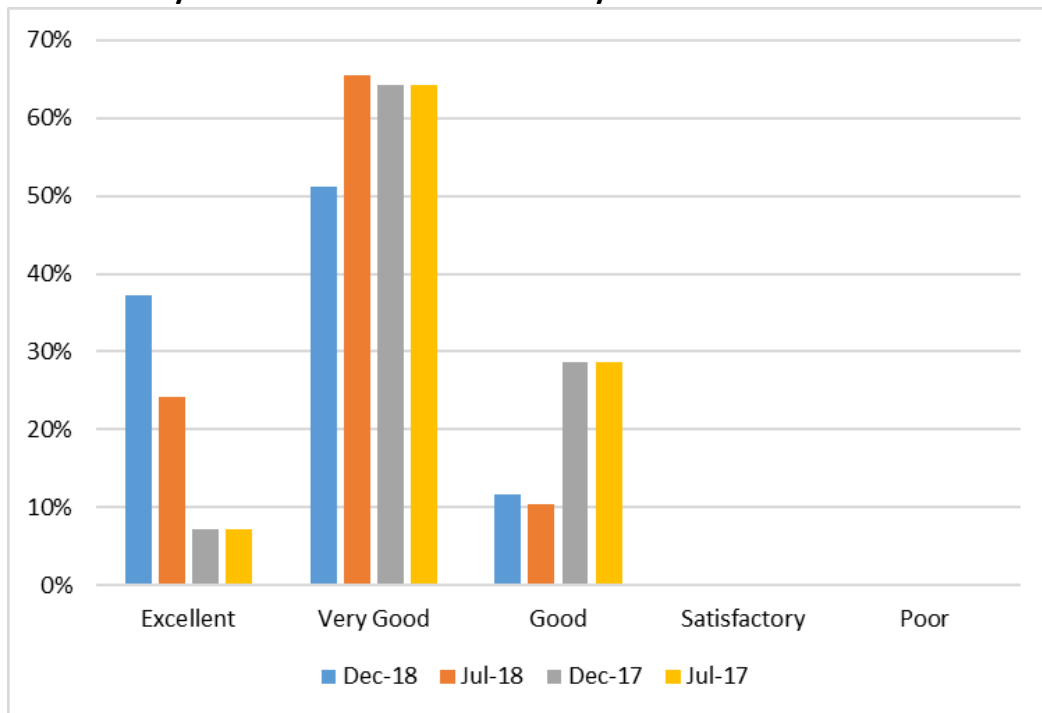
Robert.holloway@local.gov.uk

Employer Forum Survey Results

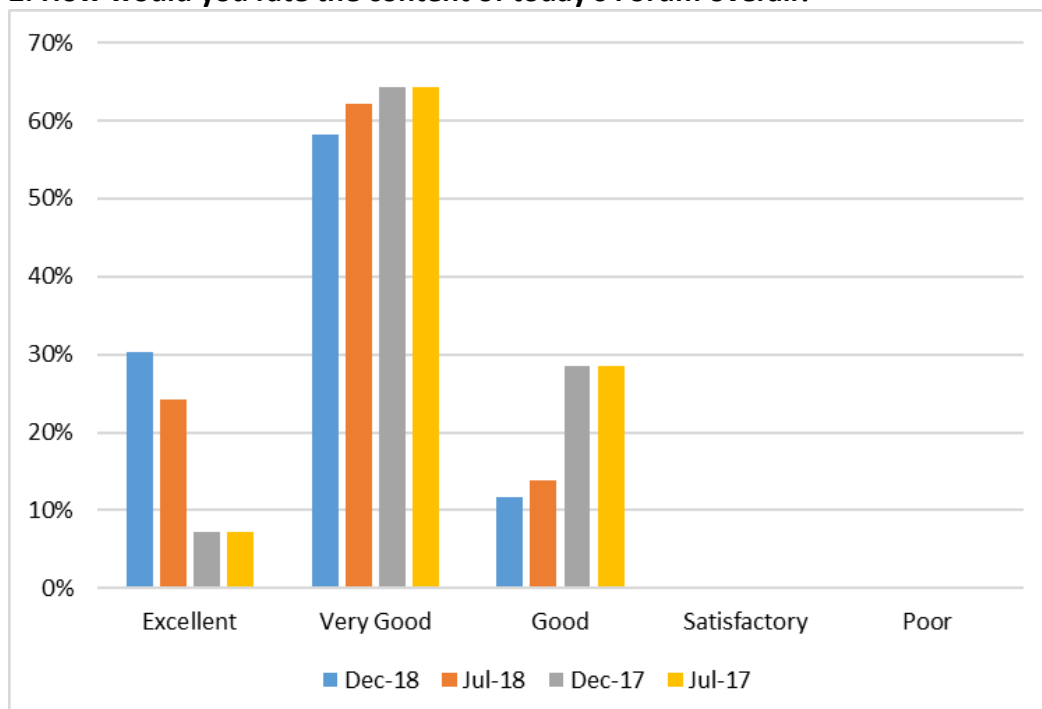
Wednesday 12 December 2018

- The Forum was attended by 48 delegates (37 delegates attended the July 2018 Forum) representing 34 employers (27 employers attended the July 2018 Forum) employers.
- There were 45 returned Surveys (29 Surveys were received from the July 2018 Forum), although some respondents did not answer all the questions.

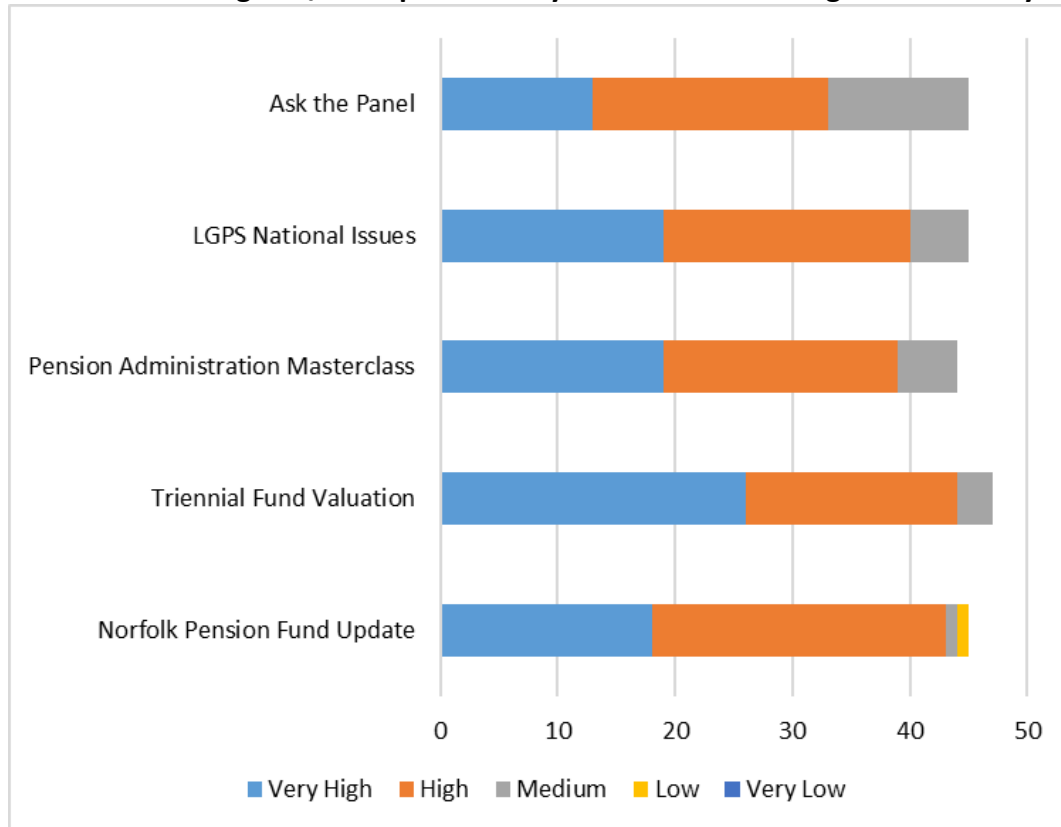
1. What was your overall assessment of today's Forum?



2. How would you rate the content of today's Forum overall?



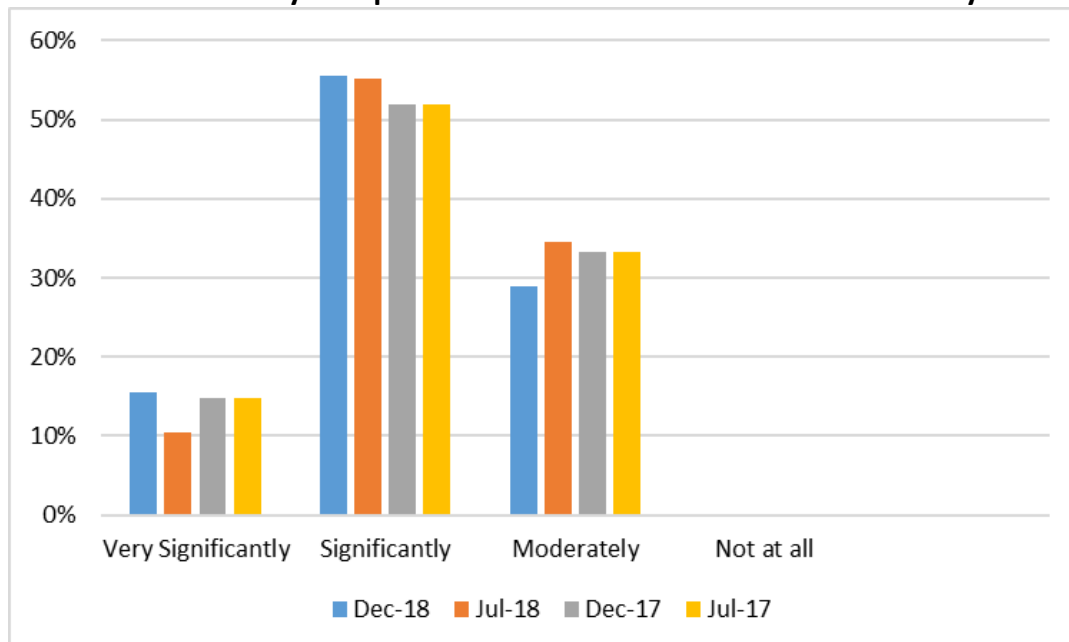
3. How interesting and/or helpful would you rate the following areas of today's Forum?



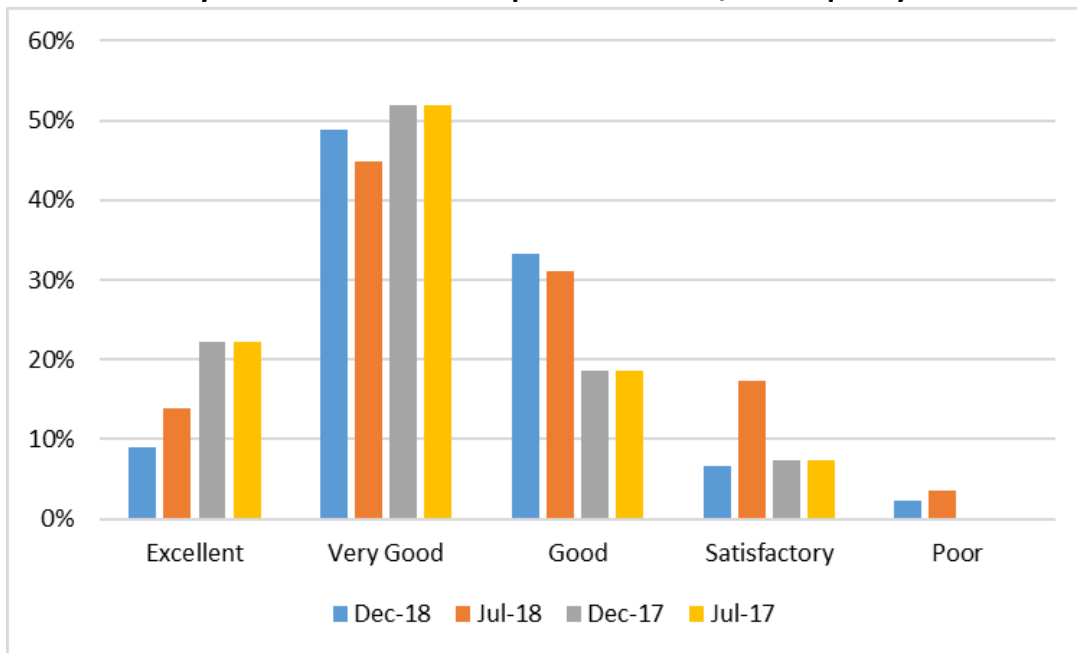
Other comments:

- Triennial Valuation and LGPS National Issues presentations were a perfect pace and level of detail
- My first visit. As the RFO for a Town Council I found the level of knowledge reassuring
- Excellent. Very informative and engaging.

4. To what extent do you expect to use the information obtained at today's Forum in your role?

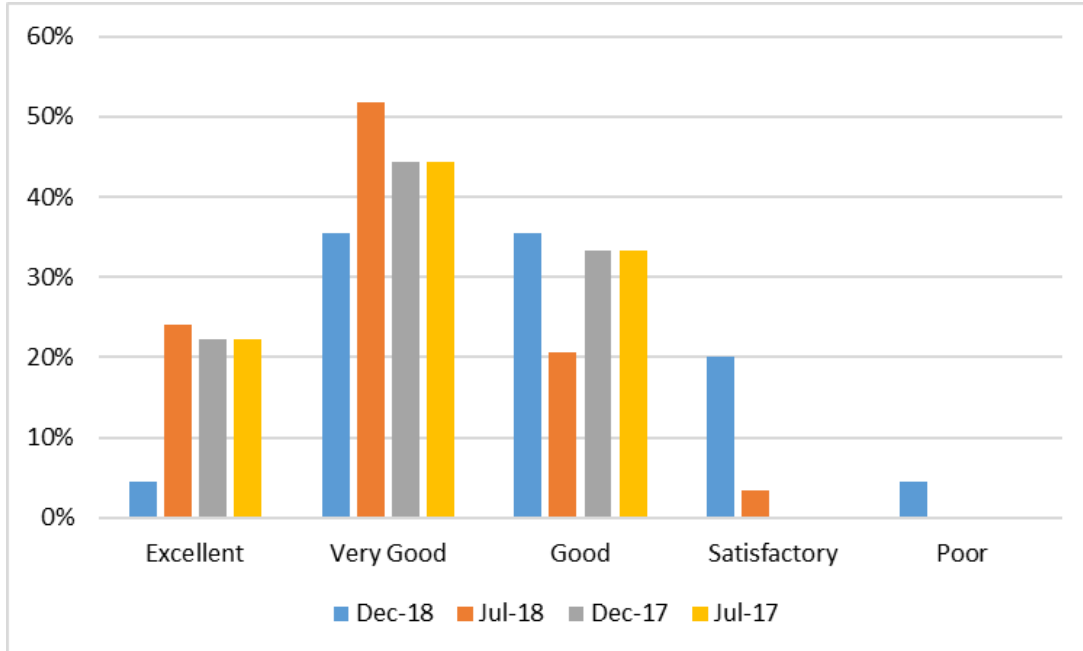


5. How would you rate the room set up and the audio/visual quality?



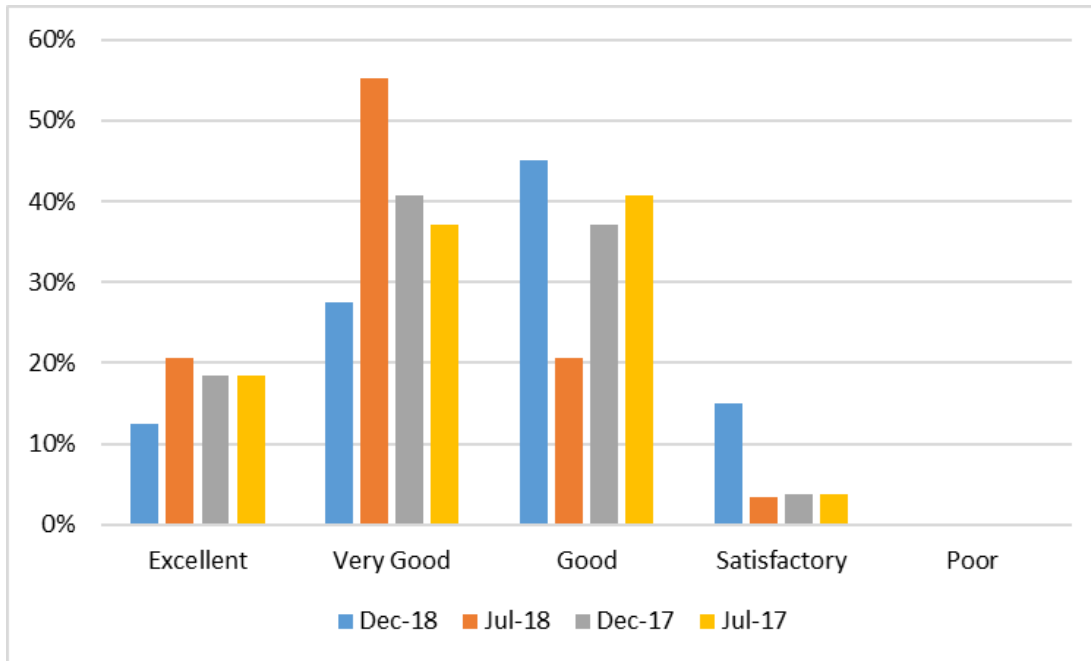
- One of the two “Poor” ratings commented that it was “freezing”
- One respondent commented that “it was a bit cold though”

6. Overall how would you rate the venue?



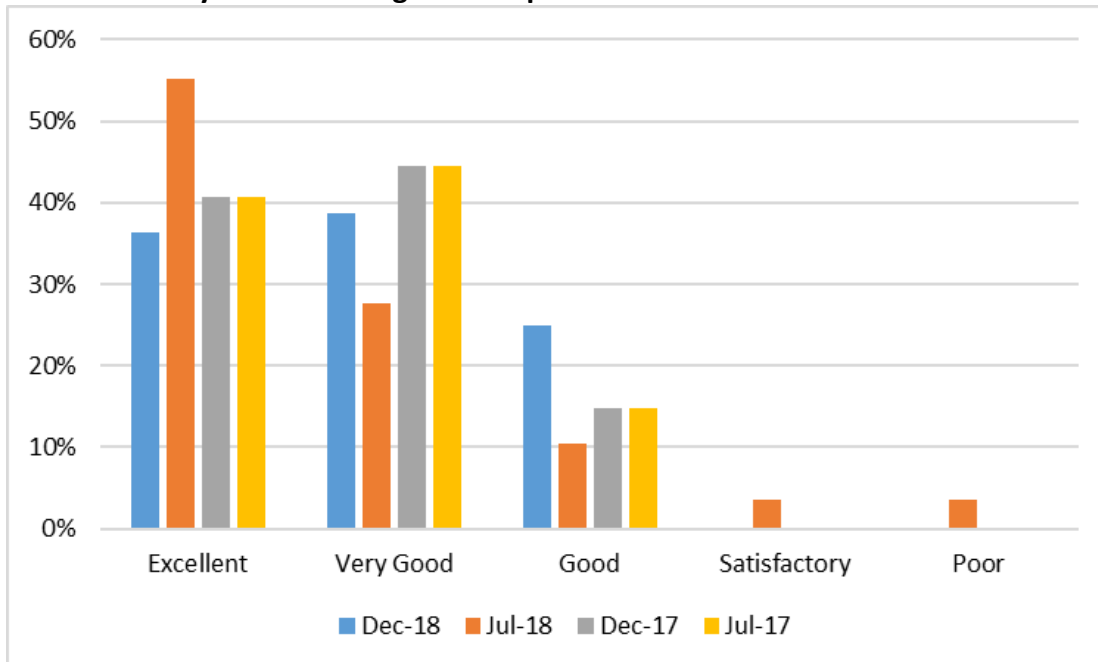
- The one “Poor” rating commented that it was “freezing”

7. How would you rate the food and drinks?



- One responder commented that there was “just sandwiches”

8. How would you rate the registration process?



9. Are there any topics that you would like to see covered at future Forums?

- Employer discretion policy elements
- Auto enrolment
- Flexible retirement
- Auto/re-enrolment
- No, very good!
- Maternity/paternity reporting

- Calculation of FPS – Leaver Form not that user friendly
- Membership pack breakdown
- Online guide
- A wall through/explanation of disclosures in financial statements and the related report from the actuary

10. Are there any other ways that you think we could improve future Forums?

- In depth overviews of subjects
- Mince pies
- Thank you very much!
- Room could have been warmer
- Missed the nice biscuits!
- Have the heating on!
- Please bring more brochures to take away with us
- Room temperature fluctuates! Bit cold at times



Norfolk Pension Fund

Record Keeping Data Quality

Norfolk Pension Fund
Lawrence House
St Andrews Hill
NORWICH
NR2 1AD

February 2019



Norfolk Pension Fund

Report on Data Quality at February 2019

This report has been prepared using guidance from the Pension Regulator on Record-keeping.

It seeks to demonstrate the steps taken to maintain and improve the quality of membership data maintained by Norfolk Pension Fund.

The figures and statistics in this report are snapshot figures taken from the Pensions Administration System as at 1 February 2019.

For more information please contact:

Mark Alexander
Pensions Manager

Tel: 01603 495781

Email: mark.r.alexander@norfolk.gov.uk

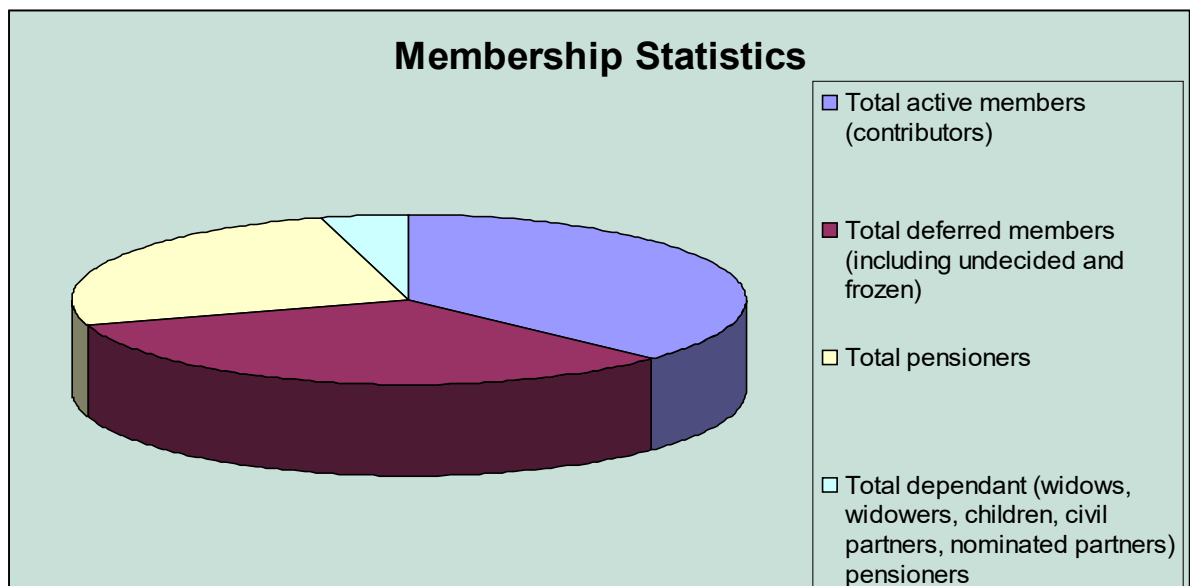
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Numerical Information

1. Numerical information [P391]

1. Membership statistics	
Number of schemes being managed	2
Total active members (contributors)	28,900
Total deferred members (including undecided and frozen)	37,499
Total pensioners	23,269
Total dependant (widows, widowers, children, civil partners, nominated partners) pensioners	3,212
TOTAL of all members	92,880



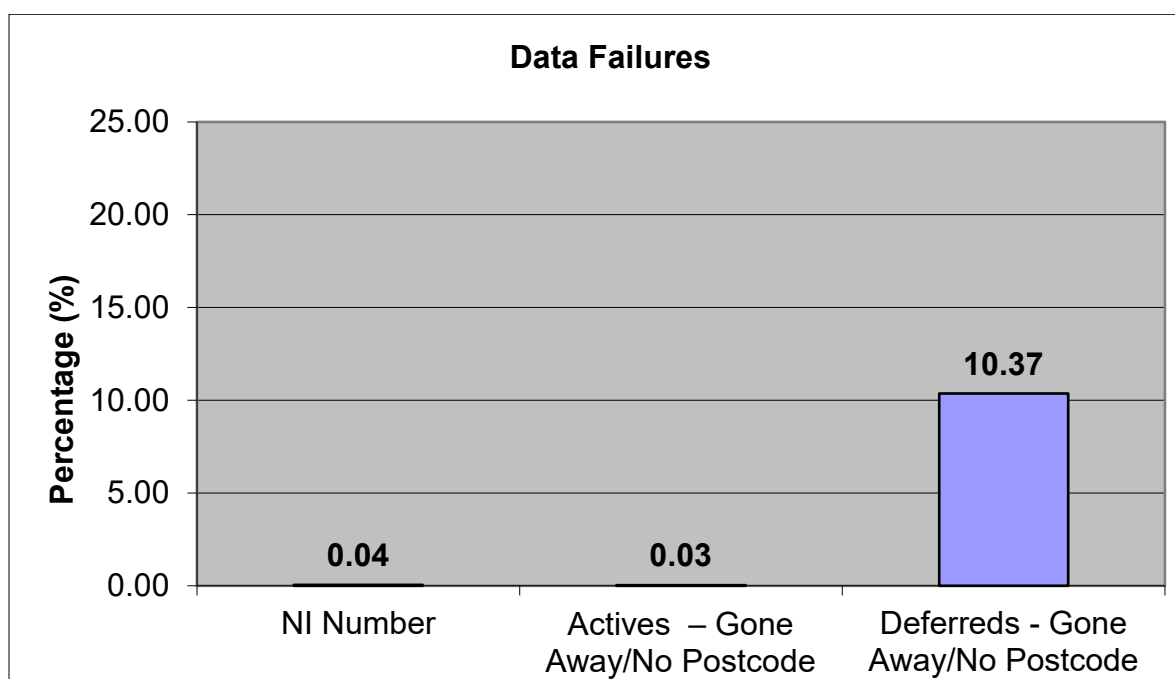
Commentary

This data shows the members and types of records we hold.

Common data

2. Common data checking [QUAL01]

Data item	Maximum population	Fails
NI Number	92,880	40
Surname	92,880	0
Forename/initials	92,880	0
Gender	92,880	0
Date of birth	92,880	0
Actives – Gone Away/No Postcode	28,900	7
Deferreds – Gone Away/No Postcode	37,499	3,883
Pensioners – Gone Away/No Postcode	26,481	94
Total individual fails		4,024
Total number of members failing one or more tests		4,024
Percentage members of total with fail		4.3%



Common data score

This is a measure of all common data items averaged across all items:

95.7%

Commentary

Common data has been suggested by the Pension Regulator. It is basic data which is common to all membership types:

Actives:

- **National Insurance Number** – This is checked with employers when posting contributions at year-end to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC.
- **Surname** – This is checked with employers when posting contributions at year-end to ensure accuracy.
- **Date of Birth** – This is checked with employers when posting contributions at year-end to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. All active scheme members are issued with an Annual Benefit Statement to their home **address**. The Statement shows the common data items and asks members to inform the Pension Fund of any inaccuracies or changes needed. Returned statements marked “gone way” are a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans **address** records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.
- Additionally whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Deferreds:

- **National Insurance Number** – This is checked with employers when posting contributions whilst the member is contributing at year-end to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC. HMRC are also notified when the member leaves and where NI Numbers are incorrect these are notified by HMRC.

- **Surname** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- **Date of Birth** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. All active scheme members are issued with an Annual Benefit Statement to their home **address**. The Statement shows the common data items and asks members to inform the Pension Fund of any inaccuracies or changes needed. Returned statements marked “gone away” give a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans **address** records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.
- Every year the Pension Fund employs an outside tracing agency to provide matching on possible **un-notified mortalities** and “gone away” records. Appropriate follow up action is then instigated.
- Additionally, whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Pensioners:

- HMRC are notified when the member leaves and where **National Insurance Numbers** are incorrect these are notified to us by HMRC. We are notified of updates/corrections to National Insurance Numbers directly from HMRC during the year or when tax codes are notified to us.
- **Surname** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- **Date of Birth** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. Pensioners are issued with regular payslips (although not every month), P60 Statements, Newsletters throughout the year to their home **address**. Returned items marked “gone away” give a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans address records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.

- Additionally, whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Analysis of tests failed

Deferreds – Gone Away/No Postcode

- The only significant area of “fail” is deferred pensioners’ addresses. These are marked as “gone away” on our systems if mail is returned to us.

Commentary on criticality of data failures

- Whilst it is certainly good practice to keep in touch with deferred pensioners, the fact that we don’t know their current whereabouts does not cause problems in terms of paying out money due or accounting for money due to be paid.
- We carry out regular mortality screening (see above) which highlights where payments may due to be paid. Members not failing the mortality screening are assumed to be still alive and therefore will be entitled to receive benefits on retirement.
- We ran a trace for all deferred pensioners. 27,924 records were submitted for tracing. 27 records were marked as possible deceased. 3632 records were marked as having a different address to that which we were holding. We wrote to all these cases asking them to confirm that their address had changed. **We are repeating this exercise every 18 months or so in order to keep records as up to date as possible whilst bearing in mind the cost of such exercises and the response rates achieved.**
- When deferred members reach retirement age and benefits are payable, individual tracing services are employed in order to ensure benefits are paid on time.

Conditional data

3. Conditional data checking

Test group	Maximum population	Fails
Actives – pay data [PAY009]	28,900	21
Actives – contributions data [CONT35]	28,900	42
Actives – CARE data [CARE001]	28,900	0
Deferreds – Pensions Increase data [PRES22]	37,499	0
Deferreds – Passed Due Date [PRES20]	37,499	12
Pensioners – GMP data [PENS12]	26,481	4
Total		79

Conditional data score

This is a measure of all conditional data items averaged across all items: **99.9%**

Commentary

Conditional data is data which Norfolk Pension Fund considers is essential to ensure correct recording of liabilities for actuarial purposes, correct calculations and payment of benefits.

Actives – pay data:

- Pay data is essential for use in Annual Benefit Statements, actuarial data extracts and for online benefit calculations via our web service. Monthly (or more frequent) reports are run against the system to report where pay data appears to be missing or out of date. Data is corrected immediately upon identification.

Actives – contributions data:

- Missing contributions data highlights incorrect membership data which would otherwise be used for Annual Benefit Statements, actuarial data extracts and for online benefit calculations via our web service. Monthly (or more frequent) reports are run against the system to report where contributions data appears to be missing

or out of date. Further investigations are made or data is corrected immediately upon identification.

Deferreds – Pensions Increase Data:

- Pensions Increase data is held so that “current value “of benefits can be quoted for actuarial purposes and for display on our online service. Checks on all records outside the member database are carried out after the annual pensions increase updates and at other times. Any data anomalies are corrected upon identification.

Deferreds – Passed Due Date:

- A regular report is run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. This is a trigger for tracing activities.

Pensioners – GMP Data:

- Missing GMP data would mean the incorrect (over payment) of pensions in payment. A monthly report is run to check the data coming into force for that month (i.e. GMP due) and highlighting any cases where GMP data appears to be missing. Missing GMP data is requested from HMRC.

Analysis of tests failed

Deferreds – Passed Due Date:

- The only significant area of fail is "deferreds passed due date". Regular reports are run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. The small numbers of cases shown as currently failing are those where we are currently carrying out tracing activities. We have instigated a write-off process where benefit amounts are small or beneficiaries cannot be traced after exhaustive search. This will reduce the number of cases that we are accounting for, but in practice will never pay out.

Commentary on criticality of data failures

- Where deferred benefits have not been put into payment by retirement age, this could be due to un-notified mortality, or “gone aways”. Large numbers of such cases could affect funding of schemes; however, the small numbers involved here do not represent any significant funding issues.

4. Actions required for data cleansing

All existing processes for identifying data issues, un-notified mortalities and “gone aways” should continue. This includes a number of routines not already mentioned in this report for continual data cleansing:

- Documented Procedures for all work of the service
- Regular self-audits
- Regular audits by the County Council’s audit service
- Annual audits by external auditors
- Pensioner payroll – manual checking of new data and changes
- Actives – annual checks pay/hours/membership/CARE data
- Pensioners – Robust testing and checking of PI calculations
- Pensioners – continual chase up of missing GMP data
- Monthly Mortality Screening (pensioners)
- Annual address checks (pensioners)
- Annual address checks (deferreds)
- Life Certificates (certain pensioners)
- Address Records checked for consistency where multiple records exist (checked by Online Services checks)
- General Online Services checks (nightly) for data integrity
- Consistency Checks within systems (field, screen and online validations)
- Consistency Reporter (bulk process)
- Bespoke Consistency Reports (e.g. average hours, department Ids etc.)

5. Timescale to complete data cleansing

Data cleansing is an ongoing exercise and therefore does not have timescales associated with it.

From 2016 we have been running annual check on deferreds addresses with an external tracing company. This gives us likely addresses for our deferred members who have moved house but not informed us.

6. Data quality improvement

It is recognised by the Pension Fund Actuary that the Norfolk Pension Fund data is among the cleanest in local government, however we are not complacent and know that we must strive to keep standards up.

Regular monitoring of the measures identified in this report will be carried out and any actions necessary to ensure data quality is maintained.

Norfolk Pension Fund will review best practice of other pension funds to ensure that appropriate measures are used and where appropriate additional data monitoring will be put in place.

7. Glossary

Actives – these are scheme members currently working for a scheme employer and paying contributions

“Club Vita” – this is a service run by the actuaries Hymans. It analyses longevity and advises scheme about changes that have an impact on pension funding. Full membership data is analysed as part of the service. This includes national screening, address and postcode corrections.

Deferreds – these are scheme members who have left the scheme, but not have not yet reached retirement age. Their benefits are deferred will become payable on retirement.

Pensioners – these are former scheme members who are now in receipt of their pension: depending on the context this term might include dependents of former scheme members who are entitled to a pension (e.g. widow’s, widowers, and children).

Tracing Service – this is a contracted service which provides possible new addresses for members that have moved and not informed us. Data is collated from various sources including the Post Office redirection service.

2019-22 Medium Term Internal Audit Planning

The internal audit plan has been prepared on a risk assessed basis, in accordance with the UK Public Sector Internal Audit Standards and in consultation with Norfolk Pension Fund management and the Executive Director of Finance and Commercial Services. The internal audit plan takes account of the significant regulatory, organisational and technical changes taking place for Pensions Funds and the associated risks and controls.

The internal audit plan is shown in days and at cost (based on a variable cost depending on the level of staff used on the audit). The total number of days is considered the resource required to achieve the required assurance for an opinion in each year to 2022.

Table 1: Summary of the Internal Audit Plan 2018-2022

AUDIT UNIVERSE	AUDIT PLAN					
	2018-19		2019-20		2020-21	2021-22
	Planned No. of days	Cost £	Planned No. of days	Cost £	Planned No. of days	Planned No. of days
Governance and Strategy						
<i>Total for Governance and Strategy</i>	32	9,856	10	3,080	10	10
<i>Total Admin Processes and Systems</i>	26	8,008	37	11,396	40	40
<i>Total Investment Management</i>	10	3,080	20	6,964	20	20
<i>Total Audit Management</i>	10	3,080	10	3,080	10	10
Total number of audit days in the plan and costs	78	24,024	77	24,520	80	80

APPENDIX A

Norfolk Pension Fund - Medium Term Internal Audit Plan 2018-21.

AUDIT UNIVERSE	AUDIT PLAN					
	2018-19		2019-20		2020-21	2021-22
	Revised Planned No. of days	Cost £	Planned No. of days	Cost £	Planned No. of days	Planned No. of days
Governance and Strategy						
Risk Management – Compliance with CIPFA Managing Risk in the Local Government Pension Scheme guidance			10	3,080		
The Pension Regulators' Code of Practice No14 – Assurance that NPF is complying with this Code. Last audited 2017-18					10	
National LGPS Procurement Frameworks – Accounting processes and compliance with accounting principles	12	3,696				
ACCESS – pooled arrangements – Governance arrangements compliant with Inter Authority agreement	10	3,080				
General Data Protection Regulation (GDPR) – Assurance that compliance with the new GDPR requirements.	10	3,080				
Areas to be audited – To Be Confirmed						10
Total for Governance and Strategy	32	9,856	10	3,080	10	10

AUDIT UNIVERSE	AUDIT PLAN					
	2018-19		2019-20		2020-21	2021-22
	Planned No. of days	Cost £	Planned No. of days	Cost £	Planned No. of days	Planned No. of days
Admin processes and systems						
Transaction Life Cycles:						
Receivables - contributions, (AVCs, APCs) transfer values, other receivables, recharges. Last audited 2016-17. In 2020-21 to include employer 'new admissions agreement policy'.	12	3,696			15	
NFI 2016-17. Full exercise undertaken October 2018 and to be undertaken again in October 2020.	2	616			2	
Payables -regular payroll benefit payments, lump sums, transfers, death in service, other. Audited 2015-16 and 2017-18 (which included reviewing process for providing GAD payroll data)			14	4,312		13
Systems:						
Information Security – unannounced visit. Last audited in 2015-16.			2	616		
Early Retirement costing and recharges, debt collection and write offs	12	3,696				
Deferred benefits: Assurance that adequate processes and controls are in place for members who have deferred their benefits.			14	4,312		
Annual pension fund reporting requirements; Assurance that NPF is compliant with CIPFA's new reporting guidance from April 2018.			7	2,156		
Areas to be audited – To Be Confirmed					23	27
Total Admin Processes and Systems	26	8,008	37	11,396	40	40

AUDIT UNIVERSE	AUDIT PLAN					
	2018-19		2019-20		2020-21	2021-22
	planned No. of days	Cost £	Planned No. of days	Cost £	Planned No. of days	Planned No. of days
Investment Management						
Investment Strategy Statement: compliance with DCLG guidance and updated to reflect changes / recommendations from Triennial Valuation and the new different strategies.	10	3,080				
Custodian Services, HSBC; assurance that key controls are in place for effective systems administration.			8	2,464		
Asset Transition Process; Assurance that key controls and adequate processes are in place by ACCESS operator LINK, regarding the transition of assets into sub-funds.			12	4,500		
Areas to be audited – To Be Confirmed					20	20
Total Investment Management	10	3,080	20	6,964	20	20
Audit Management	10	3,080	10	3,080	10	10
Total number of audit days in the plan and costs	78	24,024	77	24,520	80	80

Previous Audits

Governance and Strategy

2013-14 Governance arrangements assurance (included in half yearly report to Pensions Committee December 2013).
2015-16 Governance arrangements; Compliance with regulations in setting up Pensions Advisory Board.
2015-16 Compliance with CIPFA code of practice on public sector pensions finance knowledge and skills.
(Management Letter).
2016-17 National LGPS Procurement Frameworks.
2017-18 Pensions Oversight Board – Compliance with their Terms of Reference and Forward Plan.

Admin processes and systems

Transaction Life Cycles:

2011-12 Review of Life Certificates.
2014-15 LGPS legislative changes from April 2014 (retirements/leavers).
2016-17 Data Quality: record keeping and record management.
2017-18 Review of Mortality screening processes.
2017-18 Triennial valuation 2016: A review of the technical and governance arrangements for the delivery of the valuation and implementation of results.

Systems:

2014-15 Replacement Pension and Payroll System– Assurance that key controls are in place and the changeover has been managed effectively.
2014-15 Review of website On-Line services for Employers - new system and process.
2015-16 Employers; Assurance that adequate processes and controls are in place for employers joining and leaving the scheme.
2016-17 Business Continuity Planning / Disaster Recovery.

Investment Management

2013-14 Dynamic Currency Hedging arrangements.
2013-14 Internal Control reports.
2014-15 Investment management – Performance Monitoring.
2014-15 Private Equity –Processes and procedures for drawing down distributions etc.
2015-16 New Custodian: Assurance that key controls are in place regarding the new HSBC electronic system for Investment Accounting.

2015-16 Transitioning; Assurance that key controls and adequate processes are in place.

2016-17 Pension Fund Bank Account Reconciliation.

2017-18 Post implementation review of the new Investment Accounting process and review of the dry run Faster Close processes - assurance that the processes are adequate and adequate controls are in place.

DRAFT

Mr M Russell
 Audit Manager
 Ernst & Young LLP
 One Cambridge Business park
 Cambridge
 CB4 0WZ

Councillor J Oliver
 Chairman
 Norfolk Pensions Committee
 Norfolk County Council
 Martineau Lane
 Norwich
 NR1 2DH

8 February 2019

Dear Mr Russell,

**Understanding how the Pension's Committee gains assurance from management –
 Norfolk Pension Fund for the year ended 31 March 2019**

Thank you for your letter, dated 28 November 2018 requesting to formally update your understanding of our arrangements for oversight of management processes and arrangements annually. I am happy to respond to your questions as follows:

- 1) How does the Pensions Committee, exercise oversight of management's processes in relation to:**
 - **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

The Pensions Committees and the Council's Audit Committee have considered the reporting arrangements for risk management and internal control, understand them and ensure that they are maintained. The Committees monitor the reporting and ensure that if any action is required that it is completed in a timely way.

The Terms of Reference for the Pension Fund (as detailed in Appendix 2 of the Constitution and the Fund's Governance Statement) sets out the Pension Committee's responsibilities. The terms of reference for the Audit Committee sets out their responsibilities, including those in relation to the Pension Fund. The Audit Committee received an update on the Pension Committee's consideration of governance matters, (page 17 item 7) as reported 31 July 2018.

The Audit Committee approved the Council's Annual Internal Audit Plan 2018-19 - Audit Committee Agenda – January 2018 (Page 113) and the Pensions Committee approved the Internal Audit Plan (page 41) for the Fund. The plans contain internal audits providing assurance on the controls in place to minimise the risk that financial statements may be materially misstated due to fraud or error. The Annual Internal Audit

Plans for 2018-19 were risk based and take the risk of fraud and material misstatement into consideration.

Audit reports identifying significant control weaknesses over material sums are considered as being of corporate significance. Pensions Committee members have access to quarterly performance reporting produced by the Funds external investment advisor.

The Pensions Committee also receives an Annual Internal Audit Report ([Norfolk Audit Services Annual Internal Audit Report 2017-18 for the Norfolk Pension Fund page 77](#)). The reports for 2018-19 are yet to be reported, however no significant changes are expected.

The Pensions Committee takes proactive steps to identify topics and issues where it requires more information or would like to make recommendations. A copy of the Pensions Committee forward plan detailing the reports to be considered at the next four Committee meetings is attached as an appendix to the Fund Administration report. A Fund Administration report is taken to each Pension Committee meeting. During the year no additional reporting topics have been requested by the Pensions Committee.

The Committee takes proactive steps to identify topics and issues where it requires more information or would like to make recommendations.

The Council has an [Anti Fraud and Corruption Strategy](#) (Page 448 to 480) which sets out the Culture for members, staff and other bodies that the Council does business with. The strategy sets out the arrangements to prevent, detect, investigate and seek prosecution of any person found guilty of a fraudulent or corrupt act against the Council. The Strategy has been applied where appropriate throughout the year and any significant fraud investigations have been reported where they have been completed. The Audit/Pensions Committee is therefore aware of the process for identifying and responding to the risks of fraud generally and of the specific risks of misstatement in the financial statements.

The Pensions Committees have adopted and follow the County Council's Financial Regulations, Contract Standing Orders, Whistle blowing, which sets out the culture for Members, staff and other bodies that the Council does business with.

- **identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclose for which a risk of fraud is likely to exist:**

The Audit and Pensions Committees have considered the reporting arrangements for risk management and internal control, understand them and ensure that they are maintained. The Committees monitor the reporting and ensure that if any action is required that it is completed in a timely way.

The Pensions Committee relies on the Audit Committee to provide the core functions of an audit committee on behalf of the County Council. Norfolk Audit Service's strategy for the delivery of the audit service provides for delivery of work for the County Council, for instance in reporting to the Audit Committee and facilitation of the delivery of the Council's Annual Governance Statement. As above, the Audit Committee approves an annual internal audit plan. The Pensions Committee also approves an annual internal audit plan.

The completed audits provide assurance on the adequacy and effectiveness of internal controls and risk management. An action plan is completed for any findings and where it is found that there are any key issues to be addressed. Corporate High Priority Findings are monitored by County Leadership Team to ensure that the risk has been satisfactorily controlled. Findings that increase the risk of fraud are highlighted. The external auditors are provided with audit reports and may place reliance on this work. The audit work is reported annually to the Audit Committee and the Pension Committee containing an opinion on the adequacy and effectiveness of risk management and internal controls.

The County Council has a Risk Management Framework and Policy which is reviewed every two years by the Audit Committee and significant changes are reported to and approved by the Council. The Audit Committee also receives and considers a quarterly risk management update highlighting key changes made to the corporate risk register in the quarter, an up to date corporate risk register and an assessment from the Risk Management Officer, as to whether risks are being satisfactorily managed.

Separate reporting took place, whereby Executive Directors regularly reported with respect to Risk Management to each of the Committees including the departmental risk registers. These are available to the Audit Committee.

The Pension Fund have adopted the County Council Risk Management Framework, have their own risk register which is reviewed quarterly and reported in summary to the Pension Committee half yearly. This would report significant risks of fraud should they arise. These reports are available to the Audit Committee, which is satisfied with the arrangements that it has in place for reviewing the Council's and Pension Funds processes and management's responses to those processes. The Pension Fund Risk Register is reported to the Audit Committee.

The Audit Committee also requests that all Committees regularly review their full risk registers.

- **communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct);**

The Council's Annual Governance Statement for Norfolk County Council 2017-18 provides assurance that the Audit Committee's governance framework, including the system of internal control, is adequate and effective.

The County Council's Audit Committee receives an Annual report (Monitoring Officer Annual Report 2017-18 (page 368) from the Council's Acting Monitoring Officer (Chief Legal Officer), who is also the Acting Monitoring Officer for Norfolk Pension Fund, reporting on the areas of governance that they are responsible for and giving assurances.

Staff are advised of the requirements on induction and promotion of the standards via management (Norfolk Manager). The Audit Committee has taken fraud, error and whistleblowing very seriously and has commissioned and requested new Learning & Development to be rolled out. The Audit Committee have asked for additional communications, such as a staff bulletin on the NCC approach.

A Code of Corporate Governance was approved by the Policy and Resources Committee in early 2018.

The Pension Fund has adopted the Council's Anti-Fraud and Corruption Strategy, as well as the whistle-blowing Policy and Standards of Conduct and these have been promoted through the Councils' Intranet site and via management.

- **encouraging employees to report their concerns about fraud;**

The Anti Fraud and Corruption Strategy, Whistle-blowing Policy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Audit Committee is aware, through the Annual Internal Audit Report, of the arrangements Chief Officers have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour.

As above, the Audit Committee has taken fraud, error and whistleblowing very seriously and has commissioned and requested new learning and development to be rolled out to encourage employees to report their concerns about fraud. There are two e-learning modules for Anti-Fraud available on the learning hub. One module is focused on raising 'Fraud Awareness' for all staff and the other aimed at managers enabling them to 'Prevent and Detect Fraud'. During the year the profile of these courses have been raised and staff in key financial roles have been encouraged to complete the course(s) relevant to their roles. The Audit Committee has noted that a new eLearning course has been designed and rolled out to all staff in Finance and Commercial Services including the Norfolk Pension Fund. The training will also be required for other key staff, as recommended by the Committee.

The Whistleblowing policy was updated in November 2018.

The Pension Fund has adopted the Council's Whistle-blowing Policy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers via management and as part of an Anti Fraud Survey.

- **communicating to you the processes for identifying and responding to fraud or error?**

The Pensions and Audit Committees are aware that for operational and confidentiality reasons it is not possible to report publicly on ongoing investigations, until they have been completed.

The action taken on completed audit work and any fraud investigations is detailed in the Annual Internal Audit Report that the Audit Committee considers. The Chairman would be briefed on the progress of any significant investigations during the year. An Anti-Fraud and Corruption Update is reported to the Audit Committee, for example in September 2018 (Anti-Fraud, Bribery and Corruption Report (page 347)).

The Anti Fraud and Corruption strategy sets out specific objectives and measures to report on the success of the strategy.

The Pension Fund undertakes anti fraud measures such as data matching and life checks.

2) How does the Pensions Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

See question one above. An Annual Internal Audit Report is presented to the Pensions Committee giving assurance on internal controls and risk management, including the risk of fraud.

3) Is the Committee aware of any:

- **Breaches of, or deficiencies in, internal control:**

The Pensions Committee are not aware of any breaches of, or deficiencies in, internal control.

- **Actual, suspected or alleged frauds during 2018-19?**

The Committee are not aware of any material actual, suspected or alleged frauds during 2018-19. The Audit Committee is aware of fraud risks and the good practice promulgated by the Fighting Fraud and Corruption Locally Strategy, from the European Institute for Combatting Corruption and Fraud (TEICAFF) Protecting the Public Purse Report and the CIPFA Code of Practice for Counter Fraud.

4) Is the Committee aware of any organisational or management pressure to meet financial or operating targets?

There is no unreasonable or disproportionate pressure that we are aware of. The Pension Fund is run on behalf of its participating employers and scheme members. The Fund's assets are ring-fenced and all the costs of administering the pension fund are met by the Fund. Savings on Pension Fund expenditure accrue within the Fund and do not contribute directly towards, for example, Norfolk County Councils cost reduction targets or those of any other employer in the fund.

5) How does the Pensions Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018-19?

The Chief Legal Officer is the Monitoring Officer for NCC and reports annually to the Audit Committee. This means that they are responsible for ensuring compliance with relevant laws and regulations, including those for the Pension Fund.

The Monitoring Officer has not reported any instances of non-compliance during 2018-19, to date.

6) Is the Pensions Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The Committee are not aware of any actual or potential litigation or claims that would affect the financial statements.

7) How does the Pensions Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

The Audit Committee has access to the Investment reports, Actuary reports and Annual Statement of Accounts. Additionally, the Triennial valuation, Funding Strategy and Investment Strategy Statements set out the funding and investment strategy for the Fund. The finance updates in 2018-19 have not identified any material issues with financial management or the financial resilience of the Norfolk Pension Fund.

8) What does the Pensions Committee consider to be the related parties that are significant to the Authority and what is its understanding of the relationships and transactions with those related parties?

The Norfolk Pension Fund Annual Report and Accounts 2017-18 (page 106) describe the related parties. The arrangements are not expected to change significantly for the 2018-19 reporting.

9) Does the Pensions Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns?

The Pensions Committee has no such concerns.

I trust this response meets your requirements but if you have any further questions please do not hesitate to contact me or the audit team for clarifications.

Yours sincerely,



Councillor Judy Oliver
Chairman of the Pensions Committee

Norfolk Pension Fund Audit Plan

Year ended 31 March 2019

21 January 2018



Audit Committee and Pensions Committee
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

21 January 2018

Dear Audit Committee / Pension Committee Members,

2018/19 External Audit plan - Norfolk Pension Fund

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee, the Pension Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 19 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of the Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of the Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

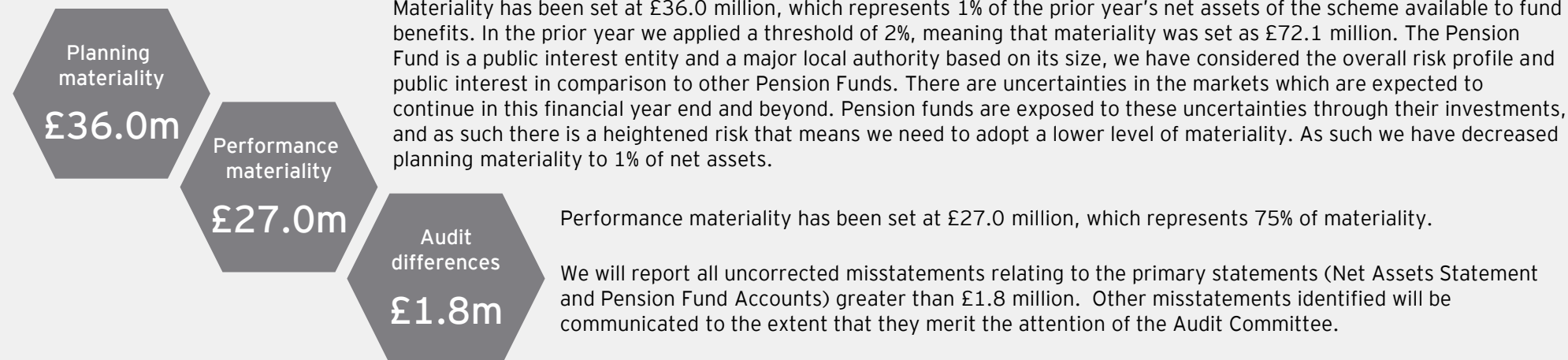
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Investment income and assets - Investment Journals	Fraud risk	No change in risk or focus, but shown separately	<p>We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely area is to affect investment income and assets in the year, specifically through journal postings.</p>
Valuation of complex investments (Unquoted investments)	Other financial statement risk	No change in risk or focus	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>The proportion of the fund comprising of these investment types is around 17% in 2017/18, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.</p>

Overview of our 2018/19 audit strategy

Materiality



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Norfolk Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ➤ Identifying fraud risks during the planning stages. ➤ Inquiring of management about risks of fraud and the controls put in place to address those risks. ➤ Understanding the oversight given by those charged with governance of management's processes over fraud. ➤ Considering the effectiveness of management's controls designed to address the risk of fraud. ➤ Determining an appropriate strategy to address those identified risks of fraud. ➤ Performing mandatory procedures regardless of specifically identified fraud risks, including; <ul style="list-style-type: none"> ➤ testing of journal entries and other adjustments in the preparation of the financial statements; ➤ reviewing accounting estimates for evidence of management bias; and ➤ evaluating the business rationale for significant unusual transactions. <p>We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.</p>

Our response to significant risks (continued)

	What is the risk?	What will we do?
Investment income and asset valuations - Investment Journals*	<p>We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.</p> <p>We have identified the main area being;</p> <ul style="list-style-type: none"> ➤ Investment income and asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings. 	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ➤ Test journals at year-end to ensure there are no unexpected or unusual postings; ➤ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences; ➤ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers; ➤ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; ➤ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Valuation of Complex Investments (Unquoted Investments)

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.

Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The proportion of the fund comprising of these investment types in 2017/18 is at circa 17%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

In order to address this risk we will carry out a range of procedures including:

- Assessing the competence of management experts;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £36.0 million. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix C.

In the prior year we applied a threshold of 2%, meaning that materiality was set as £72.1 million. The Pension Fund is a public interest entity and a major local authority based on its size, we have considered the overall risk profile and public interest in comparison to other Pension Funds. There are uncertainties in the markets which are expected to continue in this financial year end and beyond. Pension funds are exposed to these uncertainties through their investments, and as such there is a heightened risk that means we need to adopt a lower level of materiality. As such we have decreased planning materiality to 1% of net assets.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £27.0 million which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in prior year and any significant changes in 2018/19 when determining the percentage of performance materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



04 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.



05

Audit team



Audit team

Audit team structure:

Mark Hodgson
Lead Audit Partner

Mark Russell
Audit Manager

Gavin Savage
Senior

The Engagement Team remains the same from the previous years audit. The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their Pension Fund audits. Mark Hodgson is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	Hymans Robertson (Norfolk Pension Fund actuary) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team
Investment Valuation	The Pension Fund's custodian and fund managers

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06

Audit timeline





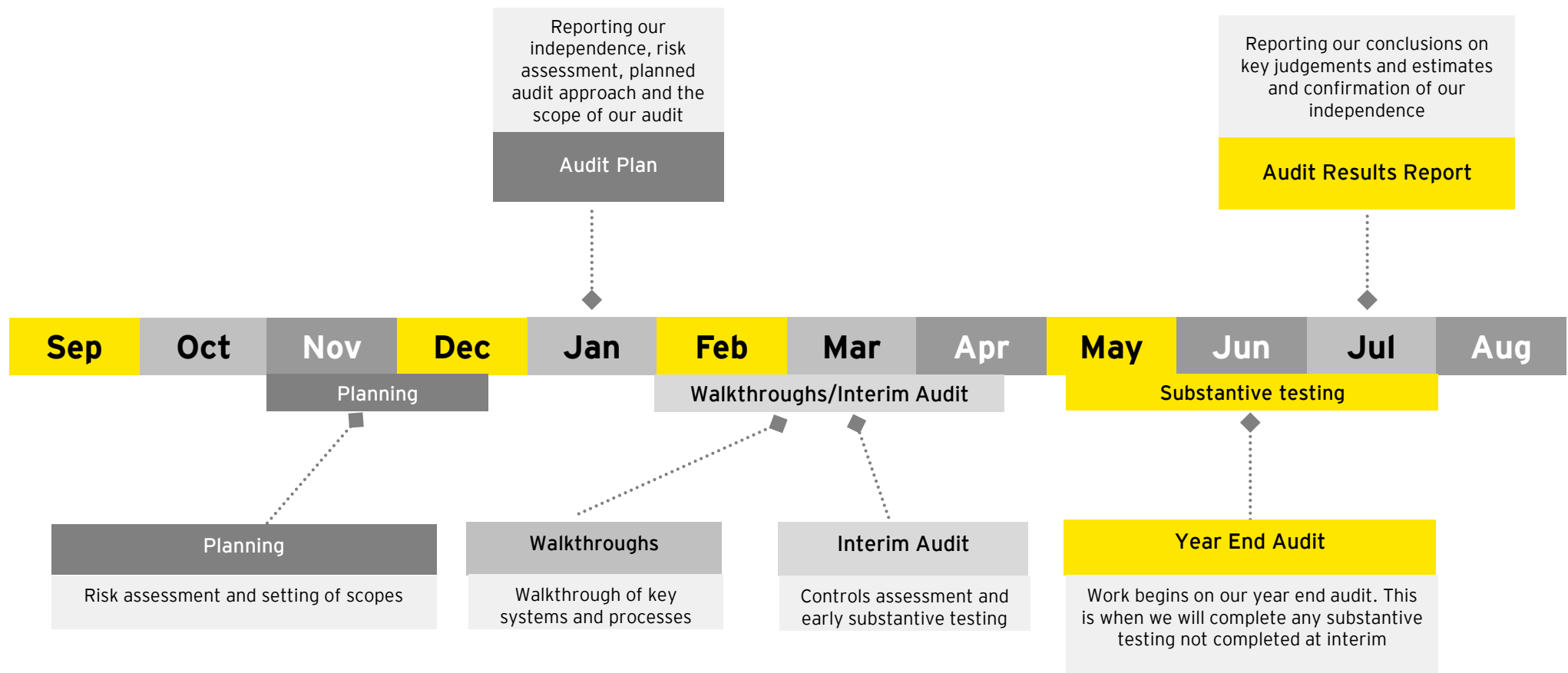
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work	23,166	20,866	29,399
Total fees	23,166	20,866	29,399

All fees exclude VAT

We anticipate charging an additional fee of £2,300 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies. This is consistent with the additional fee agreed in 2017/18.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.




If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.




Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - January 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019





Appendix B

Required communications with the Audit, Governance and Standards Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - January 2019</p> <p>Audit Results Report - July 2019</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit, Governance and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Governance and Standards Committee may be aware of 	Audit Results Report - July 2019
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - January 2019 Audit Results Report - July 2019

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	State of Play
Cambridgeshire County Council to Norwich City Council	April 2017	2018-19	Circa 100 staff transferred back to City Council as part of reorganisation of outsourcing agreement with LGSS. Terms have been received from the Cambridgeshire Fund Actuary and have been reviewed by our actuarial team. Following this review they asked for a revised basis from Cambridgeshire. The Cambridge Actuary has proposed further revised terms and these have been accepted. We are now working with the Cambridgeshire team to agree a payment date for the transfer.

In addition to this transfer we are also working on a number of outsourcing agreements that potentially involve the transfer of staff under TUPE with both employers being members of the Norfolk Pension Fund.

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
December 2018		
12	Employer Forum	All senior officers
14	Breckland Audit and Governance Committee	Alex Younger
"	Goldman Sachs	Glenn Cossey, Alex Younger, Robert Mayes
20	ACCESS Officer Working Group	Glenn Cossey
January 2019		
8	BNY Mellon	Glenn Cossey, Alex Younger
16	LGPC	Nicola Mark
"	Scheme Advisory Board	Nicola Mark
17-18	PLSA Local Authority Conference	Glenn Cossey
22	Pensions Oversight Board	Nicola Mark, Jo Quarterman, Glenn Cossey, Mark Alexander
23	West Midlands Pension Fund	Glenn Cossey, Robert Mayes, Sarah Jukes
"	ACCESS Governance Sub Group	Nicola Mark, Jo Quarterman
24	ACCESS Officer Working Group	Glenn Cossey
25	ACCESS 151 Meeting	Simon George, Nicola Mark
30-31	National LGPS Frameworks market engagement (admin software)	Nicola Mark, Pippa Bestwick, Leon Thorpe
February 2019		
5	Essex Pensions Advisory Board	Nicola Mark
7	PLSA	Nicola Mark
11	ACCESS Governance Sub Group	Nicola Mark, Jo Quarterman
12	ACCESS on Boarding Sub Group	Alex Younger
14	Class User Group	Mark Alexander, Merv McCune
18	ACCESS Officer Working Group	Glenn Cossey

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
February 2019	
27 – 1 March	LGC Investment Summit
27	PLSA Policy Board
27	Cross-Pool Meeting
March 2019	
6-8	PLSA Investment Summit 2019
18	ACCESS Joint Committee
April 2019	
2	Pensions Oversight Board

- 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 February 2019

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
tbc June 2019	tbc September 2019	tbc December 2019	tbc February 2020	2018/19
Administration Report	Administration Report	Administration Report	Administration Report	Triennial Valuation Role of Pool Operator ESG - Climate Change
Norfolk Audit Services Annual Internal Audit Report	Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	Pension Fund Budget Report	
Risk Register Report and Compliance with Breaches Policy	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	Corporate Governance and Shareholder Engagement Report	
LGPS Pooling/ACCESS Update	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	LGPS Pooling/ACCESS Update	
Update from the Pensions Oversight Board	2019 Triennial Valuation – Whole Fund Level Results	2019 Triennial Valuation – Individual Employer Results	Update from the Pensions Oversight Board	
Draft Annual Report and Accounts			2019 Triennial Valuation – Rates Adjustment Certificate and Funding Strategy Statement	
2019 Triennial Valuation - Assumptions				
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Corporate Governance and Shareholder Engagement Report

Joint Report by the Executive Director, Finance and Commercial Services & Head of Pensions

1. Background

1.1 Over many years, the Committee have developed their own policy on Corporate Governance in line with industry best practice. Details of the current policies on Voting and Engagement are set out in Appendix 5 of the Norfolk Pension Fund Investment Strategy Statement (ISS). A copy of the ISS can be found on our website at www.norfolkpensionfund.org (type ISS into the 'Site Search' box).

1.2 The Fund believes that through the adoption of good practice in corporate governance the management of companies will improve, and long-term shareholder value will increase. The Fund's policy expects Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance. Key AGM voting and manager discussion themes are as follows:

- Board structure
- Chairman independence
- Executive remuneration
- AGM proposals

1.3 The key themes of the engagement policy are as follows.

The Fund expects companies to:

- Demonstrate a positive response to all matters of social responsibility
- Take environmental matters seriously and produce an environmental policy on how their impact can be minimised
- Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage
- Make regular and detailed reports of progress on environmental issues available to shareholders
- Openly discuss the environmental impacts of their business with shareholders
- Establish procedures that will incrementally reduce their environmental impact
- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements

1.4 Voting has been undertaken in accordance with the Pension Fund's policy by the Research Recommendations and Electronic Voting organisation (RREV). The Fund's investment managers have continued to engage with companies and markets to improve governance generally.

2. **Voting**

2.1 Details of all votes cast for UK and overseas companies can be found on our website at www.norfolkpensionfund.org.

2.2 During the third and fourth quarters of 2018 (01 July 2018 to 31 December 2018) there were 25 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 388 resolutions relating to the Fund's shareholdings. Further analysis of the votes cast at UK Company meetings by the Norfolk Pension fund is shown below.

Votes "For"	381
Votes "Against"	7
Votes Abstained from	0
Total Votes	388

2.3 Votes against the management of UK companies only are shown in Appendix 1.

3. **Engagement**

3.1 Norfolk Pension Fund expects the fund managers to engage with the companies in which we invest, with a particular emphasis on environmental issues. The fund managers have supplied us with highlights of their engagement, which is summarised in Appendix 2.

4. **Voting and Engagement - Pooled Funds**

4.1 Fidelity & UBS invest in pooled funds on behalf of the Fund. Accordingly we are not able to exert direct control over their voting or engagement activity. However, at previous Committee meetings it has been agreed that Fidelity & UBS operate a high-quality programme of corporate governance. An update of all the managers activity is included in Appendix 2.

5. **Living Wage Campaign**

5.1 The UK Living Wage, as calculated by the Living Wage Foundation. The living wage is calculated according to the cost of living and is therefore different to the Government's National Living Wage which is calculated with reference to median earnings. The UK Living Wage is currently £10.55 in London and £9.00 throughout the rest of the UK.

5.2 As part of engagement reviews with the Fund's equity managers, officers will specifically discuss manager engagement with companies on the UK Living Wage and more widely on employment rights; particularly in respect of overseas investments.

5.3 ShareAction have reported continued progress with regards their UK Living Wage campaign. During 2018 there has been a further three UK FTSE 100 company accreditations and a good many dialogues with new FTSE firms and firms that had previously been unengaged. Over one-third of the FSTE 100 are now accredited Living Wage employers.

- 5.4 Pensions Committee has previously agreed that the Fund acts as a co-signatory on engagement letters to UK FTSE 100 companies encouraging progress on adoption of the UK Living Wage. Other co-signatories include NEST and the Strathclyde Pension Fund. Attached at Appendix 3 is an example of their latest campaign letter.

6. Responsible Investment Active Equity Manager Ratings

- 6.1 Hymans have developed an approach to rate investment managers and products by considering how responsible investment (RI) matters are addressed and integrated within investment manager's decision making. The premise being that investment managers who effectively integrate responsible investment into their investment decision making can help deliver better risk adjusted returns.

- 6.2 Based on responses to a detailed questionnaire, Hymans have assessed investment managers on a qualitative basis against four key characteristics:

- *Culture* – is there evidence that effective consideration of RI is driven from the top-down of the business.
- *Integration* – can the firm demonstrate that material ESG issues are an integral consideration in investment decision making.
- *Stewardship* – can the firm demonstrate the effective exercise of the rights and responsibilities associated with the assets under management to the extent that the firm has discretion to do so.
- *Transparency* – does the firm clearly communicate its RI activities to relevant stakeholders.

- 6.3 Each equity manager has been given a rating in line with the following:

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

- 6.4 Hymans will include an RI rating for Norfolk's equity managers in the next quarterly performance report (June 2019 Pension Committee).

7. Local Authority Pension Fund Forum

- 7.1 The Norfolk Pension Fund is a member of The Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

- 7.2 LAPFF Business Meetings were held in October 2018 and January 2019. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
10 October 2018	<ul style="list-style-type: none"> • Reliable accounts & regulatory reform • Board level employee representation • Industry associations, lobbying & company statements • Gender diversity within technology companies • RE100 – how ambitious renewables can benefit investors
30 January 2019	<ul style="list-style-type: none"> • Competition & Markets Authority Review • Kingman review of the FRC • Tobacco companies & LAPFF engagements • Fracking & LAPFF engagement • Disruptive technology update • Modern Slavery Act

8. **LGPS Pooling**

- 8.1 The Funds participation in the ACCESS Pool includes the development of corporate governance and socially responsible investment policies to enable the pool to continue to discharge its responsibility in respect of LGPS regulations and corporate governance activity.
- 8.2 The ACCESS Joint Committee has approved voting guidelines for ACCESS Equity sub-funds. The guidelines are based on ACCESS Fund's current voting practice as well as from guidance issued by the investment association. Pensions Committee noted the ACCESS sub-fund voting guidelines at its June 2018 meeting.

9.0 **Other Implications**

9.1 **Equality Impact Assessment (EqIA)**

There are no issues relevant to equality in this report.

9.2 **Any Other Implications:**

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.

10. **Section 17 – Crime and Disorder Act**

- 10.1 There are no implications under the Crime and Disorder Act.

11. **Recommendation**

- 11.1 The Pensions Committee notes the contents of this report.

Background Papers

Appendix 1 – 2018 Q3 & Q4 Voting and Results UK

Appendix 2 – Engagement 01 July 2018 to 31 December 2018

Appendix 3 – UK Living Wage Engagement Letter

Officer Contact

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

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Votes: Quarters 3 and 4 - 2018

APPENDIX I

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
2	BT Group plc	Approve Remuneration Report	Vote AGAINST as Bonuses of 130% of salary were paid to the CEO & the FD, these were despite corporate performance coming at the lower end of guidance.	11/07/18	Management	Against	64%	33%	3%
13	Helical plc	Approve Remuneration Report	Vote AGAINST as large annual bonus pay-outs for the year under review are not considered to be in line the Company's performance.	12/07/18	Management	Against	84%	14%	2%
4	Renishaw Plc	Re-elect Sir David McMurtry as Director	Vote AGAINST as Sir David McMurtry has refused to enter into a relationship agreement containing certain independence, as required under the UK Listing Rules.	18/10/18	Management	Against	75.8%	23.8%	0.4%
3	Abcam Plc	Approve Remuneration Report	Vote AGAINST as the CEO has received a significant salary increase (22%) and no compelling rationale has been provided.	06/11/18	Management	Against	67.11%	32.86%	0.03%
8	Abcam Plc	Elect Peter Allen as Director	Vote AGAINST as apart from his role as Non-executive Chair of the company, he also serves as Non-executive Chair at three other publicly listed companies, which could compromise his ability to commit sufficient time to his role in the company.	06/11/18	Management	Against	78%	20%	2%
2	Genus Plc	Approve Remuneration Report	Vote AGAINST as the salary of the CEO will be increased by 15%. This comes on the back of a significant increase in total bonus opportunity following the recent introduction of the 'Company Milestones' bonus element (2016 remuneration policy)	15/11/18	Management	Against	62.7%	29.6%	7.7%
4	Genus Plc	Re-elect Bob Lawson as Director	Vote AGAINST as the company has not appointed a senior independent director	15/11/18	Management	Against	84.5%	6.1%	9.4%

Engagement during the period 01 July 2018 to 31 December 2018

Baillie Gifford

Baillie Gifford reported direct engagement with the following companies in the second half of 2018:

Company	Discussion Topic
Standard Chartered	Corporate Governance
Abcam plc	AGM or EGM Proposals
HomeServe	AGM or EGM Proposals
Intermediate Capital Group	AGM or EGM Proposals
Johnson Matthey plc	Corporate Governance
Rio Tinto plc	Environmental/Social
Bodycote plc	Executive Remuneration
Burberry Group plc	Executive Remuneration
Genus plc	Executive Remuneration

In quarter three, Baillie Gifford engaged with Victrex about their board's recommendation that the chairman of the audit committee be re-appointed. The chairman had previously chaired Carillion's audit committee for six years until shortly before its collapse. Baillie Gifford discussed with Victrex the appropriateness of this appointment in the light of these events and its likely consequences. Shortly before the AGM, it was announced that the director had resigned from the board, an interim audit committee chairman had been appointed and a search for a replacement would be initiated.

Baillie Gifford also participated in a corporate governance meeting with the chairman and non-executive directors of Standard Chartered PLC. The chairman, who was appointed last year, provided insight into the development of the board and its focus following an independent board review. Other topics discussed included technological innovation, financial crime risk management, succession planning and the importance of instilling the right ethics and culture across the global business. The chairman of the audit committee outlined its work over the past year, particularly the complexities of the tender process for appointing a new audit firm. The remuneration committee chairman described the work on a new remuneration policy for approval by shareholders at the 2019 AGM. Baillie Gifford also discussed sustainability initiatives, trends in regulatory costs, investment spend and efficiency improvements with the company.

In the fourth quarter, Baillie Gifford engaged with Robert MacLeod, CEO of Johnson Matthey Plc, after the company's interim results. This engagement followed a meeting with the CFO, Anna Manz, in June. Baillie Gifford discussed contingent liabilities disclosed in the results, refinery plant downtime in the first half of the financial year, the outlook for the diesel catalyst market in Europe and progress in the battery materials and healthcare businesses, which are expected to deliver high growth over the longer term. A new chairman, Patrick Thomas, was appointed at the AGM & Baillie Gifford expect to meet with him early in 2019.

Baillie Gifford also joined Rio Tinto for an environmental, social and governance (ESG) investor forum - the first time executive and non-executive directors had come together for discussions with investors in this format. Topics discussed covered all areas of ESG but focused on climate change, board oversight and employee health and safety. Initiatives highlighted included efforts to reduce the environmental impact of the company's operations

such as increasing renewable electricity use and a breakthrough project targeting carbon free aluminium production. The challenge of reducing emissions from wider energy use was also raised. Following several incidents in the past 12 months, the company's commitment to zero fatalities was also reiterated and underlined by continued investment in health and safety.

Baillie Gifford had spoken to the company earlier in the year over the need to improve environmental disclosures. The CEO stated that improvements can be expected next year. The meeting demonstrated a change in tone at Rio Tinto regarding ESG matters. The company appears to be taking the issues seriously and recognises the need to be more explicit in communicating the work it is doing. Baillie Gifford will continue to monitor its efforts in this area.

Capital International Limited

Capital engaged with many companies to review a range of ESG issues in the third quarter of 2018. These included Microsoft Corp, Capita Plc, Texas Roadhouse Corp, Aramark Corp, HSBC Bank Plc, American International Group and Hewlett-Packard Company.

At its July 2018 Annual General Meeting, Samsonite International's proposed new Long-Term Incentive Plan (LTIP) was vehemently opposed by investors, with 65% of votes against it. Following this, the company reached out to investors to understand and address the concerns. Capital's governance and proxy team was heavily involved in the engagement, communicating concerns held by analysts regarding the proposals to the company and soliciting feedback on their responses. Through this outreach, Capital were able to express analyst queries regarding issues such as performance targets and dilution. By the end of the process the newly proposed LTIP reflected Capital's feedback on key areas and received support from 73% of shareholders. The positive outcome from this engagement is another example of Capital Group's commitment to long-term, active investment for the benefit of investors.

At Capital, the long-term investment approach enables their analysts to favour companies that are beginning to turn around and become more sustainable businesses. A Capital analyst recently presented at a Coca-Cola European Partners board meeting, where environmental, social and governance issues and diversity were raised as areas of importance. Whether discussions focused on reducing the use of plastic and/or the amount of sugar in its products, or about the role the company should play in society, Coca-Cola European Partners is attempting to establish clear targets and develop solutions to wider issues – and appears committed to make these issues a growing part of its corporate dialogue.

In quarter four, Capital engaged with Yaskawa Electric, Lowe's, Nestlé, General Dynamics, Royal Dutch Shell, MONETA Money Bank, Zurich Insurance Group and Société Générale.

Capital engagement also included a meeting with BP's incoming chairman. It was acknowledged that peak oil demand could occur in decades rather than in a few years – contrary to what some less experienced observers may think. Nevertheless, the board is considering changing social expectations regarding the responsibility of oil companies.

In November 2018, Capital met with Michel Landel, the newly appointed Senior Independent Director of Danone. Capital believes that effective governance should be evidenced by

concrete examples of board independence, such as the board overruling management decisions. Beyond this, Landel, who chairs the Nomination and Compensation Committee, is also responsible for ensuring there is adequate diversity on the board.

Given that around only 10% of Danone's sales originate from France (as at 2017), Capital advocated for Asian representation as Asia makes up a larger portion of sales. It was critical to ensure this was not a box-ticking exercise, as can often be the case. Most surprising was that Landel was as much interested in listening to the concerns as simply answering questions. He appeared supportive of Capital's comments on diversity, capital allocation, dividend distribution and plastic usage, and said he would relay them back to the board.

Fidelity

Fidelity engaged with the following companies between July and December 2018:

Company	Discussion Topic
Cigna Corp	Acquisition
Fisher & Paykel Healthcare	Performance Share Rights
Iberdrola	Cybersecurity
Concho Resources	Sustainability
Glencore	Climate Change
BMW	CO2 Emissions
Tesco plc	Sustainability
Marriott International	Cybersecurity
Unilever	Corporate Structure

In the wake of the major shareholder revolt against Royal Mail's remuneration report, Fidelity met with Royal Mail's advisors as part of company initiative to gather investor perceptions of the company in quarter three. During the discussion on the company's corporate governance, Fidelity raised the issue of chairman Peter Long's outside work commitments. At the time, Long was executive chairman of Countrywide plc - a UK-based estate agency group going through a major turnaround which had recently been forced to conduct a large capital raise -- as well as vice chairman of Tui AG, a UK-listed German travel group with a £9bn market cap.

Long's re-election had met with a high level of dissent at the previous AGM (34%) due in part to the perception that he might not have sufficient time to devote to his mandate at Royal Mail. Long later resigned from his chairmanship at Royal Mail in September.

Fidelity attended meetings with Hermes International SA, LVMH and Kering to discuss sustainability and particularly responsible sourcing. Fidelity considers the sourcing of leather to be the biggest ESG risk area for these companies and other luxury retailers. For the most part, luxury companies do not have control over bovine slaughterhouses and are only small end-user of the product, relative to the meat industry, car manufacturing and furniture. Fidelity considers Hermes to be best in class in terms of control of its supply chain, although lacking regarding disclosure and explicit commitments.

LVMH recognises the significance and complexity of supply chain risk and is committed to improving its ESG practices. However, the company highlights the complexity of managing ESG issues at a Group level, as brands are run autonomously. Kering have a strong focus

on traceability of products and have implemented strict standards that all suppliers must adhere to. However, this reliance on third-party compliance does pose risks, as Kering cannot ultimately guarantee that suppliers do comply. Overall, it appears that all three companies are adequately addressing and managing responsible sourcing practices and looking for improvements.

In quarter four, Fidelity met with the Just Eat Plc IR team to discuss matters relating to cyber security. This function sits within the Information Security team, which is led by the Chief Information Security officer, who reports directly to the CEO. Following a data breach in 2015, which originated from a series of phishing emails, the company significantly strengthened its processes. All IT systems are now reviewed by an external consultant, and the company has implemented technical controls that block most phishing emails and analyse links in emails to protect their infrastructures. Specific phishing training for PAs and EAs has been conducted, and general guidance is provided to employees on the corporate intranet. The company is in the process of creating a 'culture and awareness' function in the security team and rolling out a new awareness provider across the business. The company currently does not hold any ISO or other relevant certificates, but it is in the reviewing stage for a certificate that can efficiently support its fast, agile DevOps way of working.

Fidelity's also met with British American Tobacco (BAT) in quarter four. Amongst other topics, supply chain management was discussed. BAT has global standards for suppliers that are applicable in all countries where they operate, and these standards operate on a basis of continual improvement. Field technicians are available to and in touch with farmers all year around to ensure that they have the support and training to be able to comply with these standards. BAT have set a goal to conduct onsite supplier audits of 100% of suppliers by the end of 2018 and will target another 100% audit review programme to be completed within the next three years.

Despite these targets, BAT seem to be falling behind on meeting some of the targets they have set regarding supplier management and this is something Fidelity will continue to monitor. BAT state that they have strict guidelines about what to do when a supplier is found to be in breach of their global standards, with the priority being to work with the supplier on improvement rather than terminating the relationship. This year BAT will publish a report specifically focussed on human rights, and Fidelity will continue engagement with the company following the release of this report to ensure that the Company are meeting their stated objectives and meeting Fidelity's expectations.

L&G

L&G held its third non-executive director event in September 2018, which gathered 82 nonexecutive directors, board chairs and company secretaries of FTSE 350 companies. Discussions focussed on the importance of corporate transparency for companies as expectations on their role have evolved. L&G discussed how important they also are for investors given that they are themselves under pressure from their clients and the government to evaluate and integrate Environmental, Social and Governance (ESG) considerations into their investments. This was illustrated in discussion around the importance of diversity and how this data is used by L&G at investment level.

The corporate governance team was joined by an expert from the University of Oxford who presented on how new technologies can help develop ESG data. Lastly, L&G presented on what had been learned from the 2018 voting season on topics such as over boarding, pay

ratios, pre-emption resolutions and activism and discussed how to prepare for the 2019 vote season, especially given the recent review of the UK Corporate Governance Code.

In the third quarter, Unilever announced its intention to unify their dual corporate structure and move their headquarters to the Netherlands. This required approval of 75% of shareholders. L&G took the unusual step of pre-declaring their voting intention ahead of the company's extraordinary shareholder meeting due to be held at the end of October. L&G Director of Corporate Governance Sacha commented to the press on L&G's decision to vote against these proposals: "We understand Unilever has explored a number of alternatives in reaching its final decision. However, we do not believe Unilever has made a compelling case for many PLC shareholders to support the recommendation in favour of Dutch incorporation. Therefore, we intend to vote against Unilever's proposed resolution." L&G also explained their position to clients in a detailed briefing statement.

L&G's vote decision was covered by the main national media including the BBC and the Financial Times. On 5th October, the Unilever board announced it had decided to withdraw its proposal given that it did not receive support from a significant group of shareholders.

In the fourth quarter, L&G attended the Council of Institutional Investors conference in New York that gathers together US and international investors, asset owners and thought leaders to discuss key ESG topics. The conference sessions included human rights, diversity, climate change, and ESG integration. It was also an opportunity for L&G to meet with some of their investee companies one on one. L&G met with several S&P 500 companies including McDonalds, Southern Company, UnitedHealth Group, Bank of America, Wells Fargo, and Intel and raised various engagement issues such as climate change, board structure and sustainability.

For the fourth consecutive year, L&G's Corporate Governance team received the 2018 ICSA award for Best Investor Engagement. This award rewards the investor who, in the judgment of FTSE 350 company secretaries, conducted the most constructive engagement during the year. This award recognises L&G for demonstrating a high standard of stewardship engagement in the market.

UBS

During the third quarter UBS met with Barclays plc to discuss various topics, including strategy, financial performance and governance. The company outlined that the board is united and focused and have made strong progress towards their goals over the past 18 months, around non-core business and ring-fencing of the UK business. Now that some of the transitional strategic tasks have been finalized, the intention is to have a stable Barclays, avoiding unnecessary shocks and disruptive events which may have negative impact on investors and undermine confidence in the Company. This is a welcome statement.

The meeting enabled UBS to understand more about the complexity of Barclay's governance at group level, where the CEO liaises with 6 Boards within the wider Barclays group, which is far from unique but also not ideal, around the responsibilities of committees. Given the risks that are inherent within the finance sector, it is helpful for shareholders to understand how the group operates in practice, and this is one area UBS intend to continue to monitor.

UBS also met with the Chevron during the quarter to discuss the topic of climate change and their alignment with both the recommendations of the FSB Taskforce on Climate

Related Financial Disclosure (TCFD) and the goals of the Paris Agreement. This formed part of the Climate Action 100+ initiative for collaborative engagement which UBS have been a participant in since December 2017. The issues covered with their ESG Engagement Manager and Legislative and Regulatory Affairs team included: climate science and lobbying, participation in industry initiatives on climate change, ESG disclosure, carbon pricing, emissions reduction targets including the Science Based Targets Initiative and governance of climate risks. Chevron showed interest in improving disclosure on lobbying activities and relationship with trade associations. UBS will share best practices examples with management to take the discussion forward.

Chevron discussed the possibility of not participating in CDP due to reporting 'fatigue', however it was explained that this is an important source of company disclosure for investors on climate data and strategy and were encouraged to reconsider. Their internal carbon pricing structure was also covered, and the company explained their hesitancy to publicly disclose their exact strategy due to proprietary methodology. However, they provided an explanation of how their forecasting of actual projected carbon pricing in main areas of practice: in investment decisions, in base business projects, impairment tests, reserve estimates. The dialogue with the Chevron will continue and focus on reductions target setting as the company is currently considering defining an intensity target. UBS were pleased to see few days after the meeting that Chevron has decided to join the Oil and Gas Initiative on Climate Change as this was one of the engagement objectives.

During the fourth quarter, UBS engaged with Royal Dutch Shell plc meeting with several representatives from Projects & Technology, Strategy & Portfolio and Group Carbon departments in collaboration with other investors involved in Climate Action 100+. During the meeting lobbying activities were discussed and the company is currently looking at BHP's reporting model which is best practice in the industry. UBS also encouraged the setting of emission reduction targets linked to their net carbon footprint ambitions. Royal Dutch Shell stated that they are currently looking at setting 3-5-year targets and enhance their executive remuneration accordingly. UBS concluded the meeting with a conversation on the Royal Dutch Shell current scenario analysis and challenged the company's strong assumptions on the development of Carbon Capture and Storage technologies.

As part of the UBS collaboration with investors, Royal Dutch Shell has subsequently signed in December 2018 a climate change commitment with the coalition to anchor its Net Carbon Footprint ambitions into short term targets and executive pay. Future conversations with them will focus on the details of remuneration changes, the timeline of short term targets, the review of ambition of overall Net Carbon Footprint and the timing/format of future disclosure on progress.

UBS also met with RWE's to discuss scenario analysis, target setting, Task Force on Climate-related Financial Disclosures (TCFD) alignment and policy dialogue. RWE had followed the UBS suggestion to make their CDP responses public again. RWE Management was also open to UBS suggestions on using a science-based approach to set emissions reduction targets after the transaction with Innogy. RWE was also receptive to the UBS request of providing more disclosure on the governance process in place to define public policy activities and current inconsistencies between the company's stated climate change strategy and the work of trade associations it is part of.

Nevertheless, RWE is still considering climate change as a pure regulatory risk and UBS would like to see more leadership from this key utility player in the German market to set an ambitious strategy aligned with the Paris agreement independently of government action. In

January 2019, UBS will continue this conversation with the Chairman of the Supervisory Board.

Wellington

In the third quarter of 2018, Wellington engaged with a major energy company to discuss climate strategy disclosure and board structure. As a follow-up to engagement in late 2017, the company previewed its plans to adopt the Task Force on Climate-related Disclosures (TCFD) framework and disclose its strategy for addressing the physical and transition risks posed by climate change. Given that most of its refineries are in California and states along the Gulf of Mexico, two regions susceptible to extreme weather events, the company has bolstered the resilience of its infrastructure to try to better withstand physical effects of climate change. In addition, conscious that the rapid adoption of stricter environmental policy could dampen energy demand and economic growth, the board will also address policy risks in the report. Despite several years of management-backed proposals to change its structure, the company has so far been unable to declassify its board and allow shareholders to elect directors annually. The company's supermajority voting standard, which requires 80% shareholder approval, has impeded this change: A significant proportion of the company's shareholders are retail investors who do not vote proxies.

Wellington were encouraged by the company's responsiveness to shareholders and efforts to align with best practices, including following through on the suggestion to adopt the TCFD framework and the management-backed proposal to declassify the board. Wellington would expect to see continued improvement of the company's other environmental, social, and corporate governance (ESG) practices and disclosure as well, as management appears to appreciate the business case for leadership on ESG issues and has the board support to prioritise it.

Wellington met with the newly appointed compensation committee chair of a health care company to discuss changes to the executive pay plan following the company's failed 2017 say-on-pay vote and received an update on the company's ongoing response to the US opioid epidemic. Responding to shareholder opposition, the committee has proposed several changes to the company's compensation plan. First, the CEO's overall long-term incentive target was substantially reduced to better align the plan with industry peers. Second, the weight of the relative total shareholder return (TSR) metric in the long-term portion of the plan was increased to improve alignment with shareholders' experience. Finally, the individual modifier in the short-term plan, which allowed the board to adjust the final pay out based on subjective criteria, was eliminated. The compensation committee, whose membership has also been overhauled, is seeking to balance these changes with potential executive retention concerns and may institute additional incentives in the future.

In response to the opioid crisis, the company has launched several initiatives aimed at helping patients overcome substance abuse and disincentivising physicians from overprescribing the drugs. The company has made a significant financial contribution to a newly formed foundation charged with addressing these concerns. The board also announced the results of an independent investigation into the company's compliance with legal and regulatory obligations regarding the distribution of opioids. This initiative has led to increased controlled-substance monitoring systems, distribution centre reviews, and continued involvement of the audit committee to ensure comprehensive standards. Finally, the company decided not to acquire a controlled-substance business, further evidence of the board's thoughtful approach to this issue. While the proposed changes to the company's

compensation plan are appropriate and informed by shareholder feedback, Wellington will continue to monitor this issue, given the struggle to balance executive pay with performance over the past few years. With its proactive, solutions-oriented approach, the company appears to be ahead of peers in how it is addressing the opioid crisis.

In quarter four, Wellington engaged with the company's sustainability experts of a utility company to discuss its support for carbon regulation, talent management in its nuclear energy business and board succession. The company is actively working to promote a carbon tax, both nationally and at the state level, which would provide critical support for maintaining its nuclear power plants. A national price on carbon would be a significant positive given that the company's carbon intensity is already at a fraction of its peers and well below levels implied by a 2°C scenario. Numerous states are trying to introduce carbon-tax measures, and courts have upheld challenges to zero-emissions credits ("ZECs") in at least two states of operation. Given the challenging economics of running nuclear plants without ZEC support, the company annually evaluates the feasibility of units and works to improve efficiency as much as possible. As examples, one of its plants — which has not been profitable in six years — is scheduled to close in 2019 unless lawmakers step in with a subsidy, and another plant was recently shut down.

Safety and operational oversight are critical for nuclear plants. Despite the precarious position of the nuclear industry today, the company reports that it hasn't had trouble recruiting nuclear engineers. By partnering with colleges and universities that have nuclear engineering programs and emphasizing their size and stability, the company says that candidates have been eager to gain experience at their multiple operating divisions. Attrition among the engineering staff remains low, and knowledge transfer is imperative when an experienced or specialized engineer retires.

The chair of the Generation Oversight Committee, who has 35 years of experience as a nuclear submariner in the US Navy, is approaching the mandatory retirement age of 75. A new director was elected in 2018. The board positioned this person, who was chair of a major nuclear industry trade association, as a replacement for the outgoing director.

Wellington have seen some momentum building for carbon-pricing initiatives at the state level and expect a bigger push to advance a national carbon dividend plan, which has support from some Republicans as well as one major oil company. Regarding board succession, it is questionable whether the departure of a director with deep hands-on nuclear experience will leave a skill set gap, given that trade organization work pales in comparison. The new director has a varied background, having been CEO of an electric utility company, well ahead of and through its bankruptcy. Wellington intend to monitor board oversight of nuclear operations after the retirement of this key nuclear expert.

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3 December 2018

Re: The voluntary Living Wage standard

Dear ████████,

We are writing to you as institutional investors who seek to invest in socially sustainable firms which focus on long-term as well as short-term success. ██████████ position as a leading international infrastructure group brings with it high standards expected by investors and other stakeholders alike, and we view the Living Wage as an encouraging indicator of a company's sustainable approach to growth.

Established by the Living Wage Foundation, the voluntary Living Wage is the minimum hourly rate necessary for housing, food and other basic needs. Within London, the current rate is £10.55 per hour; outside London it is £9.00 per hour.¹ Living Wage employers ensure all their own staff and those of their on-site contractors central to the business in the UK receive Living Wage rates.

75% of over 800 businesses surveyed in 2017 reported increased motivation and employee retention rates since accrediting as a Living Wage employer.² Significant evidence has accrued that the Living Wage helps to ensure a company's continuing productivity whilst earning the loyalty of staff at all levels. As a result, momentum behind the standard has grown and the Living Wage has quickly become a symbol of responsible business practice. With more than 4,800 employers accredited, the Living Wage has become an important marker of a company's investment in staff over and above the legal requirements, including the National Living Wage.

In this light, we would be interested to hear about ██████████ position relative to the Living Wage rates and the company's thinking on becoming a Living Wage employer. We encourage an open dialogue with ShareAction and the Living Wage Foundation to explore how the Living Wage might fit within the company's strategic plans going forward.

¹ Living Wage Foundation, *The Calculation: Independently calculated every year to meet the real cost of living*. Available online at: <https://www.livingwage.org.uk/calculation>.

² Heery, E., Nash, D. and Hann, D. *The Living Wage Employer Experience* (April 2017), Cardiff Business School. Available online at: https://www.cardiff.ac.uk/data/assets/pdf_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf.

Please address correspondence in the first instance to Mara Lilley, Senior Campaigns Officer, ShareAction, 16 Crucifix Lane, SE1 3JW (mara.lilley@shareaction.org).

We look forward to your response.

Yours sincerely,

[List signatories]

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