

Pensions Committee

Minutes of the meeting held on Tuesday 6 December 2022 commencing at 9:30 am and held at County Hall, Norwich

Present:

Cllr J Oliver	(Chair)
Mr S Aspin	
Cllr A Birmingham	
Cllr W Richmond	
Cllr J Fuller	
Cllr M Storey	

Officers Present:

Glenn Cossey	Director of the Norfolk Pension Fund (NPF)
Alex Younger	Head of Funding & Investment, NPF
Jo Quarterman	Head of Governance, NPF
Debra Keeling	Pension Member Services Manager, NPF
Madeline Mitchell	Project and Policy Management Officer, NPF
John Baldwin	Assistant Director of Finance, Norfolk County Council
Elaine Otway	Business Support Officer, NPF
Charlotte Alexander	Norfolk Pension Fund Accountant
Tim Shaw	Committee Officer

Others Present:

Julie Baillie	Investment Adviser, Hymans Robertson
Rob Bilton	Fund Actuary, Hymans Robertson
Brian Wigg	Chair of the Pensions Oversight Board
Henry Barstow	M&G Investments (participating via Microsoft Teams)
Richard Ryan	M&G Investments (participating via Microsoft Teams)

1 Apologies for Absence

1.1 Apologies for absence were received from Cllr D Roper and Cllr A Waters.

1.2 Apologies were also received from Simon George, Executive Director of Finance and Commercial Services and Eunice Walcott, NPF Governance Manager.

2 Minutes

2.1 The minutes of the previous meeting held on 27 September 2022 were

confirmed as a correct record and signed by the Chair.

3 Declaration of Interest

The following declaration of interest was received:

- Cllr A Birmingham declared an “other interest” because she was a member of the scheme.

4 Administration Report

4.1 The annexed report (4) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This followed the last full quarterly report to Pensions Committee in September 2022.

4.2 The Committee’s attention was drawn to the following:

National picture

- Lee Rowley MP confirmed as Minister with responsibility for the LGPS
- The Pensions Regulator’s Combined Code expected to come into force early next year
- The Governance & Reporting of Climate Change Risks (TCFD) consultation - responses submitted (covered under Item 16 of this agenda).
- Pensions Dashboard – end date for Local Government Pension Scheme (LGPS) data to be live is September 2024; rollout to users 2025
- Good Governance recommendations – consultation anticipated shortly.

Performance

- Pensions Administration Key Performance Indicators (Appendix B, page 28)

Communication and Engagement

- With Scheme Members
 - Annual and Lifetime Allowance statement issued
 - Face to face Clinics in October
 - Prime Time – November (Appendix C, page 29)
- With Scheme Employers
 - Hybrid Employer Forum 29th Nov (actuarial results)
 - Employer Newsletter November issue (Appendix D, page 53)
 - Valuation
 - Employer resources to support scheme members

Accounts and Financial Reporting

- Audit results report – Item 6

Employer Financial Reporting Requirements

- 31 August (Academies) 127 reports issued

Collaborative Working / Value for Money

- National LGPS Frameworks Annual Meeting held on 24 November
- Investment Management Consultancy Services Framework now live; Legal Framework in progress and should be launched early next year
- Shortlisted at LAPF Investment Awards: Outstanding Contribution of the Year category (the Committee placed on record their congratulations)

Knowledge and Skills

- National Knowledge Assessment – results awaited
- Spring training event being looked into

4.3 RESOLVED

That the Committee note the contents of the report.

5 Update from the Pensions Oversight Board

5.1 The annexed report (5) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board (POB) which had last met on the 8 November 2022. This was their first in person meeting since February 2020.

5.2 The Committee's attention was drawn to the following issues from when the POB met on 8 November 2022:

- Confirmed arrangements for the appointment of a Vice Chair in the absence of the Independent Chair of POB
- Updated on plans for the observation of ACCESS Joint Committee meetings by Local Pension Board representatives
- Updated on 2022 triennial valuation process and planning
- Updated on cyber and data management controls (see also page 126 of the agenda papers)
- Updated on Risk Management framework
- Updated on current operational issues and regulatory reform – noted impact of current employer operational issue which should be assessed and monitored against the Fund's breach policy.

5.3 RESOLVED

That the Committee note the contents of the report.

6 Audit Results Report (ISA 260)

6.1 The annexed report (6) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report set out the Audit Results Report (ISA 260) and explained the mechanism whereby the Annual Report and Accounts would be published on the Funds website prior to or on 1 December 2022 in draft form (without signatures or audit opinion), as required by LGPS regulations.

6.2 The Committee's attention was drawn to the following:

- Timetable for presentation to Audit Committee for approval had changed from previous years
- Page 83 of the agenda illustrated how the events of the last year had impacted upon the Fund. Despite volatility it showed that the assets of the Fund had grown by approximately £400m during the 2021-22 financial year.
- Contribution income was relatively stable.
- For the year ahead some employers would see a rise in contribution rates while others would see a fall in rates. The Committee will receive a presentation on cash flow modelling from the Fund Actuary at item 12.

6.3 It was RESOLVED

That the Committee note the report including the provisional Audit Results Report and make final recommendation to the Audit Committee that the 2021-22 Financial Statements be approved.

7 Risk Register Report and Compliance with Breaches Policy

7.1 The annexed report (7) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the Norfolk Pension Fund's Risk Register and Breaches Policy. The summary Risk Heat map was last reported to Pensions Committee in September 2022, and the last full report to Pensions Committee was in June 2022.

7.2 The Committee's attention was drawn to the following:

- An established risk management framework, with regular reports to Committee is in place, which includes:
 - High risk areas and mitigation plans
 - Risk movement
 - Breaches

- Risk Management & Movement (Appendix B - Heat Map, page 124)
 - Employer Operational Issues increased to High, and consequently the risk that we may not meet Administration Regulatory and Performance requirements has also increased (remains Amber at this time)
 - Insufficient skilled resource (Funding and Investment) has moved out of High Risk
 - Insufficient skilled resource (Governance) has reduced further
- Areas of High Risk:
 - Employer Operational Issues (Administration) – Item 11. This concerned an employer operational issue that has become high. New starters were protected within the regulations.
 - Cyber and financial crime. Pensions are a prime cybercrime target
- Compliance with Breaches Policy
 - One data protection incident since the last report. This related to the distribution of annual benefit statements where there were 12 reported cases (out of 56,000) of the seal on the envelope being undone. which had been reported to the Information Management team.

7.3 In reply to questions, it was pointed out that when the Pension Fund moved to a hybrid way of working, home working advice and guidance was issued to staff on how they should organise their home working environment to maintain security.

7.4 It was RESOLVED

That the Committee note the contents of the Risk Register and summary of breaches.

8 ACCESS Update Unrestricted Items

8.1 The annexed report (8) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. This report provides an update to the Pensions Committee on the work of the ACCESS Pool which last met on 5 December 2022.

8.2 The Committee's attention was drawn to the following:

- **Business Plan and Budget 2022-23**
 - Business plan and budget for 2022-23 agreed by JC in December 2021
 - The approved budget is £1.366m (£124k per ACCESS authority)

- There is currently a forecast underspend of £102k due to the timing procurements
- **Business Plan and Budget 2023-24**
 - Business plan and budget for 2023-24 considered by s151 officers and recommended to JC
 - Proposed budget of £1.559m (£142k per ACCESS authority)
 - Budget growth being driven by professional service costs to support planned procurements
 - Assets under management in the pool totalled between £31-32 billion
- **Amendments to Inter Authority Agreement (IAA)**
 - The IAA defines the governance and cost sharing arrangements of the ACCESS Pool and is signed by all 11 participating authorities
 - Amendments agreed and in process of being signed-off by individual authorities:
 - ✓ allowing observers from Local Pension Boards to attend JC meetings
 - ✓ greater flexibility for authorities nominating JC member substitutes and s101 Committee Member attendance at JC meetings
 - ✓ allowing the JC to recommend the adoption and content of guidelines.

8.3 RESOLVED

That the Committee note the contents of the report.

9 Exclusion of the Public Items 10-18 only

9.1 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.

9.2 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:-

9.3 Item 10- ACCESS Update – Restricted items

This report contains financial, 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 their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

9.4 Item 11- Employer Operational Issues

This report contains financial, 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 their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

9.5 Item 12- 2022 Triennial Valuation –Risk Management Review (Fund Cashflow and Ill-Health Policy)

This report contains financial, 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 their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

9.6 Item 13- 2022 Triennial Valuation – Funding Strategy Statement

This report contains financial, 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 their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

9.7 Item 14 - Hymans Robertson Quarterly Performance Report

This presentation contains financial, business, and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

9.8 Item 15 - Enhanced Yield Portfolio Review (Interim Update)

This report contains financial, business, and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

9.9 Item 16 - Investment Strategy Update

This report contains financial, business, and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

9.10 Item 17 - Investment Manager presentation

This presentation contains financial, business, and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

9.11 Item 18 – 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.

9.12 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 outweighed the public interest in disclosing the information.

10 ACCESS Update – Restricted items

- 10.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that updated Members on a confidential basis on investment and governance matters pertaining to the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires). The work of the ACCESS pool was governed by a Joint Committee made up of one Councillor from each Committee's Pensions Committee.

10.2 RESOLVED

That the Committee note the contents of the report.

11 Employer Operational Issues

- 11.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund about employer operational issues as a result of which the risk of failure to meet Pensions administration regulatory and performance requirements had increased.

11.2 RESOLVED

That the Committee note the contents of the report and take appropriate action to resolve the situation.

12 2022 Triennial Valuation –Risk Management Review (Fund Cashflow and Ill-Health Policy)

- 12.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that set out two pieces of work completed by the Fund Actuary as part of the 2022 Valuation of the Fund.

- 12.2** The report was accompanied by a detailed report and presentation by the Fund Actuary. The two reports by the Fund Actuary covered: Review of Ill-health Risk Management and Cashflow Projections for the Fund

12.3 RESOLVED

That the Committee note the contents of the report and the presentation.

13 2022 Triennial Valuation – Funding Strategy Statement

- 13.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the

Director of the Norfolk Pension Fund that presented the draft Funding Strategy Statement (FSS) for the Norfolk Pension Fund. The updated FSS had been prepared as part of the 2022 Triennial Valuation.

- 13.2** The report was accompanied by a detailed report and presentation by the Fund Actuary.

13.3 RESOLVED

That the Committee note the contents of the report and the presentation.

14 Investment Performance Update by Hymans Robertson

- 14.1** The Committee received a detailed booklet and presentation on investment performance (containing exempt information) by Hymans Robertson.

- 14.2** The Investment Advisor summarised the investment performance for the third quarter of 2022 which was set out in the report.

14 3 RESOLVED

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

15 Enhanced Yield Portfolio Review (Interim Update)

- 15.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that provided the context and background of the Enhanced Yield Portfolio Review and updated on the work done to date.

- 15.2** The report was accompanied by a detailed report and presentation by the Fund Actuary.

15.3 RESOLVED

That the Committee note the contents of the report and the presentation.

16 Investment Strategy Update

- 16.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with the investment strategy and assets of the Fund. It included details about the onboarding of assets to the ACCESS Pool, an update on class actions, and further forthcoming training sessions for Members on investment issues.

16.2 RESOLVED

That the Committee note the content of the report.

17 Investment Manager presentation – M and G Investments

17.1 Two representatives from M and G Investments (who participated in the meeting remotely via Microsoft Teams) presented a detailed booklet, summarised the main issues, and responded to detailed questions by the Members.

17.2 The Chair thanked M and G investments for their presentation.

16.3 RESOLVED

To note the presentations by the Fund Manager.

18 Exempt Minutes of the meeting held on 27 September 2022

18.1 The exempt minutes of the meeting held on 27 September 2022 were confirmed by the Committee and signed by the Chair.

The meeting concluded at 13.30 pm

Chair