

# Pensions Committee

Date: **Tuesday, 11 December 2018**

Time: **9:30am**

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

## Membership

### Members

Mr D Douglas  
Mr T FitzPatrick  
Ms J Oliver (Chairman)  
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](mailto:timothy.shaw@norfolk.gov.uk)

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

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

2. **Minutes**

**(Page 7 )**

To confirm the minutes of the meetings held on 18 September 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 6-12 and 15)**

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 Strategies – Update and Real Asset Review (Page 17 )**

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

## **7. Investment Manager Presentations**

### **7.1 Introduction to Proposed Investment**

- **Aviva**

**(Not yet available)**

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

### **7.2 Introduction to Proposed Investment**

- **Equitix**

**(Not yet available)**

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**

- **JP Morgan**

**(Not yet available)**

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

## **8. Investment Performance Update by Hymans Robertson (Page 33 )**

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

- |            |  |                            |
|------------|--|----------------------------|
| <b>9.</b>  | <b>Valuation Planning</b>  | <b>(Not yet available)</b> |
|            | Copies of the presentation by Hymans Robertson will be available for Members of the Committee on the day of the meeting. |                            |
| <b>10.</b> | <b>ACCESS Update</b>   | <b>(Page 58 )</b>          |
|            | Report by the Executive Director, Finance and Commercial Services and the Head of the Norfolk Pension Fund               |                            |
| <b>11.</b> | <b>Norfolk Pension Fund Structural Review-Update</b>   | <b>(Not yet available)</b> |
|            | Copies of the presentation by Hymans Robertson will be available for Members of the Committee on the day of the meeting. |                            |
| <b>12.</b> | <b>Risk Register Report and Compliance with Breaches Policy</b>  | <b>(Page 66 )</b>          |
|            | Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund             |                            |
| <b>13.</b> | <b>Administration Report</b>   | <b>(Page 81 )</b>          |
|            | Joint Report by the Executive Director Finance and Commercial Services and the Head of the Norfolk Pension Fund          |                            |
| <b>14.</b> | <b>Update from the Pensions Oversight Board</b>  | <b>(Page 170)</b>          |
|            | Report by the Executive Director, Finance and Commercial Services and the Head of the Norfolk Pension Fund               |                            |
| <b>15.</b> | <b>Exempt Minutes</b>  |                            |
|            | To confirm the exempt minutes of the meeting held on 18 September 2018.  | <b>(Page 175 )</b>         |

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

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## **Pensions Committee**

### **Minutes of the meeting held on Tuesday, 18 September 2018 commencing at 9:30 am at County Hall, Norwich**

#### **Present:**

Mr S Aspin	
Mr D Douglas	
Mr T FitzPatrick	
Ms J Oliver	(Chairman)
Mr M Storey	(Present for Items 1-11 only)
Mr A Waters	

#### **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
Geoff Connell	Head of IMT (present for item 9 only)

#### **Others Present:**

William Marshall	Investment Adviser, Hymans Robertson
Ian Colvin	Hymans Robertson
Miles Illingworth	UBS
Paul Clark	UBS
Rachel Farmer	Pensions Oversight Board
Brian Wigg	Pensions Oversight Board
John Harries	Pensions Oversight Board

#### **1 Apologies**

- 1.1** Apologies for absence were received from Mr John Fuller and Mr Brian Watkins.

#### **2 Minutes**

- 2.1** The minutes of the previous meeting held on 26 June 2018 were

confirmed as a correct record and signed by the Chairman.

### **3 Declarations of Interest**

#### **3.1** The following declarations of interest were received:

- Mr Waters declared an “other interest” because his wife was a member of the scheme.
- Mr Aspin declared an “other interest” as he had investments with Standard Life and Fidelity and personal membership of the scheme as an employee of a scheme employer.
- Mr Douglas declared an “other interest” as he had personal membership of the scheme as an employee of a scheme employer.
- Mr Storey declared an “other interest” as he had investments with fund managers within the scheme.

#### **4. Matter of Urgent Business- Admission Agreement -Edwards and Blake (Diss High School Academy)**

##### **4.1** The Committee received on the table as urgent business a report from the Executive Director of Finance and Commercial Services and the Head of Pensions about a request from Edwards and Blake for an admission agreement in respect of a catering contract with Diss High School Academy. The Committee noted that the admission agreement would cover only those staff transferring to the contractor in respect of this contract with the current right to LGPS membership. The Fund actuary would calculate an employer contribution rate specific to the contract and allocate assets and liabilities in accordance with the Funding Strategy Statement. The legal agreement would be sealed under Chief Officer powers by the Executive Director of Finance and Commercial Services.

### **RESOLVED**

**That the Committee note the application for admitted body status by Edwards and Blake in respect of a catering contract with Diss High School Academy.**

##### **4.2** The Committee also received (as exempt information) booklets from UBS about their presentation (at item 13 on the agenda) and booklets (containing exempt information) from Hymans Robertson about the pension fund review (at item 10 on the agenda), Investment Managers’ performance for the second quarter of 2018 (item 12 on the agenda) and progress with investment strategies and ACCESS transfer (item 14 on the agenda).

### **5 Administration Report**

#### **5.1** The annexed report (5) by the Executive Director of Finance and



Commercial Services and the Head of Pensions was received.

- 5.2** 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 Background, Summary of Highlights and Recommendations, Governance framework for the Norfolk Pension Fund, Norfolk Pension Fund Governance Review, Communications, Year End, Guaranteed Minimum Pension (GMP) Reconciliation, transfer of Fire Scheme Administration, General Data Protection Regulation (GDPR), Collaborative Working / Value for Money, Knowledge and Skills, Policy on admission agreements and exit credits: Approach to funding new admitted employers, Freedom of information Act (FoIA), Update on Bulk Transfer Values in Progress, Representation on behalf of the Pension Fund, Norfolk Pension Fund – Pensions Committee Forward Plan, Other Implications - Equality Impact Assessment (EqIA), Any other Implications, Section 17 – Crime and Disorder Act and Recommendations.
- 5.3** The Committee’s attention was drawn to the comments set out in paragraph 3 of the report concerning the National Scheme Advisory Board inviting proposals for it to be assisted in developing alternatives for separating the pension’s functions of LGPS administering authorities from their host authorities, prior to potentially making recommendations to the Secretary of State. The alternatives, which were the subject of an earlier report that the Board had commissioned from KPMG in 2015, included the possibility of the LGPS becoming a separate legal entity or the adoption of a more ring-fenced approach to the relationship of the LGPS and administering authorities.
- 5.4** The Committee noted that the personalised Annual Benefit Statements that were in the process of being sent to the home addresses of scheme members had been loaded to the online facility for members so that registered members could view and amend some of their details online if they wished to do so. Officers had worked very closely with all employers so that the data was ready to produce the Annual Benefit Statement by the end of August 2018 and thereby met the statutory reporting obligations as required by the Pensions Regulator.
- 5.5** The Committee was informed about the arrangements that were being made to ensure that Members were supported in their strategic decision making. The training day in Norwich on 16th November 2018 would focus on the forthcoming valuation of the Fund and the identification of Members wider training needs (Training Need Analysis). An email reminder would be sent to Members shortly. In addition, two further training days would be identified in early 2019 for Knowledge and Skills development.
- 5.6** At the request of the Chairman, Members would also be invited to attend the Local Government Association Conference on 17<sup>th</sup> and 18<sup>th</sup> January 2019 in Bristol. Members had attended this event in the past and found it

to be a very good event. Officers would make the bookings and organise travel etc.

- 5.7** Members' attention was drawn to paragraph 12 of the report which asked the Committee to agree to a change in funding strategy for new admission agreements - specifically the move to a "pass-through" arrangement for new employers, with a fixed contribution rate, no surplus or deficit on cessation, additional payments only required for employer controlled risks. The Funding Strategy Statement would be updated to reflect the change in funding approach, effective for admission agreements with services beginning on or after 1 October 2018.

**5.8 RESOLVED**

**That the Committee note the content of the Administration report and specifically:**

**Approve the proposed change in funding strategy for new admission agreements - specifically the move to a "pass-through" arrangement for new employers, with a fixed contribution rate, no surplus or deficit on cessation, additional payments only required for employer controlled risks. The Funding Strategy Statement to be updated to reflect the change in funding approach.**

**6 Update from the Pensions Oversight Board**

- 6.1** The annexed report (6) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.

**6.2 RESOLVED**

**That the Committee:**

- 1. Note the contents of the update report from the Pensions Oversight Board.**
- 2. Note the Pensions Oversight Board Annual Report for 2017/18 had been published within the Norfolk Pension Fund's Annual Report and Accounts.**

**7. Corporate Governance and Shareholder Engagement Report**

- 7.1** The annexed report (7) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.

- 7.2** Members' attention was drawn to a national campaign against fracking that had recently received local media interest. The campaign had made use of template campaign letters that resembled those used for a fossil fuel campaign run last year. ACCESS colleagues had reported to officers of the NPF on a spate of local media fracking enquiries like the one reported in Norfolk's local press.

- 7.3** It was pointed out that the Norfolk Pension Fund invested in energy and mining companies around the world and that in addition to their core businesses, these companies may have involvement in fracking. In discharging its responsibilities, the Norfolk Pension Fund had over many years adopted a policy of active share ownership and engagement rather than disinvestment or exclusion. Investment managers had actively engaged with fossil fuel companies, requesting that fossil fuel companies increased their level of information and analysis of potential risks in policies aimed at tackling climate change and explored opportunities for diversification into cleaner renewable energy. The key themes of the Norfolk Pension Fund engagement policy could be found in the Norfolk Pension Fund Investment Strategy Statement (ISS) which is published on the website at [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org). Details of all votes cast for UK and overseas companies could be found on the website at [www.norfolk.pensionfund.org](http://www.norfolk.pensionfund.org)
- 7.4** The Committee's attention was also drawn to guidance issued by the Secretary of State regarding the "pursuit of policies that were contrary to UK foreign policy or UK defence policy". In 2017 a judicial review concluded that the Secretary of State acted for an unauthorised purpose in issuing the guidance. A recent decision by the Court of Appeal found in favour of the Secretary of State had left the door open for the government not only to issue prohibitive guidance setting out what LGPS Funds should not do, but also to consider issuing guidance directing investments in assets the government considered appropriate. The Pension Fund would continue to monitor developments around this guidance and report back to Committee as appropriate.

## **RESOLVED**

**That the Pensions Committee note the content of the report.**

## **8 Exclusion of the Public (Agenda Items 9-15 only)**

- 8.1** 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.
- 8.2** 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:-

### **8.3 Item 9- Risk and Breaches Report-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.

**8.4 Item 10- Pension Fund Review- A presentation 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.

**8.5 Item 11- 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.

**8.6 Item 12- 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.

**8.7 Item 13- Fund Manager Report and Presentation-UBS**

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.

#### **8.8 Item 14- Investment Strategies - 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.

#### **8.9 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.

#### **8.10 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.

### **9 Risk Register Report and Compliance with Breaches Policy**

- 9.1** 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.

#### **9.2 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.**

### **10 Pension Fund Review- A presentation by Hymans Robertson**

- 10.1** The Committee received a presentation by Hymans Robertson which updated the Committee on progress with the pension fund review. The review considered the following:

- Significant change in the LGPS
- Academies, outsourcing, increasing employers
- Volume and complexity of running the Fund
- Pooling
- Greater complexity for scheme members and employers
- Increased focus on governance (Pension Oversight Board and ACCESS)
- Greater scrutiny
- Succession planning

**10.2** The Committee was informed that a wide range of stakeholder groups continued to be involved in the review including Norfolk Pension Fund staff, employers and Members of the Pensions Oversight Board. Hymans would contact Pensions Committee Members individually after this meeting to invite them to contribute to the project.

**10.3 RESOLVED**

**That the Committee note the presentation.**

**11. ACCESS Pool Update**

**11.1** 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 June 2018 Committee.

**11.2** A full set of agenda papers including both restricted and unrestricted items relating to the next ACCESS Joint Committee meeting on 19 September 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).

**11.3** The ACCESS Joint Committee meeting on 19 September 2018 would consider the following issues:

Member Representation on the Joint Committee

An update on progress that had been made over the summer months  
Financial Conduct Authority approval of the Authorised Contractual Scheme (ACS).

ACS implementation, including an update on Phase 1 and proposals for Phase 2 Sub-Funds.

ACCESS Governance and ACCESS Support Unit updates.

#### **11.4 RESOLVED**

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

#### **12 Investment Performance Update by Hymans Robertson**

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

**12.2** The Investment Advisor summarised the main issues.

#### **12.3 RESOLVED**

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

#### **13 Fund Managers Report and Presentation**

- **UBS**

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

**13.2** The Chairman thanked UBS for their presentations.

#### **13.3 RESOLVED**

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

#### **14 Investment Strategies -Update**

**14.1** 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 paper from Hymans ("Investment strategies implementation -Review of Long-Term Enhanced Yield Portfolio Opportunities") that was included with the agenda.

**14.2** 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.

#### **14.3 RESOLVED**

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

**15 Exempt Minutes of the meeting held on 26 June 2018**

- 15.1** The exempt minutes of the meeting held on 26 June 2018 were confirmed by the Committee and signed by the Chairman.

The meeting concluded at 2.10 pm

**Chairman**



## **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"> <li>• Pensions Oversight Board</li> <li>• National Scheme Advisory Board</li> <li>• The Pensions Regulator</li> <li>• LGPS National Confidence Survey</li> </ul>	Appendix A Appendix B Appendix C
4.	Norfolk Pension Fund Structural Review	
5.	Communications <ul style="list-style-type: none"> <li>• With active and deferred scheme members</li> <li>• With retired members</li> <li>• With employers</li> <li>• Norfolk Pension Fund website</li> </ul>	Appendix D  Appendix E&F Appendix G
6.	Guaranteed Minimum Pension (GMP) Reconciliation	
7.	Transfer of Fire Scheme Administration	
8.	Collaborative Working / Value for Money <ul style="list-style-type: none"> <li>• CIPFA Benchmarking</li> <li>• National LGPS Procurement Frameworks</li> </ul>	Appendix H
9.	Knowledge and Skills	
10.	LGPS Code of Transparency	
11.	Update on Bulk Transfer Values in Progress	Appendix I
12.	Admission Agreement – Action for Children	
13.	Admission Agreement – Churchill Services	
14.	Admission Agreement – Compass Group t/a Chartwells (Clarion Academy Trust)	
15.	Admission Agreement – Compass Group t/a Chartwells (Ormiston Academy Trust)	
16.	Representation on behalf of the Pension Fund	Appendix J
17.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix K
18.	External Audit Assurance from Norfolk Pension Fund	Appendix L

Appendix A	SAB Work Summary October 2018
Appendix B	TPR's Compliance and Enforcement policy (public service pensions)
Appendix C	National Confidence Survey results and analysis
Appendix D	Pensions Clinics Satisfaction Survey outcomes and analysis
Appendix E	Employers Newsletter Autumn 2018
Appendix F	Employer Forum Agenda 12 December 2018
Appendix G	Norfolk Pension Fund website usage

Appendix H	CIPFA benchmarking results summary
Appendix I	Update on Bulk Transfer Values in Progress
Appendix J	Representation on behalf of the Pension Fund
Appendix K	Pensions Committee Forward Plan
Appendix L	External Audit Assurance from Norfolk Pension Fund

## **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 September 2018.

## **2. Summary of Highlights and Recommendations**

- 2.1 Items 12 to 15; note the application for admission agreements by Action for Children, Churchill Services and two by Compass Group (t/a Chartwells).

## **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.

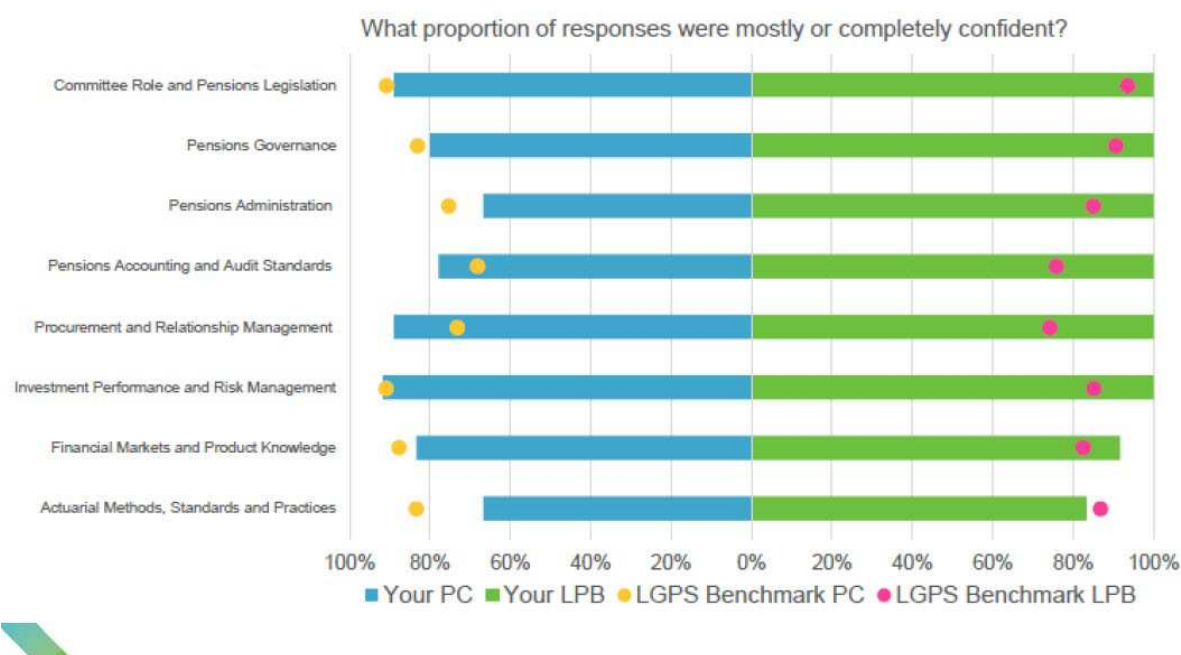
### **3.3 National Scheme Advisory Board**

- 3.4 The National Scheme Advisory Board (SAB) is leading on a number of significant issues and initiatives at the moment. These include:

#### **3.5 Cost cap**

- 3.6 Following the scheme valuations for the public service pension schemes, for the unfunded schemes, a reduction in the discount rate will result in significant increases in employer contributions while the outcome of the cost cap floor of 2% being breached is expected to lead to improvements in member benefits.
- 3.7 For the LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact.
- 3.8 However, the SAB has its own cost management process which will now be allowed to progress to completion with any changes to benefits being taken into account in the HM Treasury process.
- 3.9 Based on work undertaken by the Board's actuarial adviser, the total cost of the scheme (employer and employee) under the Board's process is 19% against a target total scheme cost of 19.5%.
- 3.10 The Board aims to agree a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end. The resultant package will be put to the full Board for agreement as soon as possible to ensure that scheme changes are on the statute book by April 2019.
- 3.11 The Treasury also announced that future scheme valuations will move to a quadrennial timeframe. Discussions are underway to move local fund valuations to a quadrennial timeframe to ensure consistency with future scheme valuations, but this will not have any bearing on the 2019 valuation which will proceed as normal.

- 3.12 **'Separation Project'**
- 3.13 This project is intended to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. The SAB wishes to make it clear that the project should not be seen as a criticism of elected members, section 151, or other officers.
- 3.14 The SAB is evaluating bids received to further develop the options in this area, in order to develop possible alternatives for change with regard to the separation of LGPS pension funds and their host authorities, prior to potentially making recommendations to the Secretary of State.
- 3.15 A summary of the SAB's latest work programme, provided by the SAB after their 10<sup>th</sup> October meeting, is at Appendix A, with a more detailed update available on their website at [www.lgpsboard.org](http://www.lgpsboard.org).
- 3.16 **The Pensions Regulator (TPR)**
- 3.17 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 anticipate greater engagement and focus from the TPR across LGPS Funds.
- 3.18 Alongside the Code of Compliance the TPR published their 'Compliance and enforcement policy for public service pensions schemes'.
- 3.19 This includes the expectation as set out in Section 3.3 (Enforcement):
- 3.20 We expect scheme managers, assisted by pension boards as appropriate, to:
- identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
  - develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
  - demonstrate implementation of their plan.
- 3.21 A copy of the 'Compliance and enforcement policy for public service pensions schemes' is at Appendix B.
- 3.22 Each year the TPR issues a Public Service Governance and Administration Survey. The Norfolk Pension Fund completed its return by the November deadline.
- 3.23 **LGPS National Confidence Assessment.**
- 3.24 Members of the Norfolk Pension Funds Pensions Committee and Pensions Oversight Board contributed to the LGPS National Confidence Survey undertaken by Hymans Robertson.
- 3.25 The local survey results analysis is in the table below.



- 3.27 These results were discussed in more detail at the training day on 16<sup>th</sup> November (attended by members of Pensions Committee and the Pensions Oversight Board) and will be used to inform future planning, including the training programme looking forward.

The detailed results and analysis of the national survey are set out in Appendix C.

## 4. Norfolk Pension Fund Structural Review

- 4.1 This is covered by agenda item 11 at this Committee meeting.

## 5. Communications

### 5.1 With active and deferred scheme members

- 5.2 As reported to Committee in September, Annual Benefit Statements (ABS) were made available on line to all scheme members (active and deferred) before the end of August, in line with the regulatory requirement.

- 5.3 Hard copies of this year's Annual Benefit Statements were posted to the home addresses of all scheme members (both active and deferred) in September.

### 5.4 Pensions Clinics and Annual Meeting

- 5.5 Pension Clinics (where members are invited for one-to-one meetings with our pension advisors following receipt of their annual benefit statements) were held in Norwich on 23rd, 24th and 30th of October 2018, in Kings Lynn on the 26th and 29th of October 2018 and in Great Yarmouth on 25th of October 2018.

- 5.6 This year's Clinic's were exceptionally popular, and 125 one to one meetings with Scheme Members took place over the 4 days (up from 93 in 2017). 100% of the attendees who completed the satisfaction survey were either satisfied or very satisfied.
- 5.7 A copy of the survey results is at Appendix D.
- 5.8 As in the last few years, the Annual Meeting was cancelled as there was no interest expressed by members to attend.
- 5.9 Annual Allowance and Lifetime Allowance
- 5.10 Pension Savings Statements were issued to all scheme members who exceeded the Annual Allowance in 2017/18 by the end of September 2018 to meet the statutory obligation.
- 5.11 **With retired members**
- 5.12 Invitations to the next retired Members events (scheduled for the 13<sup>th</sup> – 16<sup>th</sup> May 2019) were sent to all pensioners with their November payslips.
- 5.13 As in previous years we will seek donations from our Custodian, Investment Advisor and Fund Managers to support this service.
- 5.14 **With employers**
- 5.15 Employer Newsletter – Autumn 2018
- 5.16 Our Autumn 2018 Employers Newsletter was sent to all Employers in November.
- 5.17 In addition to standing items, the latest newsletter covered:
- Triennial Valuation
  - Year End Returns 2019
  - Investment Pooling
  - Pension Clinics
  - Pre-Retirement Courses
  - Admission Agreement Policy
  - Pay Strain Monitoring
  - Employer Pension Policies.
- 5.18 A copy of the latest Newsletter is at Appendix E.
- 5.19 Employers Forum
- 5.20 The next Employers Forum is scheduled for 12<sup>th</sup> December 2018.
- 5.21 The Agenda will focus on preparations for the forthcoming triennial valuation, administration developments and latest LGPS 'hot topics' of interest to employers.
- 5.22 A copy of the Agenda is at Appendix F.

## **5.23 Norfolk Pension Fund website**

- 5.24 Appendix G shows the latest analysis usage of the Norfolk Pension Fund's main website.
- 5.25 The analysis shows that the website is an increasingly important source of resources, information and signposting for scheme members and employers and other stakeholders, with 22,814 unique visitors in the year October 2017 – November 2018.
- 5.26 The number of members registered to view their personal details on line also continues to increase, with approximately 1 in 6 scheme members now registered.
- 5.27 The page views analysis does not include visits to the secure area.

## **6. Guaranteed Minimum Pensions (GMP) Reconciliation**

- 6.1 Due to delays in responding to queries at HMRC we no longer expect to complete the exercise until the New Year.
- 6.2 However, we still hope to load the results into active scheme members' Altair records using Heywood's GMP Interface Tool, which is being installed.
- 6.3 We still anticipate having all relevant records updated with up-to-date GMP values by the time we submit data to the Actuary for the 31 March 2019 Valuation.

## **7. Transfer of Fire Scheme Administration**

- 7.1 The transfer of the Norfolk Firefighters pensions administration to West Yorkshire Pension Fund (WYPF) has now been completed. WYPF are now managing firefighters' pensions for 13 Fire Authorities.
- 7.2 There is some residual work to do in purging all records from our systems and this will be completed by the financial year end.

## **8. Collaborative Working/Value for Money**

### **8.1 CIPFA Benchmarking**

- 8.2 The Norfolk Pension Fund takes part in the Chartered institute of Public Finance and Accountancy (CIPFA) Pensions Administration Benchmarking Club.
- 8.3 We use this data to compare our service provision with other authorities and target any areas of improvement. It helps us to understand specific service pressures that the Fund faces and to operate as effectively and efficiently as we can.
- 8.4 32 Funds participated in this years exercise. The results indicate that the Norfolk Pension Funds cost per member is £18.97, compared with a club average of £20.14.
- 8.5 The executive summary of the results for Norfolk are at Appendix H.

## 8.6 **National LGPS Procurement Frameworks**

- 8.7 The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).
- 8.8 The latest National LGPS Frameworks Annual Meeting was held on Monday 12 November 2018 and was attended by representatives from LGPS Funds and LGPS Pools.
- 8.9 Since the inception of National LGPS Frameworks in 2012:
- 10 Live frameworks in place
  - 32 Funds and Pools have acted as 'Founding Authorities'
  - 92 funds and pools joining the frameworks (plus 2 non-LGPS users)
  - 247 contracts awarded
  - 103 years of estimated effort saved by procuring through the frameworks
  - £105m projected savings across the LGPS
- 8.10 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.
- 8.11 Following on from the success of the previous Legal Services framework, which expires on 12 January 2019, a replacement framework is being established. A number of funds and pools are involved in the evaluation and appointment of suppliers to the new framework which will enable legal services to be procured in England, Scotland, Wales and Northern Ireland.

## 9. **Knowledge and Skills**

- 9.1 Members of Pensions Committee, the Pensions Oversight Board and Fund Officers attended a training day on Friday 16<sup>th</sup> November, delivered by Hymans Robertson (Rob Bilton, William Marshall and Linda McAleer).
- 9.2 The training focussed on preparations for the forthcoming tri-ennial valuation, the Norfolk Pension Funds investment strategy and LGPS Governance (including the National Confidence Assessment, TPR's view of governance in the LGPS and the SABs consultation on Fund separation).
- 9.3 Dates and content for the 2 day training session in February / March 2019 will be confirmed as soon as possible.

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

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.



<b>Date Received</b>	<b>Requestor</b>	<b>Details</b>	<b>Status</b>
10/10/2018	<i>Bloomberg</i>	Investment Information	Responded
22/10/2018	Whatdotheyknow.com	Investment Information	Responded
06/11/2018	Secondarylink.com	Investment Information	Responded

## 10. LGPS Code of Transparency

- 10.1 The LGPS Scheme Advisory Board launched its Code of Transparency in May 2017.
- 10.2 The Code is a voluntary code aimed at Investment Managers providing transparent and consistent investment costs and fee information to LGPS funds. By signing up to the Code, an investment Manager is committing to reporting investment related fees and expenses to LGPS funds on a quarterly basis.
- 10.3 Those asset managers who sign up to the 'Code of Transparency' will be listed on the Scheme Advisory Board website and able to use the Code logo on their marketing literature.
- 10.4 The Norfolk Pension Fund has written out to all its existing Investment Managers strongly encouraging compliance with the Code. Of Norfolk's fourteen investment managers, eleven have already signed up to the Code (see below). The Fund is actively encouraging the participation of the remaining three managers.

<b>Manager</b>	<b>Signed up to the Code</b>
Aberdeen Standard Investments	Yes
Baillie Gifford	Yes
Berenberg	<b>No</b>
Capital	Yes
Fidelity	Yes
Goldman Sachs	Yes
HarbourVest	<b>No</b>
Insight	Yes
Janus Henderson	Yes
L&G	Yes
La Salle (previously Aviva property portfolio)	<b>No</b>
M&G	Yes
UBS	Yes
Wellington	Yes

## 11. Update on Bulk Transfer Values in Progress

- 11.1 Please see Appendix I for Bulk Transfer Values in Progress.

## 12. Admission Agreement – Action for Children (Diss Childrens Centre contact)

- 12.1 We have received an application from Action for Children in respect of a contract novation by Norfolk County Council for the operation of Diss Childrens centre.

- 12.2 The staff to be transferred are currently employees of Norfolk County Council.
- 12.3 The admission agreement will cover only those staff transferring in respect of this contract (approximately 4 active members and 6 in total). It will not cover any other staff of the contractor and will be closed to any new hires working on the contract.
- 12.4 The County Council will be party to the admission agreement in its capacity as Scheme Employer (letting body).
- 12.5 Action for Children has existing admission agreements with the Fund in respect of other childrens centres contracts. Regulatory guidance requires a separate admission agreement with the Fund for each separate contract.
- 12.6 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.
- 12.7 This is a short-term contract let until 30 September 2019
- 12.8 The legal agreement will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

### **13. Admission Agreement - Churchill Services (Wensum Trust Contract – Alderman Peel High School)**

- 13.1 We have received an application from Churchill Services in respect of a contract let by the Wensum Trust (an academy trust) in respect of Alderman Peel High School.
- 13.2 The staff to be transferred are currently employees of The Wensum Trust.
- 13.3 The admission agreement will cover only those staff transferring in respect of this contract (approximately 3 active members). It will not cover any other staff of the contractor and will be closed to any new hires working on the contract.
- 13.4 The trust will be party to the admission agreement in its capacity as Scheme Employer (letting body).
- 13.5 The Trust has existing admission agreements with the Fund in respect of other contracts. Regulatory guidance requires a separate admission agreement with the Fund for each separate contract.
- 13.6 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.
- 13.7 The initial term of the contract is 3 years with a potential 2-year extension.
- 13.8 The legal agreement will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

#### **14. Admission Agreement - Compass Group T/A Chartwells (Clarion Academy Trust – Hobart High School Contract)**

- 14.1 We have received an application from Compass Group (T/A Chartwells) in respect of a contract let by Clarion Academy Trust in respect of Hobart High School for the provision of catering services.
- 14.2 The admission agreement will cover only those staff transferring in respect of this contract (1 active). It will not cover any other staff of the contractor and will be closed to any new hires working on the contract.
- 14.3 The Academy Trust will be party to the admission agreement in its capacity as Scheme Employer (letting body).
- 14.4 Compass has existing admission agreements with the Fund in respect of other catering contracts. Regulatory guidance requires a separate admission agreement with the Fund for each separate contract.
- 14.5 As we have been informed of this agreement retrospectively, the transfer of staff occurred prior to the implementation of the revised “pass through” funding basis, the admission will be established on the conventional funding basis in place at the date of the staff transfer.
- 14.6 If the contractor is unable to meet its obligations to the Fund, all liabilities in respect of the admission agreement automatically revert to the Scheme Employer. Therefore, no liability should fall to other scheme employers if the contractor fails.
- 14.7 The Fund Actuary will calculate an employer contribution rate specific to the transferring employee group and allocate initial assets and liabilities in accordance with the Funding Strategy Statement.
- 14.8 Any risk sharing arrangements between the scheme employer and the contractor are out with the admission agreement.
- 14.9 This is a three-year contract
- 14.10 The legal agreement will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

#### **15. Admission Agreement – Compass Group T/A Chartwells (Ormiston Academy Trust – Cliff Park Academy School Contract)**

- 15.1 We have received an application from Compass Group (T/A Chartwells) in respect of a contract let by Ormiston Academies Trust in respect of Cliff Park Academy for the provision of catering services.
- 15.2 The admission agreement will cover only those staff transferring in respect of this contract (1 active). It will not cover any other staff of the contractor and will be closed to any new hires working on the contract.
- 15.3 The Academy Trust will be party to the admission agreement in its capacity as Scheme Employer (letting body).

- 15.4 Compass has existing admission agreements with the Fund in respect of other catering contracts. Regulatory guidance requires a separate admission agreement with the Fund for each separate contract.
- 15.5 As we have been informed of this agreement retrospectively, the transfer of staff occurred prior to the implementation of the revised “pass through” funding basis, the admission will be established on the conventional funding basis in place at the date of the staff transfer.
- 15.6 If the contractor is unable to meet its obligations to the Fund, all liabilities in respect of the admission agreement automatically revert to the Scheme Employer. Therefore, no liability should fall to other scheme employers if the contractor fails.
- 15.7 The Fund Actuary will calculate an employer contribution rate specific to the transferring employee group and allocate initial assets and liabilities in accordance with the Funding Strategy Statement.
- 15.8 Any risk sharing arrangements between the scheme employer and the contractor are out with the admission agreement.
- 15.9 This is a three-year contract with a possible 12-month extension.
- 15.10 The legal agreement will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

## **16. Employer Cessation**

- 16.1 An admitted body employer has recently ceased participation in the Fund. The cessation event has given rise to a large cessation deficit.
- 16.2 The Fund is currently working towards achieving a solution that balances the funding requirements for the liabilities, while addressing the specific difficulties faced by this employer.
- 16.3 A further verbal update will be provided to the Committee during the meeting.

## **17. Representation on behalf of the Pension Fund**

- 17.1 Please see Appendix J 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.

## **18. Norfolk Pension Fund – Pensions Committee Forward Plan**

- 18.1 The rolling one-year Pensions Committee Forward Plan is attached at Appendix K.

## **19. External Audit Assurance from Norfolk Pension Fund**

- 19.1 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 direct for assurance on Fund governance arrangements

rather than the Chair of Audit Committee. A copy of the assurance letter from EY is attached at Appendix L.

- 19.2 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 will assist the Chair of Pensions Committee in drafting an appropriate response that gives assurance to EY. The deadline for responding to the letter from EY is 15<sup>th</sup> February 2019.

## **20. Other Implications - Equality Impact Assessment (EqIA)**

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

## **21. Any Other Implications - Section 17 – Crime and Disorder Act**

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

## **22. Recommendations**

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

**Item 12** - The Committee specifically note the admission application by Action for Children (Diss Childrens Centre contract).

**Item 13** - The Committee specifically note the admission application by Churchill Services (Wensum Trust – Alderman Peel High contract).

**Item 14** - The Committee specifically note the admission application by Compass t/a Chartwells (Clarion Academy Trust – Hobart High School contract).

**Item 15** - The Committee specifically note the admission application by Compass t/a Chartwells (Ormiston Academies Trust – Cliff Park Academy contract).

## **Background Papers**

Appendix A	SAB Work Summary October 2018
Appendix B	TPR's Compliance and Enforcement policy (public service pensions)
Appendix C	National Confidence Survey results and analysis
Appendix D	Pensions Clinics Satisfaction Survey outcomes and analysis
Appendix E	Employers Newsletter Autumn 2018
Appendix F	Employer Forum Agenda 12 December 2018
Appendix G	Norfolk Pension Fund website usage
Appendix H	CIPFA benchmarking results summary
Appendix I	Update on Bulk Transfer Values in Progress
Appendix J	Representation on behalf of the Pension Fund
Appendix K	Pensions Committee Forward Plan
Appendix L	External Audit Assurance from Norfolk Pension Fund

## Officer Contact

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

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**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](http://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 10<sup>th</sup> October 2018.

**SAB Cost Cap**

- Statement made by the Chief Secretary on the 6<sup>th</sup> September
- HM Treasury 2% floor breached in most cases
- Improvements in employee benefits
- Increase in employer contributions from change in SCAPE discount rate
- But SAB has its own cost cap arrangement
- SAB process will progress to completion before HM Treasury’s process
- Total cost of the scheme under the SAB process is 19% against a target cost of 19.5%
- A SAB working group has been established to agree a package to bring costs back to 19.5%
- The working group will report back to an extraordinary Board meeting within the next few weeks
- Any regulatory changes must be on the statute book by the 1<sup>st</sup> April 2019
- Discussions are underway to move local valuations to a quadrennial timeframe
- This will not impact on the forthcoming 2019 valuation

**Academies Project**

- The Board agreed that the administration working groups work on agreeing a standard monthly data extract should continue to completion
- Further work will also be undertaken on training and improving communication within the academy sector
- The future programme of the funding working group is to be the subject of discussion with DfE and MHCLG

**Third Tier Employers’ Project**

- Aon’s report was published on the 24<sup>th</sup> September
- A working group from the Board will evaluate the various options included in the report and report back to the Board

**Separation Project**

- Three bids received to undertake the project
- Board members invited to comment on the bids
- SAB Chair and Vice-Chair given delegated authority to make final decision

**Code of Transparency – Compliance System**

- 91 Signatories have signed up to the code covering £180bn of scheme assets
- OJEU contract notice has been published for the procurement of a code compliance utility

**Responsible Investment**

- The Board agreed that the guidance on Responsible Investment should include reference to the government's latest position on ESG and, in particular, climate risk.
- The Board was advised that ShareAction may be approaching LGPS funds to discuss their approach to ESG policies.

### **Pensions Regulator**

- Further to concerns raised by a number of funds, the Board agreed that the Chair should write to the Pensions Regulator about their activities and approaches in dealing with the scheme.

### **STOP PRESS**

1. The 2017/18 SF3 return data was published by MHCLG on the 17<sup>th</sup> October. See <https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-and-wales-2017-to-2018>
2. The Pensions Regulator has advised the Board's Chair that the annual Governance and Administration survey will be issued to fund authorities on the 5 November with completion requested by the end of the month. A preliminary note from the Pensions Regulator will be sent to funds beforehand.

### **BOB HOLLOWAY**

Pensions Secretary  
Scheme Advisory Board  
19 October 2018

Robert.holloway@local.gov.uk



# **Compliance and enforcement policy for public service pension schemes**

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# 1. Introduction

The Pensions Regulator (the regulator) was established under the Pensions Act 2004 (the 2004 Act) as a non-departmental public body, sponsored by the Secretary of State for Work and Pensions, to regulate work-based pensions.

The Public Service Pensions Act 2013, together with the Public Service Pensions Act (Northern Ireland) 2014, introduces an expanded role for the regulator in overseeing the major work-based pension schemes for those working in the public services throughout the UK. Our expanded role includes regulating public service schemes in relation to the new governance and administration requirements introduced by those Acts<sup>1</sup>.

This policy sets out our approach to compliance and enforcement in relation to public service pension schemes, which are those principally covering civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers and members of police and armed forces. It describes our expectations for compliance with relevant legal requirements and how we will proceed in cases of non-compliance, including when we may use our enforcement powers.

This document sits under our approach to regulating work-based pensions and our public service regulatory strategy. We refer throughout to provisions of English law. References to provisions of English legislation which do not apply to Northern Ireland or Scotland should be read as references to the provisions of any corresponding Northern Ireland and Scottish legislation.

<sup>1</sup>  
The Public Service Pensions Act 2013 (in NI, the Public Service Pensions Act (Northern Ireland) 2014) introduces new requirements about the governance and administration of public service pension schemes and extends our regulatory responsibility, including by making amendments to the 2004 Act (in NI, the Pensions (Northern Ireland) Order 2005).

## 1.1 Approach to regulation of public service schemes

Our public service regulatory strategy sets out how we approach the regulation of public service schemes in light of our statutory objectives. We aim to ensure that all schemes meet the new governance and administration requirements as soon as possible.

Our primary focus will be on educating and enabling schemes to improve standards of governance and administration and comply with legal requirements. We will also be developing our own systems and processes to enable us to better monitor standards, assess where schemes are falling short and best direct our resources to enable them to improve standards and become compliant. We will share this information with the public service schemes to enable them to understand how they are performing alongside their peers.

Public service pension schemes have a total membership of around 13 million and there are approximately 25,000 participating employers spanning the public, private and third sectors. These reforms are significant and those involved with public service schemes face complex and challenging conditions. There are new governance and administration requirements and therefore there may be some scheme managers and pension board members who will fail to comply with the duties because they have not fully understood them. In these cases, we will focus on working with schemes in the early stages of the new regulatory regime to help them become compliant.

We expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members, recognising that governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries throughout their membership, including the payment of the correct benefits to the right people at the right time.

However, we are aware that there may be situations where some schemes do not fulfil their responsibilities. We regard failures to address poor standards and non-compliance with the law as unacceptable. Should a scheme manager or pension board member (or other person responsible for complying with legal requirements) fail to comply with their legal requirements under pensions legislation, we may select from one or more of our enforcement options. These range from statutory compliance notices and monetary penalties, to criminal prosecution.

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### 1.1 Approach to regulation of public service schemes continued...

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Most of our activities will be focused on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements. We will focus on:

- ▶ promoting the public service code of practice and educational tools for public service schemes
- ▶ surveying schemes to understand the extent to which they are meeting the standards and practices we expect
- ▶ engaging with schemes to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas, and
- ▶ undertaking thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues and report back to our regulated community about best practice and risks.

Where scheme managers or pension board members fail to address poor standards resulting in non-compliance with the law, we may consider escalating our activities and taking enforcement action.

In considering whether to use our regulatory powers, including any enforcement action, we will take into account all of the circumstances and will act fairly and proportionately.

We will keep this policy under review and update it as required.

## 1.2 Who does this policy relate to?

This policy relates to public service pension schemes established under the Public Service Pensions Act 2013 and Public Service Pensions Act (Northern Ireland) 2014, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It is not relevant to schemes in the wider public sector which are not public service pension schemes within the meaning of section 318 of the Pensions Act 2004 or Article 2 of the Pensions (Northern Ireland) Order 2005.

This policy is relevant to anyone who has legal requirements or responsibilities relating to the management or administration of a public service pension scheme, or where those responsibilities have been delegated or outsourced – for example scheme managers, pension boards and administrators. It is also relevant to anyone else who could be subject to any of our statutory powers of investigation and enforcement, such as employers and professional advisers.

## 2. Risk framework

### 2.1 Our approach to risk in relation to public service pension schemes

In this section, we explain how we will take a risk-based and proportionate approach. A key aspect underpinning our approach is how we will identify and respond to risks and prioritise our activities. In setting our strategic approach to regulating public service schemes, we are primarily guided by two of our five statutory objectives:

- ▶ To protect the benefits of members of occupational pension schemes, and
- ▶ To promote, and to improve understanding of, the good administration of work-based pension schemes.

All public service schemes must be governed and administered in accordance with the requirements of the law. Across all public service schemes, governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries, including the payment of benefits.

Code of practice 14<sup>2</sup> provides practical guidance for schemes to support them in improving standards of governance and administration and complying with the legal requirements. In considering where to focus our resources on improving standards we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant.

We will ensure that any action we take is proportionate and evidence-based. While our key risk areas will be consistent across all public service schemes, what we consider to be tolerable at a particular point in time may vary. We will develop internal risk assessment processes, which will support our operational activity and ensure we are targeted and proportionate. We will ensure our approach to managing risk is proportionate and consistent by obtaining and analysing information from a variety of sources in order to maintain an informed strategic view across public service schemes. This will enable us to:

- ▶ swiftly detect patterns and causes of potential non-compliant behaviour, and
- ▶ establish and maintain effective risk assessment processes to direct and inform our activities.

<sup>2</sup> The Pensions Regulator is required to issue a code of practice relating to the following specific matters: i) Knowledge and understanding required by pension board members, ii) Conflicts of interest and representation, iii) Information to be published about schemes, iv) Internal controls, v) Scheme record-keeping, vi) Maintaining contributions, vii) Information to be provided to members, viii) Internal dispute resolution and ix) Reporting breaches of the law (section 90A of the 2004 Act).

## 2.2 Monitoring and reviewing our compliance activities

### Gathering information

In order to maintain an informed strategic view, we will identify, obtain and analyse information from a variety of sources, which may include:

- ▶ scheme returns
- ▶ enquiries and reports we receive
- ▶ media analysis
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ internal and external research, and
- ▶ exchange of information with key parties.

We are required to maintain a register of scheme information which forms the bedrock of information about schemes. We will assist managers for new public service schemes which have arisen out of the new legislation, to meet the legal requirement to register with us and we plan to introduce a bespoke version of the statutory scheme return for all public service schemes. This will request 'registrable information'<sup>3</sup> (including information about the scheme, managers of the scheme and employers linked to the scheme) as well as other information which we may reasonably require to exercise our functions.

We plan to engage with schemes in the early stages of the new regulatory regime. While these interactions are primarily intended to enable schemes to raise standards of governance and administration and comply with the legal requirements, we will also gather information. This will be used to inform the risk-based prioritisation of our regulatory activities.

We will conduct an annual governance and administration survey with schemes to understand the extent to which they are meeting the standards and practices we expect. The first survey, which we plan to conduct in 2015, will comprise of a short online questionnaire. This will serve as an enablement tool for schemes and will help inform our risk assessment processes.

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'Registrable information' is certain information relating to a scheme specified in section 60 of the 2004 Act. Managers must provide this information when registering a scheme and keep it up to date. The regulator must ask for this information in scheme return notices and record it in the register of pension schemes.



### 2.2 Monitoring and reviewing our compliance activities continued...

Generally, we do not expect to specify how schemes should evidence any improvement activities, although we may seek or require information in a certain format on a case-by-case basis. Wherever possible, we will seek to make use of information that has already been gathered or reported by a scheme, to avoid duplication and unnecessary burdens. We will be proportionate in our activities, focusing on key areas that will help managers and others involved with public service schemes to improve governance and administration standards and comply with the law, and we will consistently work to minimise burdens on schemes.

#### **Reporting breaches of the law**

People involved in running or advising public service schemes are required by statute to report 'materially significant' breaches of the law to us under section 70 of the Pensions Act 2004. Those people include scheme managers, members of pension boards, anyone else involved in the administration of a scheme, employers, professional advisers and anyone who is otherwise involved in advising the scheme manager in relation to the scheme. Our public service code of practice provides guidance on how to assess 'material significance'.

We expect whistleblowers to follow our guidance on reporting breaches, which requires two key judgements:

1. Does the reporter have reasonable cause to believe there has been a breach of the law?
2. If so, does the reporter believe the breach is likely to be of material significance to The Pensions Regulator?

Receiving a report of a breach will not necessarily result in enforcement action. It may inform our education and enablement activities or the focus of a thematic review. In line with our risk framework, we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant. We will assess reports against a range of risk factors to determine the best course of action.

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### 2.2 Monitoring and reviewing our compliance activities continued...

Whistleblowing is an important component in our public service monitoring activity. We understand that when an individual provides information to us it may have a potential impact on the relationship between them and those to whom they report, particularly in the case of a scheme manager and member of a pension board. Individuals can always opt to report anonymously to us. However, having an individual's contact details is useful in case we need to ask for more information so we can investigate the concerns raised.

The Employment Rights Act 1996 provides certain protection for employees and workers making a whistleblowing disclosure to us. We will seek to protect a reporter's identity (if requested) and will not explicitly disclose the information except where lawfully required to do so. We will take all reasonable steps to maintain confidentiality, but we cannot give any categorical assurances as the circumstances may mean that the identity of a reporter becomes apparent during the course of an investigation, or we may be ordered by a court to disclose it. We will ensure that individuals who provide information have a specific point of contact and any witnesses are supported throughout our process.

## 2.3 Risk-based prioritisation

When undertaking risk assessment, we will focus on risks in the following critical areas:

▶ **Knowledge and understanding<sup>4</sup>**

Members of pension boards must comply with the requirement to have the appropriate knowledge and understanding, to be able to assist their scheme manager effectively. Failure to do so is a breach of law.

▶ **Conflicts of interest<sup>5</sup>**

Scheme managers must ensure that pension board members do not have any conflicts of interest. A failure to do so is a breach of the law and could, for example, result in the advice and/or decisions of the pension board being open to challenge and, ultimately, the ineffective governance of the scheme.

▶ **Records<sup>6</sup>**

Legislation specifies the records that must be kept and failure to comply is a breach of the law. The completeness and accuracy of these records will be key to the effective and efficient operation of schemes, including ensuring that the right benefits are paid to the right person at the right time. This will be supported by operating appropriate internal controls.

▶ **Internal controls<sup>7</sup>**

Scheme managers must establish and operate internal controls. Failure to comply with this requirement is a breach of the law and it may also result in schemes not being run in accordance with the law and/or risks not being identified, mitigated and managed properly.

▶ **Member communication<sup>8</sup>**

The quality of the information provided to members in terms of accuracy, timeliness and clarity is an important factor in achieving good member outcomes. Failure to comply with disclosure requirements is a breach of the law and may indicate incomplete or inaccurate record-keeping and/or inadequate internal controls.

▶ **Dealing with internal disputes<sup>9</sup>**

Where we become aware of matters that are raised under internal dispute resolution procedures, this can be an indicator of wider systemic issues which may impact the effective governance and administration of schemes.

continued over...

4

As required under section 248A of the 2004 Act.

5

Scheme regulations must require scheme managers to be satisfied that pension board members do not have a conflict of interest (section 5(4) of the Public Service Pensions Act 2013).

6

Section 16 of the Public Service Pensions Act 2013 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (in particular).

7

Section 249B of the 2004 Act.

8

Section 14 of the Public Service Pensions Act 2013, section 113 of the Pension Schemes Act 1993 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (in particular).

9

Dispute resolution procedures must be made and implemented in accordance with section 50 of the Pensions Act 1995.

## 2. Risk framework

### 2.2 Risk-based prioritisation continued...

In prioritising risk-based regulatory activities, we will consider factors such as schemes' ability and willingness to put matters right and the likely impact of the various types of intervention available to us.

We will adopt a 'test and learn' approach to investigations and regulatory action in relation to public service pension schemes. We plan to use a governance and administration survey, conducted in 2015, to baseline standards and monitor improvement in the following years. We will also learn through our early scheme engagements and feed that learning into the development of our risk-based approach.

## 3. Our activities to support compliance and enforcement

### 3.1 Education and enablement

In addition to Code of practice 14 providing practical guidance for schemes to support them to improve standards of governance and administration and comply with the legal requirements on how to comply with regulations, we will produce specific guidance for schemes through educational tools.

These will include e-learning modules aligned to the themes covered in code of practice 14, such as conflicts of interest, managing risk, internal controls and maintaining accurate member data.

We expect scheme managers and pension boards to make use of educational tools and products, whether they are products the regulator has provided, or others. This will help schemes address gaps in knowledge and understanding and assist in compliance. We will consider requests for us to attend training sessions for board members, although we will not lead these sessions.

The practical guidance in Code of practice 14 and the educational tools we have developed may also be used by employers and others to understand the legal requirements of the Public Service Pensions Acts and how their role may be relevant in helping scheme managers comply with them.

We will engage with scheme managers and pension boards to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas.

We will encourage and facilitate those involved with different public service schemes to learn from each other via peer support, challenge networks and action learning sets. We will share best practice that we see as part of these engagements, working with scheme advisory boards, as appropriate, where they have a remit to promote best practice.

We plan to annually survey schemes to assess the extent to which they are meeting the standards and practices that we expect. We intend to publish the results of our surveys and encourage schemes to use the findings to review and refresh systems and controls, monitor risks and prioritise actions.

## 3.2 Thematic reviews

We will undertake thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues. The main purpose of these reviews will be to report back to our regulated community about best practice and risks. They will also improve our understanding of public service schemes and key risk areas, which will inform our activities and enable us to provide targeted and proportionate support.

Thematic reviews across all or part of the public service scheme landscape will be a particularly useful way for us to engage and communicate efficiently with the numerous scheme managers and pension boards of the locally administered schemes. Where appropriate, they will also enable us to engage and communicate with those to whom legal requirements or responsibilities relating to the management or administration of a public service pension scheme apply, or have been delegated or outsourced – for example, employers, administrators and professional advisers.

### Selecting a theme for review

We will select the theme for each review based on key risk areas and issues that are identified through different channels, including:

- ▶ educating and enabling activities
- ▶ enquiries and reports we receive
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ information from key parties, which may include scheme advisory boards
- ▶ media analysis.

We may select a theme based on a particular risk area such as record-keeping or internal controls, in order to understand practices in a particular area and help us develop our ongoing regulatory work.

Alternatively, we may choose to focus a review on a particular segment of public service schemes – for example, funded or unfunded, locally or centrally administered schemes – or groups involved in the management or administration of schemes such as scheme managers, pension boards, employers or administrators.

#### Participation in the review

Where we commence a review, we will expect scheme managers, pension boards and any other parties involved in the management or administration of public service schemes to respond to all requests for information or provide an explanation as to why they can't or won't supply the information. We expect to be able to gather the information on a voluntary basis, but if needed, we may also consider using our formal information-gathering powers under section 72 of the 2004 Act.

#### 3.3 Enforcement

We may become aware of breaches of the law, or significant risks of breaches and a failure to address them, by any of the ways in which we gather information, as well as enquiries or reports we receive.

Actual or potential breaches may be identified via engagement with schemes, thematic reviews or reports. Where an actual or potential breach is identified, we will assess the risk and decide how to proceed.

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Generally, we expect to educate and enable scheme managers and pension board members, so they comply with legal requirements. However, where scheme managers or pension boards fail to address poor standards and non-compliance with the law within a reasonable time period, we will consider escalating our activities, undertaking further investigations and taking regulatory action where there has been a breach of pensions legislation. In certain circumstances we may consider it appropriate to go straight to enforcement action. Further information about how we undertake investigations, our powers and our decision-making process can be found in the Appendix on page 16.

A number of our powers extend to third parties such as employers, for example the power to provide information, education and assistance, or to issue third party notices when we believe a breach by a person is, wholly or partly, a result of a failure of another person.

## Appendix

### Our regulatory powers and decision-making process

#### Undertaking investigations

Where we investigate, we may need to make some further enquiries to gather evidence, including for those schemes where we have already made information requests as part of a thematic review. This could include assessing the individual circumstances, the context of any breach of the law, any factors which may affect a decision to take enforcement action and the form that enforcement action might take.

We may seek information, documentation or an explanation from scheme managers and/or pension boards or any other relevant person. A reasonable period of time will be allowed for a response to be provided, taking into account the complexity and amount of information requested and the breach to which it relates.

Before making decisions, we may ask scheme managers and/or pension boards to provide us with information or other evidence of compliance with legal requirements. This may include (but is not limited to) copies of:

- ▶ pension board meeting minutes
- ▶ pension board training plans or logs
- ▶ registers of interest
- ▶ risk registers
- ▶ third party contracts and service level agreements
- ▶ scheme-approved policies and procedures
- ▶ stewardship reports
- ▶ statements of assurance
- ▶ audit reports
- ▶ annual reports and accounts.

continued over...



Undertaking investigations continued...

We may also contact other persons or third parties if we believe they may be in possession of relevant information or documents. These parties may include:

- ▶ third parties giving advice or providing business services to scheme managers and/or pension boards, and
- ▶ participating employers.

We may gather information through written requests, telephone calls or face-to-face meetings.

All information and evidence gathered during an investigation which amounts to personal data will be held securely and disposed of in accordance with the Data Protection Act 1998. We will disclose information only where we can lawfully do so and in line with the 2004 Act<sup>10</sup> and the Data Protection Act 1998, which govern the disclosure of information we receive in the exercise of our statutory functions.

Any investigation activity will only be undertaken when it is proportionate and reasonable to do so. We will record our decision-making and the justification for our actions and we will assess the risk of each case to ensure the appropriate course of action is taken. Investigations will be conducted in line with our legal obligations including compliance with the Human Rights Act 1998 and the Equality Act 2010.

continued over...

<sup>10</sup>  
Sections 82 to 87  
of the 2004 Act.

## Statutory information-gathering powers

While we expect to be able to gather information on a voluntary basis, where a person fails to respond to information requests without explanation, or we otherwise consider it necessary, we may consider using our formal information-gathering powers.

Under section 72 of the 2004 Act, we can require any person to provide information, or produce any documents in the manner, place and period as specified in the notice.

If we consider it necessary and to be a reasonable and proportionate way of obtaining the relevant information we need during an investigation, we can enter premises at any reasonable time (potentially including those of an employer or other third party) and conduct an inspection for the purpose of investigating whether scheme managers and pension boards have not complied, or are not complying, with certain legislative provisions, as set out under section 73(2) of the 2004 Act.

We may conduct an inspection where we have reason to believe the information could not be obtained under a section 72 request as the information or documents may be destroyed or altered. In these circumstances, we may decide to inspect premises without prior notice and arrive at premises unannounced.

Where a person does not have access to the documents or the information requested in the section 72 notices or they require a longer period in which to locate or gather together the requested information, they should tell us, otherwise sanctions may be imposed for non-compliance with the notice<sup>11</sup>. We will not refuse reasonable requests for an extension of time without good reason.

Where there is a failure to comply with a section 72 notice without reasonable excuse, we may consider criminal prosecution under section 77, or if false or misleading information is provided, under section 80 of the 2004 Act.

We may also consider the use of a 'Skilled Persons' report under section 71 of the 2004 Act. Provided the appropriate conditions are met, we may also use our powers to apply for a warrant under section 78 of the 2004 Act.

<sup>11</sup>  
Section 77 of  
the 2004 Act.

## Deciding whether to take enforcement action

Once we have completed our investigations, we will determine what, if any, action should be taken in relation to a particular breach of the law, including enforcement action where there has been a breach of pensions legislation. Where enforcement action is undertaken, we will follow our case team and Determinations Panel procedures<sup>12</sup> which describe how determinations on cases are made and how they can be appealed.

In deciding our approach and whether to take enforcement action in relation to a breach of pensions legislation, we will take into account factors such as the immediacy and materiality of the risk or issue, or the reaction of the parties involved. We will focus on the outcome that the action would provide.

The factors we will consider when deciding whether or not to take enforcement action will vary on a case-by-case basis. However, a key factor will be the extent to which scheme managers, assisted by pension boards as appropriate, have taken steps to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

continued over...

<sup>12</sup>  
Available at: [www.tpr.gov.uk/procedures](http://www.tpr.gov.uk/procedures)

Deciding whether to take enforcement action continued...

Some general examples of other factors are provided below. These examples are not exhaustive, nor are they prescriptive or weighted in any way:

- ▶ The number of members affected.
- ▶ The extent to which there is a systemic problem.
- ▶ The financial impact on individual and/or groups of members.
- ▶ The severity and duration of the breach.
- ▶ Whether the breach could have easily been prevented.
- ▶ The degree to which practices relating to the breach in question are inconsistent with Code of practice 14.
- ▶ Whether the scheme manager or pension board has deliberately sought to conceal their non-compliant behaviour by giving false or misleading information to members and/or us.
- ▶ Whether members of pension boards are able to demonstrate that they have adequate knowledge and understanding and have training plans in place.
- ▶ Reaction of the scheme manager and pension board once the non-compliance has been brought to their attention. For example:
  - the speed and co-operation shown to resolve any issues brought to their attention
  - whether they accept responsibility for the non-compliance or demonstrate negative/non-compliant entrenched behaviours, and
  - willingness to engage and co-operate with us.
- ▶ The track record of the scheme manager and/or pension board in complying with their duties and obligations, and
- ▶ Evidence of dishonesty or wilful failures to comply.

## Deciding what enforcement action to take

Our enforcement options derive from legislation. We may select from one or more enforcement options, which range from statutory compliance notices and monetary penalties to criminal prosecution.

Our enforcement powers can variously be applied to scheme managers, members of pension boards, employers or third parties such as administrators. We will ensure that we act in accordance with all our legal obligations, including those contained within the Data Protection Act 1998 and Human Rights Act 1998.

### Statutory notices

If we believe that a breach of pensions legislation has occurred (as defined in section 13 of the 2004 Act) and that a statutory remedy is needed to secure compliance, we can issue statutory notices to scheme managers, pension board members or third parties, such as participating employers or outsourced payroll providers.

There are specific rules governing the use of different statutory notices. They may be used to direct a person to take, or not to take, specific actions within a specified timeframe. We will consider the circumstances in each case when deciding the most appropriate course to achieving compliance. We may consider the following interventions:

- ▶ Under section 13 of the 2004 Act, we may issue an Improvement Notice requiring specific action to be taken within a certain time, if a person has contravened pensions legislation. An Improvement Notice may direct compliance with a code of practice and will be preceded by a Warning Notice under section 96 of the 2004 Act.
- ▶ Under section 14 of the 2004 Act, we may issue a Third Party Notice requiring specific action to be taken (or to be refrained from being taken) within a certain time. This notice may be issued when we believe a contravention of pensions legislation is, wholly or partly, a result of a failure of another person (as defined in section 13 of the 2004 Act) and will be preceded by a Warning Notice under section 96 of the 2004 Act.

Non-compliance with a statutory notice may result in a penalty.

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### Civil penalties

We may impose a penalty under section 10 of the Pensions Act 1995. The maximum amount of a penalty in relation to each breach is £5,000 in the case of an individual and up to £50,000 in any other case.

### Other statutory powers and orders

We have a variety of statutory powers, which include the following:

- ▶ **Power to recover unpaid contributions**  
If an employer does not make a contribution payment towards an occupational or personal pension scheme on or before the due date, we may, on behalf of the scheme manager, exercise such powers as the scheme managers have to recover that contribution payable under section 17 of the 2004 Act.
- ▶ **Power to appoint a skilled person**  
Under section 14A of the 2004 Act, we can assist a pension board in the discharge of its functions where we consider it desirable for the purpose of ensuring compliance with pensions legislation (within the meaning given in section 13 of the 2004 Act). The pension board must have regard to the advice of the skilled person and their costs will be met by the scheme manager.

### Publishing the outcome of activity

We may publish reports of our regulatory activities in order to encourage learning and show lessons learned through our work. A decision to publish a report (under section 89 of the 2004 Act) will be taken on a case-by-case basis in line with our publication policy. We will usually engage with those directly involved in advance of publication.

Publishing the outcomes of our regulatory activities is an important way of encouraging improved standards and practices. Publication also raises awareness of the risks to the good governance and administration of schemes and should assist others in avoiding problems.

Publication also enables third parties to understand how their actions may have an impact on schemes. We put great emphasis on preventing problems from occurring, providing guidance to build good practice in collaboration with the regulated community.

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Free online learning for those running public service schemes

## **Compliance and enforcement policy for public service pension schemes**

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**The Pensions  
Regulator**

# LGPS National Confidence Assessment

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# Assessing confidence - the cornerstone of strong leadership

In this paper we launch the results from the first ever national assessment of confidence across the Local Government Pension Scheme (LGPS).

With confidence being a fundamental basis from which leadership grows, assessing committee and pension board members' confidence has given us a unique insight into the strength of leadership across the LGPS on a national scale.

## There are 5 key drivers for carrying out this assessment:

- 1 Continuing regulatory pressure on LGPS funds.** Governing bodies such as MHCLG<sup>1</sup>, Scottish Ministers, the Northern Ireland Assembly and the Pensions Regulator (TPR), continue to put pressure on funds to ensure that those tasked with managing the LGPS understand the issues and topics under their responsibility.
- 2 Introduction of MiFID II.** This was an important reminder to funds that their pension committees have to evidence their knowledge and understanding in order to be treated as professional investors.
- 3 TPR's 21st Century Trusteeship campaign.** TPR have ramped up the expectation of Trustee knowledge within the private pension world, and the same standards are expected in the public sector too.
- 4 Adopting good governance practice.** It's important to continually take a "temperature" check on committee and pension board members' knowledge and understanding to gain an indication on how comfortable they feel on a range of topics.
- 5 Identifying training and development needs.** We believe this is an important assessment for the LGPS as a whole, helping both individual funds and the national LGPS groups with future training plans for committees and pension boards.

<sup>1</sup>Ministry of Housing Communities and Local Government

Representing the views of over 250 committee and pension board members across 50 participating funds, our assessment gives a clear sense of the level of confidence across the 8 headline requirements of CIPFA's Knowledge and Skills framework. Two findings from the process are clear:

- 1** fund officers are prioritising the knowledge and understanding of their committee and pension board members; and
- 2** there is good engagement from the committee and pension board members, suggesting they are very aware of the importance of their personal knowledge and understanding requirements.

We hope you find this report useful, if you would like to discuss anything in more detail, or find out the results from your own specific fund please don't hesitate to get in touch.

**Ian Colvin**

Head of LGPS Benefits  
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# Introduction

## Why look at confidence in relation to leadership and decision making?

The landscape of public sector pension scheme governance, including the LGPS, has changed significantly in recent years. The spotlight is increasingly focused on the governance of these schemes. As a result, there is a far greater need to demonstrate that those responsible for the management and administration of the LGPS are suitably equipped to perform their duties and provide the decision making the scheme members and employers require.

In order to gain an insight and indication of committee and pension board member knowledge and understanding, we chose to look at the confidence of these groups.

## What did we do and what process did we follow?

We based the assessment and questions on the 8 headline requirements of CIPFA's Knowledge and Skills framework, supplemented by TPR code of practice 14 and recent hot topic issues (e.g. investment pooling). Respondents were asked to assess their confidence on each of the 29 questions set out in the survey – going from not confident through to completely confident.

Technical and specific questions were presented to respondents on each of the topics being assessed. Respondents then considered how confident they felt on each area. Those who answered with a high degree of confidence believed they understood the details needed to answer questions on each topic.



# The results

## Below we have set out the results from this first national assessment.

Firstly, we look at the overall picture of the results and then we have analysis of various interesting sub-sets from the assessment. These include:

- Traditional strong focus vs lower focus
- Committee members vs pension board members
- 'Completely confident' or 'mostly confident' responses
- Confidence of Chairs
- Confidence across investment pools and Scotland
- Areas of most confidence vs least confidence
- Areas of least confidence across investment pools and Scotland

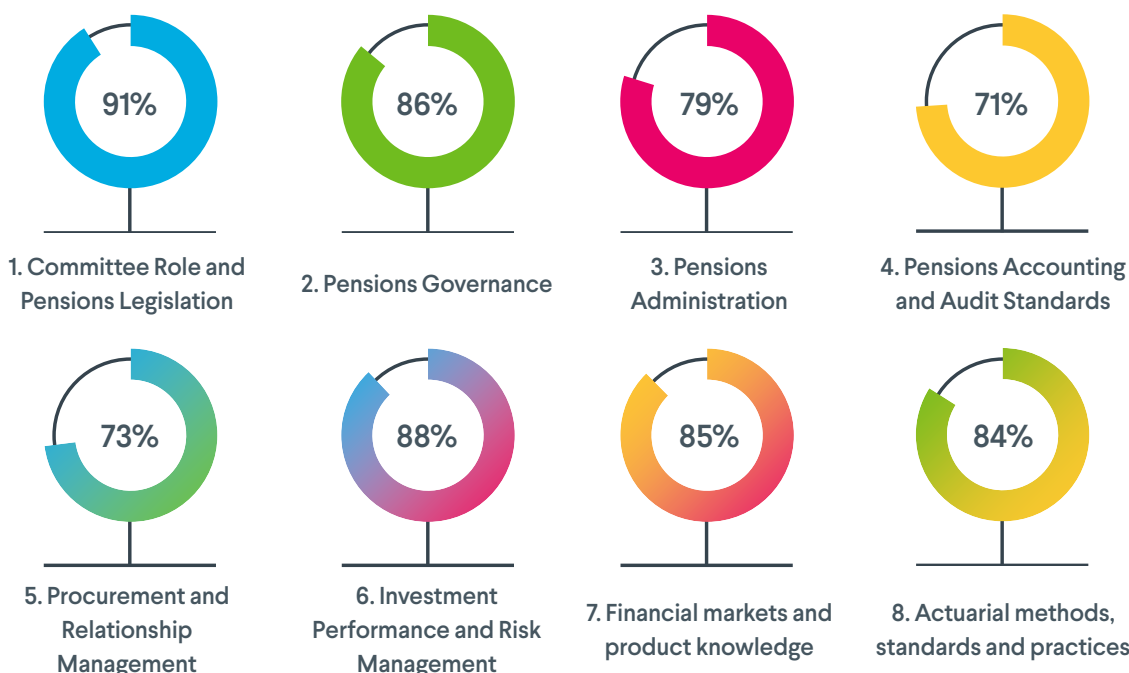
### An overview

The results affirm that overall committee and pension board members do feel confident in their knowledge and understanding on all topics assessed – 83% of all the responses being either 'mostly' or 'completely' confident.

The order from the highest confident topic – **Committee Role and Pension Legislation** – to the least confident topic – **Pensions Accounting and Audit Standards** – is perhaps unsurprising. We would expect members to be confident in the role they are fulfilling and have a good grasp of the pertinent pension legislation. Whereas, a lack of knowledge (or confidence) of Pensions Accounting and Audit standards could be attributable to the fact that little time is generally given to these topics within committee and pension board meetings.

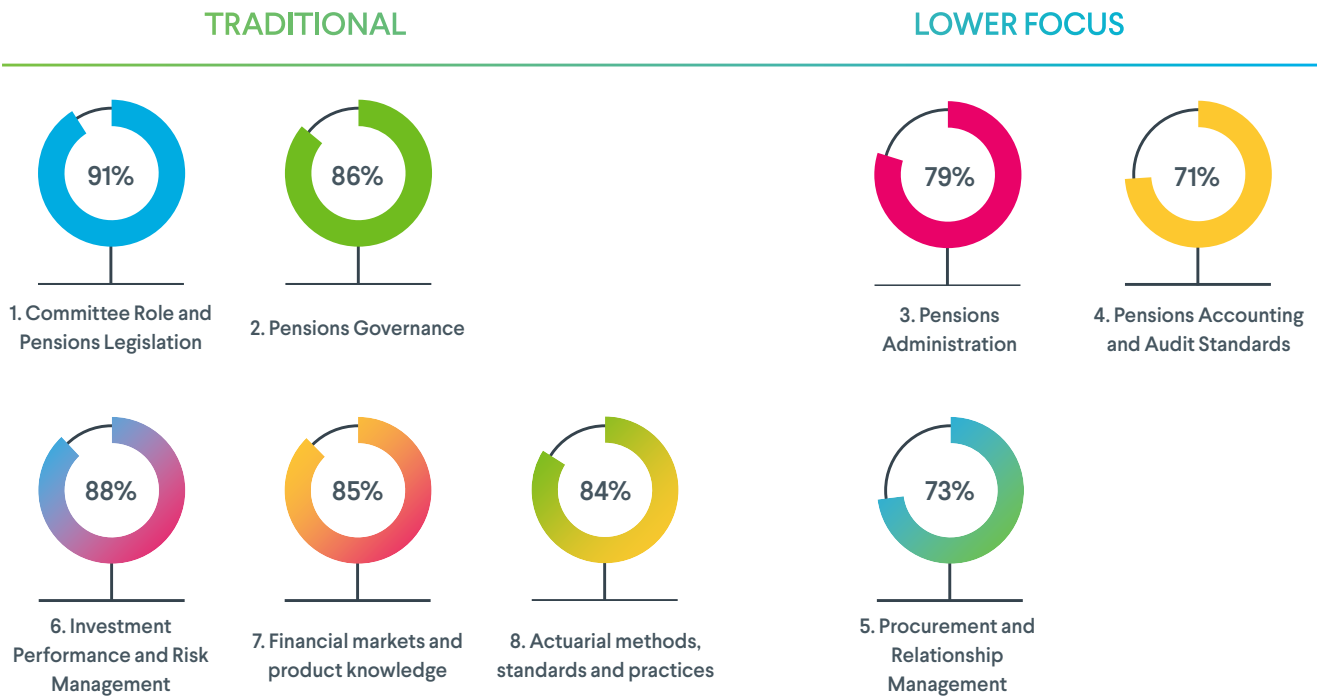
Whilst there is a 20 percentage point difference between the highest and lowest scoring topics, the lowest percentage is still a strong 71%. Consequently, our findings from the results highlight that none of the areas assessed are significantly trailing behind. This is a strong result and a good place from which to move forward.

### "Mostly" or "Completely" confident responses



Traditional strong focus vs lower focus topics

One key trend in the survey results is that respondents are noticeably higher in confidence on topics that have traditionally been given more time on committee agendas than other topics, such as, pension administration, to which committees may not have had the same level of exposure in the past. With the continually increasing pressure from TPR for overall excellence in all knowledge areas, funds need to recognise that both their committee and pension board should be well versed in all aspects of running an LGPS fund.

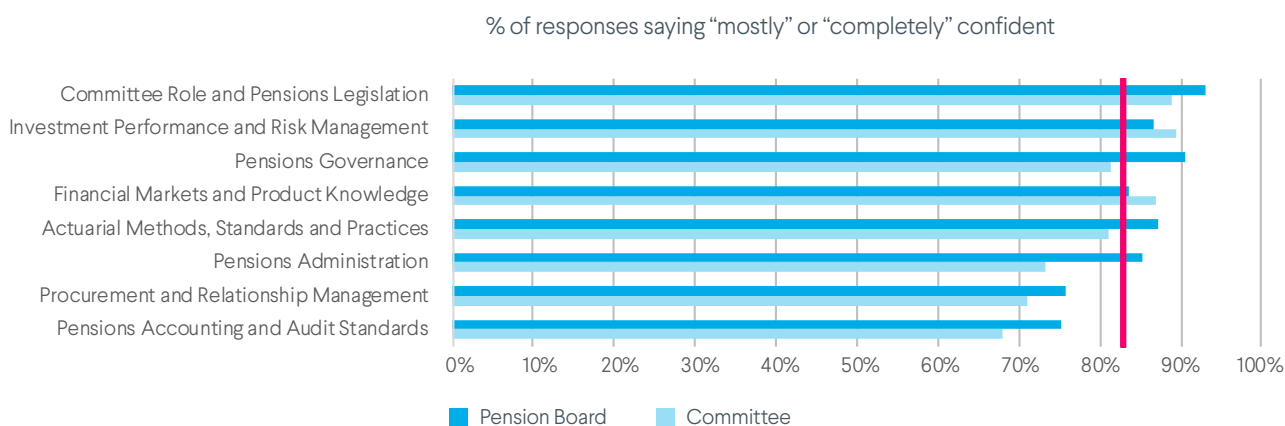


### Committee members vs pension board members

In almost all areas assessed – except Investment Performance and Risk Management and Financial Markets and Product Knowledge – the pension board respondents are more confident than the committee respondents.

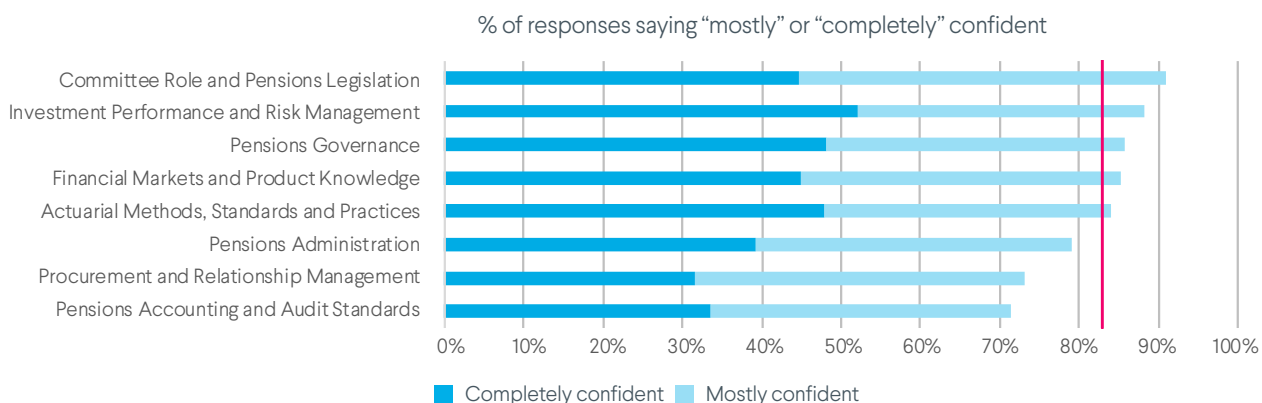
Given that there is nearly a 50/50 split in the respondent numbers from both of these groups, this area of analysis suggests that:

- due to the statutory knowledge requirements for pension board members, they have more pressure to understand all areas of the LGPS;
- pension board members are being set up with a wider agenda; and
- committees still favour the traditional areas such as investments.



### ‘Completely confident’ or ‘mostly confident’

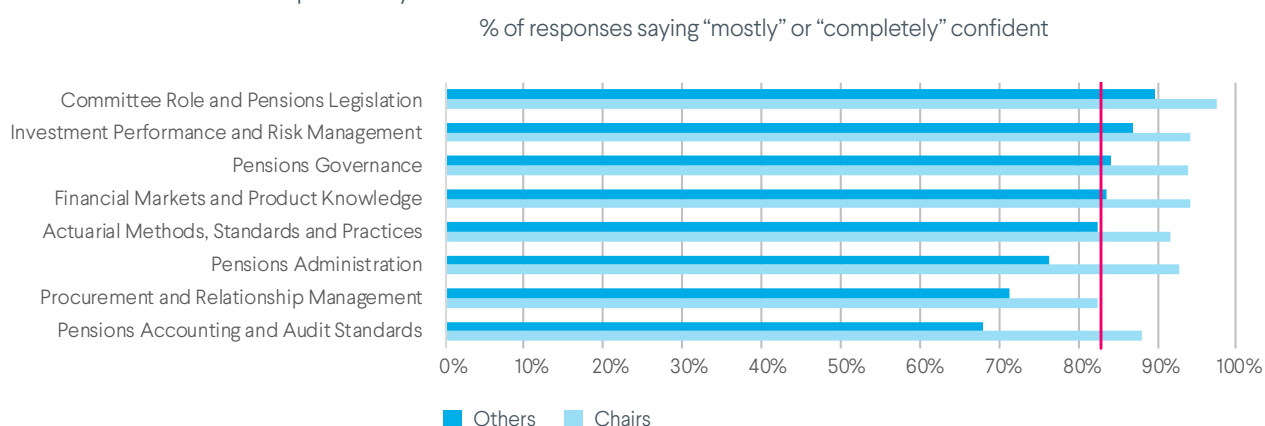
The results of the assessment are strong with 83% of responses to the questions being ‘mostly’ or ‘completely’ confident. However, if we raise the bar and only concentrate on ‘completely’ confident responses then there is a slight difference in the order of topics as can be seen in the darker blue lines below. Investment Performance and Risk Management is the topic where most respondents answered ‘completely’ confident with Committee Role and Pensions Legislation falling back in the order. These results indicate that though a sizeable proportion of responses are either ‘mostly’ or ‘completely’ confident, there are still gaps in committee and pension board knowledge and understanding.



### Confidence of chairs

Chairs of both committees and pension boards, 41 of them, express greater confidence in all topic areas than the rest of the survey respondents. However, the gap between chairs and the remaining members is not significant. This points to an appropriate level of challenge existing across committees and pension boards.

Chapter 9 of TPR's 21st Century Trusteeship campaign focuses on the important role the chair plays in the governance and leadership of a pension scheme. Our results indicate that for the most part, chairs in the LGPS are confident in the areas that sit under their responsibility.



### Confidence across investment pools and Scotland

We also analysed the results based on the 8 Investment pools of England and Wales, and the Scottish funds' respondents. Although the trends for each group are very similar, by breaking the results down into smaller groups, it allows for possible variances at individual fund level.

By doing so, the results reveal that the Welsh committee and pension board members come out as the most confident combined group, with very strong levels of confidence in their knowledge and understanding across the topics.

Confidence across Investment pools and Scotland - "mostly" and "completely" confident responses

Pool Respondees	ACCESS 47	B2C 36	Brunel 41	Central 19	London 36	LPP 7	Northern 15	Wales 25	Scotland 27	Overall 253
Committee Role and Pensions Legislation	95%	94%	92%	91%	86%	76%	91%	95%	88%	91%
Pensions Governance	89%	90%	84%	85%	85%	69%	88%	91%	81%	86%
Pensions Administration	80%	84%	72%	79%	76%	67%	89%	89%	75%	79%
Pensions Accounting and Audit Standards	77%	68%	69%	77%	73%	62%	73%	73%	65%	72%
Procurement and Relationship Management	79%	65%	80%	77%	74%	52%	56%	83%	69%	74%
Investment Performance and Risk Management	89%	88%	89%	83%	86%	71%	88%	96%	91%	88%
Financial Markets and Product Knowledge	85%	88%	89%	84%	82%	50%	90%	90%	88%	86%
Actuarial Methods, Standards and Practices	86%	88%	85%	78%	79%	68%	87%	93%	83%	84%
Overall	86%	84%	83%	82%	81%	65%	84%	89%	81%	83%

### Top 3 questions of most and least confidence – overall

#### Most confident questions

96%

I am clear what the objectives are for the Fund

94%

I understand my role and obligations under the LGPS Regulations and committee's/pension board's own terms of reference

94%

I understand the Fund's investment objectives

It is encouraging that over **90%** of responses are highly confident on their fund's objectives and the role that they are fulfilling. This suggests that the main cornerstone areas of fund management (objectives and role obligations) are on solid foundations.

#### Least confident questions

60%

I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/ FRS102 accounting valuations and the Government Actuary's valuation (Section 13)

69%

I have a clear sense of how I will assess the Fund's providers (managers, Pool, advisors etc).

69%

I understand the Pensions Regulator's measures of good administration practice set out in its code of practice 14

The area of pension administration, and in particular, 'good administration practice', is one which respondents felt less certain about in comparison to other topics. Due to the pressures being placed on all LGPS fund administration teams, having committees and pension boards understanding what 'good administration practice' looks like, would be a welcome support to fund officers and any requests for further resources.

Assessing fund providers, which references investment pooling, is the joint second least confidently answered area. The recent introduction of investment pooling, for English and Welsh funds, has possibly contributed to making this area less clear to committees and pension boards.

Respondents had least confidence on actuarial valuations. With the England and Wales 2019 Valuation process soon to begin and the recent release of Government Actuary's Department's Section 13 recommendations, valuations are a hot topic which committee and pension board members need to feel comfortable with.



## Regional focus

Below we have detailed the lowest confidently answered question for each of the 8 investment pools in England and Wales and the Scottish funds.

### Border to Coast Pension Partnership

I understand the role of procurement frameworks in procuring services

### Local Pension Partnership

I have a general understanding of the Accounts and Audit Regulations and the regulatory requirements for sound internal controls and proper accounting practice

### Wales Pension Partnership

I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/ FRS102 accounting valuations and the Government Actuary's valuation (Section 13)

### Brunel Pension Partnership

I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/ FRS102 accounting valuations and the Government Actuary's valuation (Section 13)



### Scotland

I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/ FRS102 accounting valuations and the Government Actuary's valuation (Section 13)

### Northern Pool

I have a clear sense of how I will assess the Fund's providers (managers, Pool, advisors etc).

### ACCESS

I understand the Pensions Regulator's measures of good administration practice set out in its Code of Practice 14

### London CIV

I understand the difference between the different types of valuations that are carried out e.g. the triennial funding valuation, IAS19/ FRS102 accounting valuations and the Government Actuary's valuation (Section 13)

### LGPS Central

I understand the roles and powers of MHCLG, the Pensions Regulator and the Pensions Ombudsman as they relate to the working of the scheme

### Comments received from respondents

“ Quite confident on aspects....but sheer level of detail and complexity of LGPS resulted in my scores ”

“ Training, high quality Board papers, Officers and Actuaries have all helped us ”

“ I'd like to see a clearer disclosure of the ESG approach used ”

We gave respondents the opportunity to provide comments in each of the sections and were really encouraged with the high number of comments received. There were some very useful insights given from the respondents comments. Some of the key themes highlighted were:

- 1 ESG debates taking place within committee and pension board meetings
- 2 The complexity of the LGPS
- 3 The importance of training

The comments centred more on investment issues than the other topics assessed. As stated earlier, this is probably due to the traditional focus given to issues such as investments over other topic areas. Perhaps this focus will shift as committees adjust their roles due to investment pooling (for England and Wales) and the continuing pressure from governing bodies for committees and pension boards to focus on the complete range of topics under their responsibility – not just a chosen few.

### National picture

We are delighted to share this LGPS good news story in the shape of our National Confidence Assessment results. Those with an interest in how the LGPS is run will welcome the fact that this first ever national confidence survey, shows an LGPS that is gearing up for the challenges ahead.

TPR has chosen to take a deep dive into the workings of a selected group of LGPS funds and has declared that they'll be “clearer, quicker and tougher” on those they feel are not making the grade. This means funds need to be confident in demonstrating that they understand and are complying with the standards expected of a 21st Century Trustee.

As English and Welsh funds transfer assets to investment pools, they are becoming familiar with entirely new relationships and challenges as the interaction between the pool and existing governance arrangements of the fund plays out.

Meanwhile, the Scheme Advisory Board (SAB) work stream on separation of funds from their host authority asks some fundamental questions about what is the best way to run the LGPS.

With so much scrutiny and change to come, it is encouraging to see that the high percentage of individuals who sit on pension committees and boards feel confident that they are well placed to discharge their complex roles effectively. We would urge funds to build on the results of this survey and place quality training at the heart of what they do.

# Next steps

It is important to note that our assessment is an indication of participants' own perceptions, rather than their actual knowledge and understanding.

## Assessing perceptions vs reality

The most logical next step would be to assess committee and pension board members' actual knowledge and understanding of the 8 topics in order to get a true sense of perception versus reality.

This evidence can also be used if a fund is challenged from TPR on their awareness of their committee and pension board knowledge and understanding and, importantly, how they are tracking progress.



## National next steps

The National Confidence Assessment provides us with the first ever snapshot of confidence across the LGPS, and while the results are positive, it is important not to be complacent. We would recommend that funds use their individual National Confidence Assessment results to inform their own training strategies.

When developing a training strategy it is important to think about how you will use training to deliver your fund's objectives. You should also think about how you will make training effective in terms of identifying skills gaps, prioritising, delivering and assessing the effectiveness of your training.

A training strategy that supports regular assessment of what committee and board members actually know, distinct from what they say they know, is the only guaranteed way to know that training has been effective. When developing a training strategy you should also consider what elements will form the core of the training you deliver, whilst recognising the need for ad hoc or additional training. Your strategy should be flexible enough to adapt and respond to the changes that are inevitable in the LGPS.

The National Confidence Assessment demonstrates that there are many engaged and dedicated members of committees and pension boards in the LGPS. These individuals lead the way and we hope that the survey results can be used to raise the overall level of knowledge and understanding across the LGPS.

# Closing remarks

## So what are our key findings from the first ever LGPS National Confidence Assessment?

### 1. Confidence is high, but there's still work to be done

The overall picture is one of high confidence. Members assessed themselves with strong knowledge and understanding even in the most technical and specific areas. However, the purpose of the assessment was to get an indication of knowledge and understanding, not a verification. So while we are pleased that confidence is high on a self-assessment basis, we recognise that this doesn't necessarily translate into confirmation of knowledge.

We also recognise that any score below 100% means there are still some members who aren't fully confident. The overall average confidence level of 83% (responses being mostly or completely confident) indicates that around 1 in 5 members are somewhat lacking in confidence on some of the topics under their responsibilities. As a rough approximation, that means around 2 or 3 members of your committee and 2 or 3 members of your pension board require some training to improve their level of knowledge and understanding.

### 2. Funds recognise the importance of knowledge and understanding

We're delighted with the number of funds who participated in this first national assessment of confidence, and the level of enthusiasm we were met with. This resulted in over 250 respondents taking part in the assessment. This strength of engagement is an indication of the importance funds place on ensuring committees and pension boards understand their responsibilities, and have the knowledge to enable them to perform their roles effectively. This engagement and enthusiasm was just as important an outcome as the number of member completions.

### 3. Focus needs to evolve beyond traditional issues

It is clear from the results and from the comments received that committees remain comfortable in those areas they have traditionally focused. However, the governance landscape of the LGPS is unrecognisable from 10 years ago with the introduction of the Scheme Advisory Board and a role for TPR. We would expect that in years to come, the focus for committees (in particular) and pension boards will need to be far broader than it has been previously.

It was notable from the comments that members truly value the training they've received from their funds. This may point to the concerted effort fund officers have placed on committee and pension board training in the more recent years, we would like to see this momentum continue, as the governance landscape of the LGPS evolves.

**We recommend that funds' next steps are to measure their committee's and pension board's actual knowledge to get a true sense of perception vs reality. Being able to evidence both the level of confidence and actual knowledge of members will help strengthen funds' defence against those that challenge the quality of governance in the LGPS.**

# Our experts

If you would like to discuss our assessment in more detail, or find out the results for your specific fund, please don't hesitate to get in touch.



**Ian Colvin**

Head of LGPS Benefits  
Consultancy & Governance  
0141 566 7923



**Peter Summers**

Partner  
0141 566 7735



**Peter Riedel**

Senior Technical Consultant  
0141 566 7955



**Andrew McKerns**

Benefits and Governance  
Consultant  
0141 566 7579

# First ever National Confidence Assessment for every LGPS committee and pension board member

**54**  
LGPS funds participated



**250+** surveys completed



**51%**

Committee



**49%**

Pension board



**15**

Committee Chairs



**26**

Pension board Chairs

**8** Topics



Committee Role and Pensions Legislation

Pensions Governance

Pensions Administration

Pensions Accounting and Audit Standards

Procurement and Relationship Management

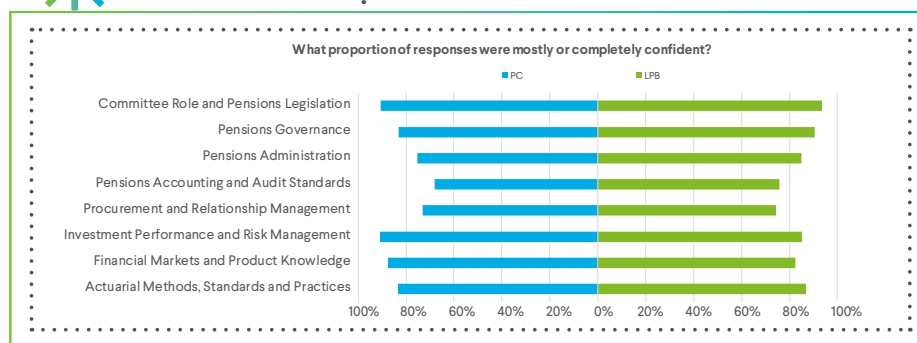
Investment Performance and Risk Management

Financial markets and product knowledge

Actuarial methods, standards and practices

**29** Questions

RESULTS TABLE



## MOST CONFIDENT TOPICS

Committee



Investment Performance and Risk Management

Pension board



Committee Role and Pensions Legislation



Committee Role and Pensions Legislation



Pensions Governance

## LEAST CONFIDENT TOPICS

Committee



Pensions Accounting and Audit Standards

Pension board



Procurement and Relationship Management



Procurement and Relationship Management



Pensions Accounting and Audit Standards



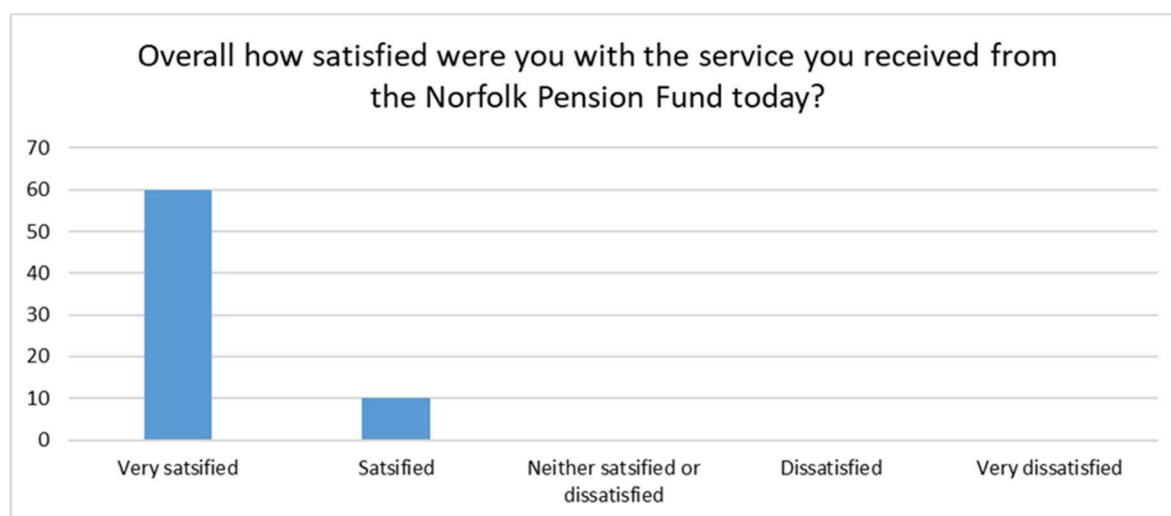
## Pension Clinics - October 2018

### Survey Results

#### Summary

- The Pension Clinics were held in:
  - Norwich (Lawrence House) on 23<sup>rd</sup>, 24<sup>th</sup> and 30<sup>th</sup> October 2018
  - Great Yarmouth on 25<sup>th</sup> October 2018
  - King's Lynn on 26<sup>th</sup> and 29<sup>th</sup> October 2018
- A total of 125 scheme members attended across all dates compared to 93 in 2017.
- A total of 70 surveys were completed.

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



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

#### Please tell us why you feel this way.

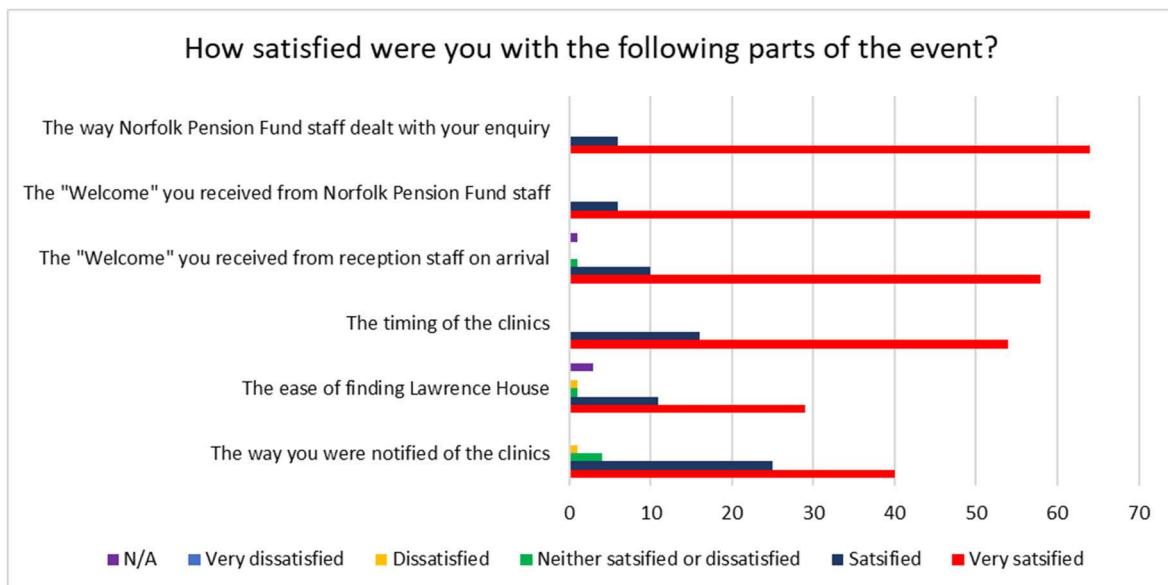
- My questions were answered and I was given some additional information that I wasn't aware of
- Answered all the questions I had comprehensively
- Very helpful to clarify position with my two pension funds



- Very concise & clear information
- Took time to listen to questions & clarify meaning/understanding
- Everything prepared – very helpful lady – Heather explained it all
- Mark showed a clear understanding of our queries and explained things easily and free from jargon
- Lorraine was very helpful and explained everything very clearly
- My appointment was on time, information was readily available, staff were very helpful
- The worker did explain in detail what I need to do and how to go about it
- Very informative & explained very well, very friendly & easy going
- Clear, concise answers
- Because most of my pension knowledge was a blur before today, but now I have a much clearer picture. Thank you
- All the figures and facts were available. Friendly informative advice
- It was all explained well
- Question was answered
- Very clearly explained to me - so very grateful. Reassured
- Staff are very friendly & knowledgeable
- I have been provided with clear information as to my options for retirement, and am now therefore equipped to make my decisions
- Very detailed explanation by the advisor
- Gained information needed to make an informed decision re pension
- Explained very well
- Very good service
- Service very prompt & all questions answered
- Good explanation of benefit
- Useful information – clearly given. Friendly helpful staff
- I got all the information I wanted in a clear to understand way
- Face to face meeting enables me to go through my pension options
- Very useful information, helps understand what is on offer
- Helped me to understand exactly what I can do
- Very helpful and knowledgeable
- Questions answered
- Excellent advice
- Made booklets clearer through changes in pension scheme. Breakdown of figures for retirement at 66 – questions answered
- Answered all my questions clearly and was prepared with all I needed
- Very welcome. Questions responded to in an easy way to understand
- I received all the information I wanted
- Useful to have face to face advice
- Food for thought – lots of positives
- Advisor very helpful and knowledgeable
- Debra was very helpful and gave me lots of information regarding my current situation. Thank you
- David explained figures quoted in a way that was clear to me

- Good explanation. Thank you
- Explained very thing I need to know
- All questions answered, very helpful
- Explained everything in more detail
- I did not know what to expect really but Beverley gave me some quotes which I will read later. She has explained them a bit and they appear useful
- Clear & prepared for conversation
- Very good service provided
- Clear information provided
- Explained well
- All explained in plain terms
- Clear guidance given
- Answered the questions I had about what I could do with my small pension pot
- Very clear and helpful information
- Thanks for going through everything with me!
- Very informative
- Lots of useful information which has made me feel more settled

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



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

Total	2018	2017
Very satisfied	57%	74%
Satisfied	36%	21%
Neither satisfied or dissatisfied	5%	5%
Dissatisfied	2%	N/A
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

**b. The ease of finding Lawrence House**

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

**c. The timing of the clinics**

	<b>2018</b>	<b>2017</b>
Very satisfied	77%	74%
Satisfied	23%	26%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

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

	<b>2018</b>	<b>2017</b>
Very satisfied	83%	74%
Satisfied	15%	26%
Neither satisfied or dissatisfied	1%	N/A
N/A	1%	N/A
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

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

	<b>2018</b>	<b>2017</b>
Very satisfied	92%	82%
Satisfied	8%	18%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

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

	<b>2018</b>	<b>2017</b>
Very satisfied	92%	87%
Satisfied	8%	13%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

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

- Friendly and professional staff. Pleasant office environment
- Efficient and informative
- Chance to discuss my two schemes and retirement options
- Very informative
- Time to talk & listen
- Welcome was very pleasant, informed of where to go
- The details in the explanation
- Very friendly & easy going & all the information very useful
- Seamless from moment I arrived
- The detailed knowledge of my personal situation
- Personalised
- Helpful and informative
- Cheerful staff, welcoming
- All information required was available immediately
- Very friendly and welcoming
- Staff were extremely friendly and helpful, and Beverley Gibbs was at pains to point out my options
- Very knowledgeable staff
- Friendly, informative
- I was told what I wanted to know
- Detailed and pleasant
- Prompt and efficient
- Given the time
- Flexible & friendly & helpful staff. Clarity of information
- Friendly & professional
- All options covered
- Was able to give me both options that I requested
- Informative
- All my questions answered. Also informed that service available at anytime to answer additional questions
- Friendly and approachable staff
- Everything & coffee!
- Very friendly and informative
- Friendly expert help in understanding my pension and options going forward
- Perfect
- Clear illustration given
- Welcoming & very thorough
- The helpfulness of staff
- Friendly, welcoming and it had an individual focus. Glad there was no waiting
- Very polite and helpful
- Very well put over

- Friendly – open
- Plenty of quotes
- Extra explanation
- Good prompt service
- Prepared information
- All explained in plain terms
- Precise, clear advice
- Very friendly lady
- Very friendly and supportive

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

- Nothing specific
- I don't think so
- Nothing
- Cannot think of anything that would have improved my experience
- Nothing
- Nothing
- Nothing
- It's fine as it is
- Chocolate biscuits? Just joking! All very professional – for which I am extremely grateful
- Nothing
- Nothing
- Nothing
- Nothing
- Nothing
- Nothing – 100%
- I cannot think of anything that would have improved the excellent service
- Nothing
- Nothing
- Nothing
- I'm not sure!
- Nothing
- Nothing
- It was fine

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

- Really useful
- None as I was clear on what I needed to do
- Guidance over phone about redundancy calculations
- All positive, nothing else required
- Improve format in booklets, but appreciate it's difficult
- Keep up the good work

- None thank you very much indeed
- Very pleased with the service
- Thank you
- Keep doing these appointments, felt they were worthwhile
- Advertise better
- Really useful
- Thank you
- Very helpful & lots to think about
- All fine
- David had an outstanding knowledge of the service plus other information which helped in my case
- Access telephone number
- Maybe advise if necessary paperwork is needed
- No, all was good

## Employer Newsletter Autumn 2018

### Welcome to our Autumn Employer Newsletter

It's not even Christmas yet, but here at the Norfolk Pension Fund we're already thinking about next year!

One key project we're building up to is the Triennial Valuation. This task is important for employers as it examines your funding position, the outcome of which is used to set your contribution rates for the three years commencing from 1 April 2020. We hope to confirm revised contribution rates by autumn 2019 and you can help us do this by completing your Year End Return as soon as possible after 1 April 2019.

You can read more about the Triennial Valuation on page 2 and the Year End Return on page 3.

There's a host of other articles in this issue which I hope you'll find interesting and useful. We try our best to explain everything as clearly as possible, without using too much jargon! However, given the nature of the product, pensions are very technical so please remember that we're always here to help.

So if you'd like a one-to-one meeting with one of the team to discuss any aspect of your duties as an employer in the LGPS, please call Graham Trussell on 01603 222086 to make an appointment.

May I take this opportunity to wish you a very Happy Christmas.

Best wishes,



Nicola Mark MBE  
Head of Norfolk Pension Fund



### In this issue

- Employer Forum
- Triennial Valuation
- Year End Return 2019
- Procuring Services—LGPS National Frameworks
- Investment Reform—ACCESS Pooling
- We're here to help! Employer Clinics
- Outsourcing? Keep us up to date
- Pre-Retirement Course
- New Admission Agreement policy
- Retired Members Events 2019
- Pay Strain Monitoring
- Online Services
- Employer Pension Policy and Internal Disputes
- New Joiner Pack
- Christmas Opening Hours
- Member Pension Clinics

# EMPLOYER FORUM

Please  
note  
change of  
venue!

The next **Employer Forum** will be held on **Wednesday 12 December 2018** at

**The Space, Roundtree Way, Norwich NR7 8SQ**

Registration and coffee from **9.30am** for a **10.00am** start

The Forum will finish at **approximately 12.45pm**, followed by lunch

To book your place, please call **01603 222824** or  
email **[richard.ewles@norfolk.gov.uk](mailto:richard.ewles@norfolk.gov.uk)**

## Triennial Valuation

**Once again, we find ourselves approaching** the next Triennial Valuation of the Fund as at the 31 March 2019. It's a statutory requirement that all English and Welsh LGPS funds, including Norfolk, are valued and health checked at this point every three years.

**The valuation establishes the current pension funding position (solvency) of each participating employer in the Fund. The data is used to set employer contribution rates payable for the three years commencing 1 April 2020.**

The valuation places even more emphasis on the need for an efficient completion of the year end process so that timely, accurate data can be provided to the Fund Actuary. This allows us to issue draft results to employers as soon as possible in autumn 2019, to help you with your planning.

Over the spring and summer of 2019 we'll engage with employers collectively and individually so

that the Fund Actuary is able to certify the results before the end of the first quarter in 2020.

The Fund Actuary will introduce and explain the valuation process at the next Employer Forum on 12 December 2018.

**In the meantime, if you have any questions, please do not hesitate to contact Alex Younger on 01603 222995 or by email at [alexander.younger@norfolk.gov.uk](mailto:alexander.younger@norfolk.gov.uk)**





## Year End Return 2019

To coincide with the Triennial Valuation, we're already looking ahead to the Year End Return 2019

The Year End Return is a statutory requirement that you as an employer must complete. The spreadsheet you need to use is available on the Norfolk Pension Fund employer portal.

The return should contain details of all your employees who have been active members of the scheme during the year.

These figures should reconcile with the total amount of contributions that you have paid to the Norfolk Pension Fund each month (SR71) during the year.

**The latest date for submission of the Year End Return is 30 April 2019, but it would be really helpful if you could get your Return to us as soon possible after 1 April 2019.**



Remember that it's every employer's responsibility to ensure your return is correctly submitted even if your payroll is outsourced.

**We're here to help, so if you have any questions or need help with the Employer Portal, please do not hesitate to contact either Isobel Carriage on 01603 222648 or Mark Copping on 01603 495734**

## Procuring Services - National LGPS Frameworks

**If you need to access specialist pensions advice or services, independent of the Norfolk Pension Fund, the National LGPS Frameworks can help.**

A procurement framework is an agreement put in place with a provider, or range of providers, that enables buyers to place orders for services without running lengthy full tendering exercises.

Frameworks are based on large volume buying, so you can benefit from reduced costs delivered through national buying power, but you select your preferred supplier from those available.

National LGPS Frameworks has helped deliver £105m of savings across the LGPS since the National Frameworks programme was established in 2012. The service can help reduce procurement



### National LGPS Frameworks

timescales and costs dramatically.

Services that can be purchased through LGPS National Frameworks include Actuarial, Benefits and Governance advice and specialist pension Legal Services.

**For more information please call 01603 495922 or email [nationallgpsframeworks@norfolk.gov.uk](mailto:nationallgpsframeworks@norfolk.gov.uk)**

**Alternatively visit the website at [www.nationallgpsframeworks.org](http://www.nationallgpsframeworks.org)**

## Investment Reform – ACCESS Pooling

**We have previously reported** on how the Norfolk Pension Fund is working with 10 other Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

This collaboration is in response to the Government requiring regional LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.

ACCESS achieved a significant milestone over the summer with the Financial Conduct Authority (FCA) approval of the Authorised Contractual Scheme (ACS) and first sub-fund.

- ACS is the regulated tax efficient wrapper that provides the investment architecture for the Pool.
- Sub-funds are the ‘buckets’ into which the ACCESS Funds will transfer existing and future investment assets.

Over the course of the next 18 months various equity and bond sub-funds will be added to the ACS, providing ACCESS with a



**ACCESS**  
Effective • Collective • Investment

diversified range of investment ‘buckets’ for use by member funds.

As reported previously, the ACS is being managed by Link Fund Solutions, a third party regulated operator.

Over time we will save on investment manager fees as more assets are moved into the ACS, giving the Pool the benefits of scale.

Whilst these cost savings may have a positive impact on employer contribution rates in the longer term, other factors such as changes in life expectancy, workforce profiles and deficit recovery periods will continue to be the main driver for future contribution rates.

**Asset pooling will operationally change Fund investment, but strategic investment decisions will remain the responsibility of administering authorities and there are no changes to your local pensions administration arrangements.**

## We’re here to help! Employer Clinics

**Are you an employer** unsure of your responsibilities under the LGPS, not clear on how to complete your Employer Pension Policy or have questions about the Guide to Online Services? Don’t worry, we’re here to help!

We are pleased to offer employers the opportunity of a one-to-one clinic with one of our team members to help you with your pension duties.

If you would like to arrange an appointment, please call **Graham Trussell** on **01603 222086** or email [graham.trussell@norfolk.gov.uk](mailto:graham.trussell@norfolk.gov.uk)



## Outsourcing? Keep us up to date

**Just a reminder** that if you are considering options for reshaping and/or reorganising your service delivery (e.g. outsourcing) please let us know at the earliest stage of your planning.

***What you are considering could have significant pension implications...***

*We can help you understand these and take account of them upfront, for example considering what pension information you may need to include in your tender documentation.*



If you are considering making any changes to your service delivery, please contact

**Alex Younger** on **01603 222995** or  
email **[alexander.younger@norfolk.gov.uk](mailto:alexander.younger@norfolk.gov.uk)**

## Pre-Retirement Course



**Do you have any employees who are scheme members within two years of retirement?**

This is often an uncertain time for people as they start thinking about the personal and financial move into retirement. To help guide people through this challenging period, Norfolk County Council delivers a bi-monthly Pre-Retirement Course on our behalf at County Hall.

**This event is specifically designed for anyone within two years of retiring and covers general scheme information, the process of retiring and information members should know before they leave work.**

The course is free to all members of the Norfolk Pension Fund and the one-day session includes:

- Creating a new future and managing change
- Investments and finance planning in retirement
- Ideas for leisure, sporting, and cultural activities
- Volunteering opportunities
- Information about the Local Government Pension Scheme

### Next Course Dates

- 16 January 2019
- 14 March 2019



***For more information and to book a place please contact***  
**HR Direct, Norfolk County Council**  
**01603 222212**  
**[HRdirect@norfolk.gov.uk](mailto:HRdirect@norfolk.gov.uk)**

## New Admission Agreement policy

**Are you an awarding employer or an admitted body employer?**

**If so, you may be effected by revised LGPS regulations introduced from 14 May 2018, which gave admitted body employers the ability to receive any surplus on cessation from the Fund (“an exit credit”).**

The new regulation changes the risk profile to the Fund and organisations that guarantee other employers in the Fund. Working with the Fund Actuary, we’ve built a funding model for contractor admissions that’s fair to employers, letting bodies and the Norfolk Pension Fund.

The new funding model will include a “pass-through” arrangement for new contractors so the contractor pays an appropriate fixed employer contribution rate calculated by the Fund Actuary.

Longer term, the new approach should lower the actuarial fee burden on the Fund and any impacted employers.

The admitted body (contractor) will still be allocated an individual funding position as, in addition to pass-through rate, they retain responsibility for some employer controlled risks. For example, excessive salary growth, early payment of benefit on unreduced terms,



augmentation of benefit etc.

**The new funding model will not be applied retrospectively to existing admission agreements or any admissions currently in progress where the transfer of staff occurred prior to 1 October 2018.**

Under the new model:

- At the end of participation in the Fund no cessation deficit or surplus is payable by the contractor. Any funding surplus or deficit falls back to the awarding employer at the end of the contract (who will have funded the pension contributions via the cost of the contract).
- Any cessation deficit or surplus reverting to the awarding employer will be included as part of it's existing assets and liabilities, which will be reviewed at the next Triennial Valuation.

## Retired Member Events 2019

**We have recently announced the 2019** dates for our annual retired member events and invitations were sent to our pensioners in the November payslip run.

The events always prove popular, giving retirees an excellent opportunity to get an update on the Fund and introduce them to voluntary and community groups. It's also a nice way to meet up with former colleagues.

The events are made possible by the generosity and kind support of companies that provide services to the Norfolk Pension Fund.

**The full list of dates are:**

13 May 2019 – Great Yarmouth, Racecourse  
14 May 2019 – King's Lynn, Knights Hill Hotel  
15 and 16 May 2019 – Norwich, The Space, Roundtree Way



## Pay Strain Monitoring

**At the last valuation in 2016** we introduced a lower pay increase assumption to reflect overall public sector pay restraint which helped limit increases in employer contribution rates.

To retain prudence, an annual “safety valve” was also put in place to monitor actual pay changes and charge employers for any excess pay increases.

Additional costs arise when increases in pensionable pay are at a level higher than the assumed 2.5% rate (plus a small allowance for promotional increases based on the profile of each individual member) made at the 2016 valuation.

As part of the safety valve monitoring, we are currently working to establish if any employers have breached the pay increase assumption during the last financial year.

We expect to issue these results to effected employers during the first quarter of next year alongside invoices for any additional amounts due.



### **What did we learn from last year?**

Last year most employers kept within the 2.5% pay assumption. For those that exceeded the assumption, it resulted in additional liabilities or strain on the Fund.

Several employers who exceeded the assumption, and were invoiced for the pay strain, are subsequently reviewing their full-time equivalent pay data which had previously been signed off in their Year End Return as correct.

**Please note that if you post incorrect data, there will be a financial impact for any over or under statement of your employer pension liabilities. This will be reflected in your contribution rates or you being invoiced for any costs such as pay strain.**

We therefore advise you to please take considerable care with your Year End Return. This includes monitoring service providers who complete the Return on your behalf. If any exceptions are identified, please review them thoroughly before signing off.



## Online Services

Please remember that you should use the **Employer Portal** to securely access a number of online forms including:

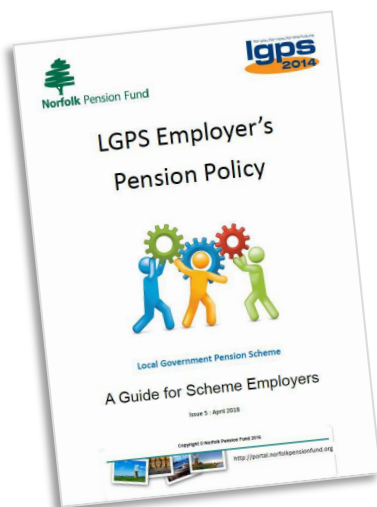
- Retirement Estimate Request
- Retirement Discretions
- Advance Warning of Retirement
- Auto Move from 50/50 to Main
- Notification of unpaid leave/absence
- Leaving Pensionable Employment
- Change of Contractual Hours
- Secure Message Form



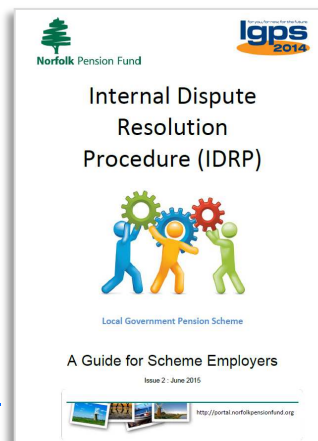
For help with online services or if you would like to register, please call us on 01603 222132

## Employer Pension Policy and Internal Disputes

Just a reminder of the importance of keeping your Employer Pension Policy up to date. The Policy usually specifies the person that your employees should contact in the first instance of any dispute.



Your Employer Pension Policy should be sent to [graham.trussell@norfolk.gov.uk](mailto:graham.trussell@norfolk.gov.uk) within one month of joining the scheme and as soon as possible after making any update. For more information please see the Employer Pensions Policy Guide (G60) available at [www.norfolkpensionfund.org/employers/forms-and-documents](http://www.norfolkpensionfund.org/employers/forms-and-documents) under the 'Guides' tab.



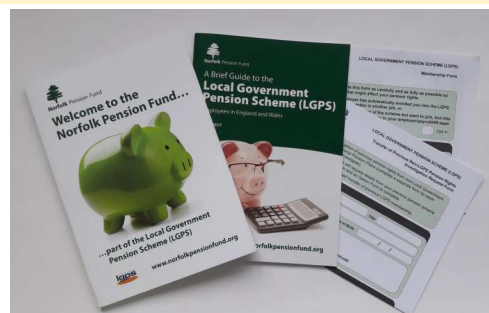
For more information about managing Internal Disputes please refer to the 'Employer IDRP Guide (G070)' by visiting [www.norfolkpensionfund.org/employers/forms-and-documents](http://www.norfolkpensionfund.org/employers/forms-and-documents) under the 'Guides' tab.

There is also a 'Scheme Member Guide to disputes' available at [www.norfolkpensionfund.org/about-us/complaints-and-disputes](http://www.norfolkpensionfund.org/about-us/complaints-and-disputes)

## New Joiner Pack

As an employer you are required to give any new staff member a copy of the Norfolk Pension Fund joiner pack as soon as they commence employment. The pack includes 'A Brief Guide to the LGPS' booklet and forms for Membership Application, Expression of Wish and Transfer of Previous Non-LGPS Pension Rights.

To place your order for packs, please contact us on 01603 495923 or email [pensions@norfolk.gov.uk](mailto:pensions@norfolk.gov.uk)



## Christmas Opening Hours

The Norfolk Pension Fund opening hours over the festive period are as follows:

Monday 24 December 2018 - Open 8.45am to 12pm

Tuesday 25 December 2018 - Closed

Wednesday 26 December 2018 - Closed

Thursday 27 December 2018 - Closed

Friday 28 December 2018 - Closed

Monday 31 December 2018 - Closed

Tuesday 1 January 2019 - Closed

Wednesday 2 January 2019 onwards - normal opening hours

You can leave us messages when the office is closed using the usual contact numbers and email addresses and we will reply to them as soon as we can.

Merry Christmas and a Happy New Year from us all at the Norfolk Pension Fund!



## Member Pension Clinics

During October, the Norfolk Pension Fund held it's annual Pension Clinics for scheme members.

The sessions held in Norwich, Great Yarmouth and King's Lynn (many thanks to Great Yarmouth Borough Council and King's Lynn & West Norfolk Council for providing venues) offered members the opportunity to meet face-to-face with one of our team to discuss their LGPS pension.

The clinics are always popular and a total of 125 members attended the sessions this year.

Results from a survey members completed after their meeting showed 100% of responders were "very satisfied" or "satisfied" (92% being "very satisfied"! ) with how their enquiry was dealt.

As Nicola mentioned on page 1, pensions are very technical with members often unsure about how their pension works. The clinics therefore offer a valuable opportunity for them to ask questions and clarify their retirement planning.

Member comments this year included "I have been provided with clear information of options for retirement, and am now therefore able to



make my decisions", "Face-to-face meeting enables me to go through my pension options", "My pension knowledge was a blur, but now I have a much clearer picture. Thank you" and "Useful information – clearly given. Friendly staff."

We'll be holding the clinics again in 2019 and will send you more information about the dates and venues nearer the time.

**However, in the meantime, please make your employees aware that they are welcome to come to our offices at Lawrence House at anytime to discuss their pension with one of our team.**

Members can make an appointment to visit during opening hours by calling us on 01603 495923 or by emailing [pensions@norfolk.gov.uk](mailto:pensions@norfolk.gov.uk)

## **Norfolk Pension Fund**

**Lawrence House  
5 St Andrews Hill  
Norwich  
NR2 1AD**

### **Pensions Administration**

**01603 495923  
Fax 01603 495795  
[pensions@norfolk.gov.uk](mailto:pensions@norfolk.gov.uk)**

### **Investment, Accountancy and Actuarial Services**

**01603 222139  
Fax 01603 228898  
[pensions.finance@norfolk.gov.uk](mailto:pensions.finance@norfolk.gov.uk)**

### **Website, Technical and Employer Queries**

**01603 222132  
[pensions.systems@norfolk.gov.uk](mailto:pensions.systems@norfolk.gov.uk)**

**[www.norfolkpensionfund.org](http://www.norfolkpensionfund.org)**



If you would like this newsletter in large print, audio, Braille, alternative format or in a different language, please call 01603 222824 or email [pensions@norfolk.gov.uk](mailto:pensions@norfolk.gov.uk)





## Employer Forum

Wednesday 12 December 2018

The Space, Roundtree Way, Norwich, NR7 8SQ

## AGENDA

*Registration from 9.30am with the Forum commencing at 10.00am*

### 1. Welcome and Introduction from the Chair

**Nicola Mark MBE, Head of the Norfolk Pension Fund**

Nicola will cover benchmarking, summary of employer feedback gathered from the Corporate Governance Review, update on Pensions Committee and an overview of Norfolk Pension Fund admin volumes and stats.

### 2. Triennial Valuation

**Rob Bilton, Fund Actuary, Hymans Robertson**

The next Triennial Valuation is due on 31 March 2019. This will establish the funding position (solvency) of each scheme employer and set employer contribution rates for the three years commencing from 1 April 2020. Rob will give an overview of the methodology of the valuation and how rates are set for each employer.

### *Coffee Break*

### 3. Pensions Administration News

**Mark Alexander, Pensions Manager**

Mark will cover the latest administration developments with a focus on:

- Year End 2019
- Internal Dispute Resolution Procedure (IDRP)
- Ill Health
- 50/50 option

### 4. LGPS National Hot Topics

**Rob Bilton, Fund Actuary, Hymans Robertson**

Rob will give an update on developments in the LGPS including:

- Move to a four year valuation
- Cost cap
- The Pensions Regulator (TPR) view of governance
- Scheme Advisory Board (SAB) consultation on Fund separation

### 5. Ask the Panel

**Rob Bilton, Nicola Mark, Mark Alexander, Glenn Cossey, Chief Investment Officer and Alex Younger, Investment & Actuarial Services Manager**

A Q&A session with our panel of experts.

### 6. Closing and AOB

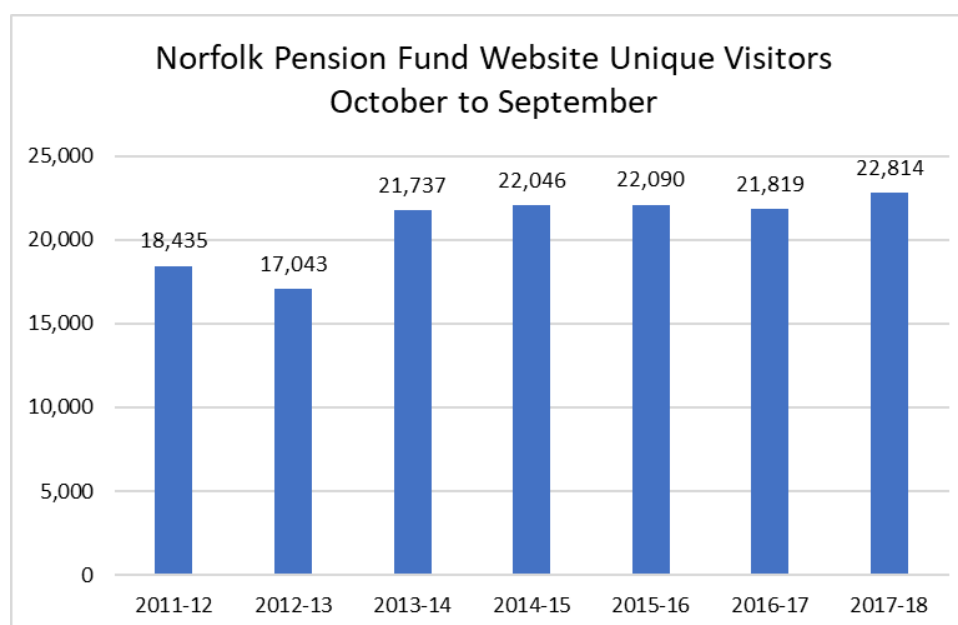
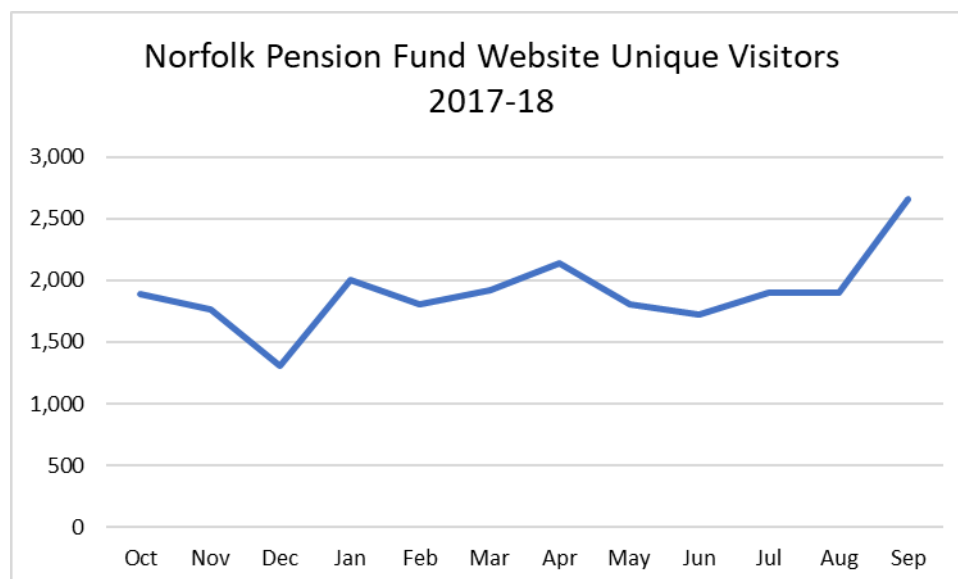
**Nicola Mark MBE, Head of the Norfolk Pension Fund**

*We aim to finish for lunch at 12.45pm*

## Norfolk Pension Fund Online Usage

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

### Total number of website visits

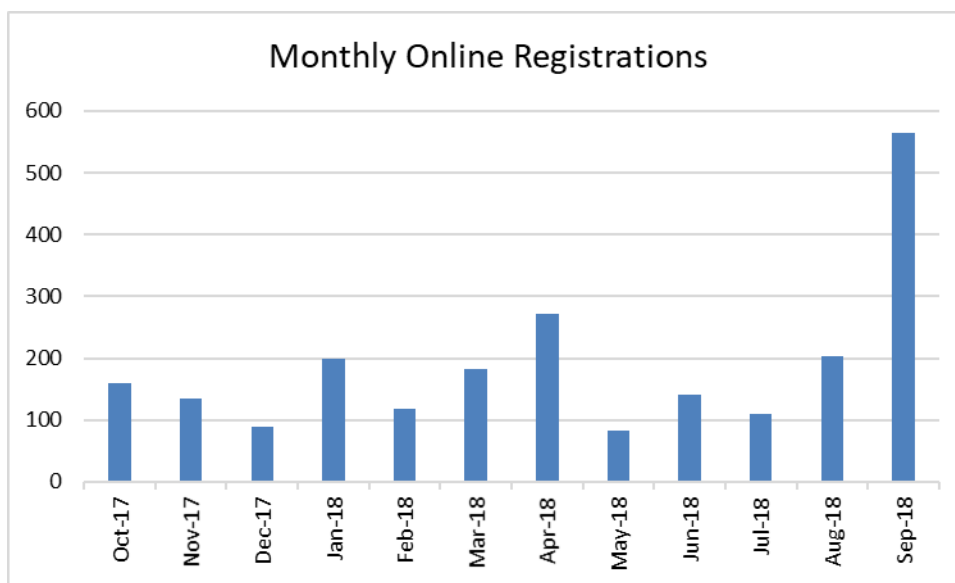
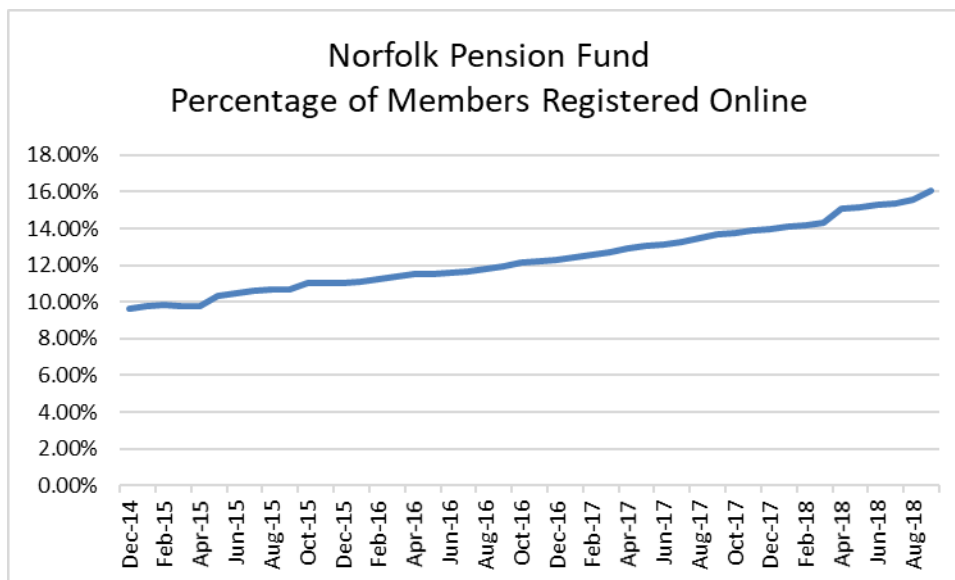


- For the year October 2017 to September 2018 the website received a total of 22,814 unique visitors, an average of 1,901 a month.
- The number of visits tends to spike directly after we send a communication to scheme members. For example, the 2,658 unique visitors in September 2018 following the publication of the Annual Benefit Statement was the highest number on record, representing a 22% increase on the 2,185 unique visitors in September

2017. The previous highest number of unique monthly visitors was in March 2014, when there were 2,553 unique visits to the website following the LGPS 2014 mailing.

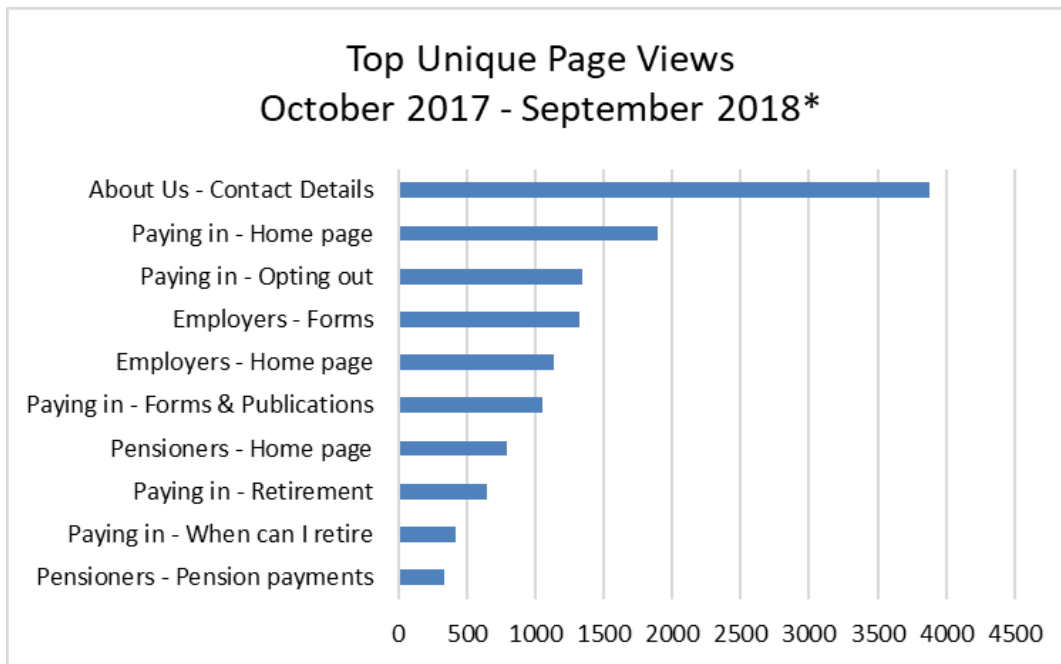
- Another driver of extra visits tends to be other cyclical events such as the annual CPI pension increase. So, for example, in April 2018 we saw a 62% increase compared to the average monthly number of visits to the Pensioner section of the website as retired members enquired about changes to their pension payment.

### Number of scheme members registered



- Over 16% (14,659) of scheme members have now registered to use our online services. This is a 38% increase on the 7,680 (9.65% of all members) members registered online as at December 2014.
- In line with the number of visits statistics, peaks in registrations were seen in April and September following the pensions increase and publication of the Annual Benefit Statement respectively.

## Most visited pages

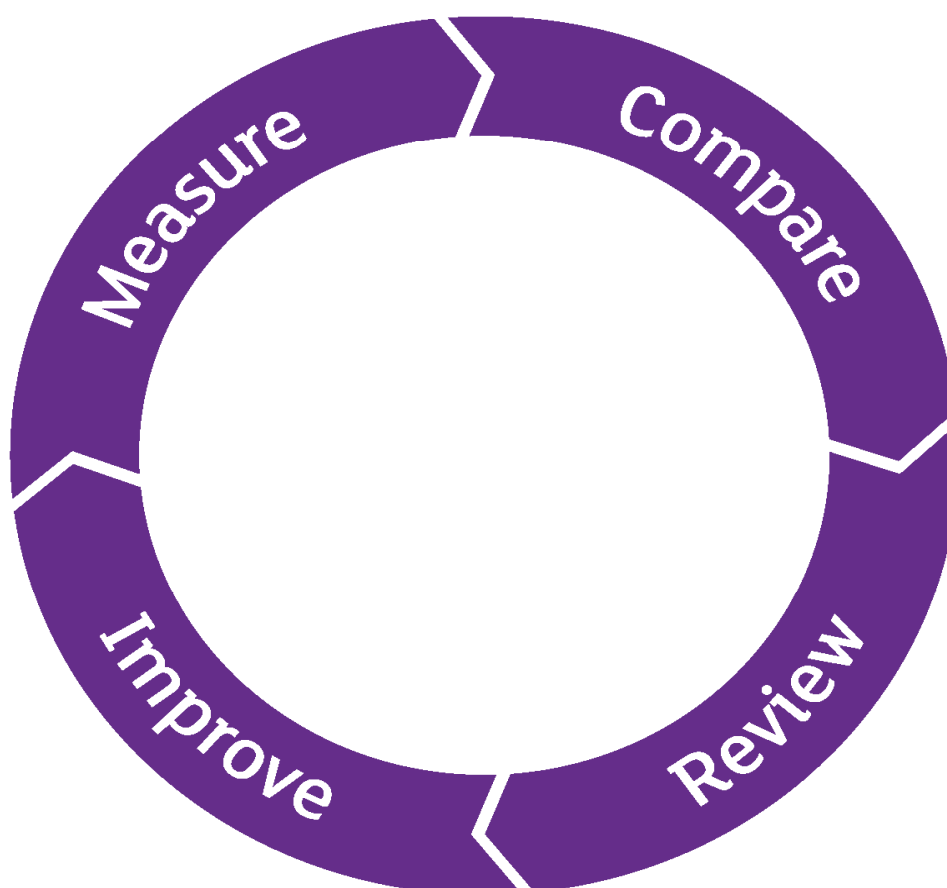


- The chart above details the top 10 unique page visits on the Norfolk Pension Fund website over the last year. Please note this excludes visits to the website Homepage which had 29,394 unique visits
- The Paying-in pages are the most frequently visited making up five (total of 5,345 views) of the top 10 pages
- The most popular page is the Contact page which suggests that many visitors are using the website as a directory and then go on to contact Norfolk pension Fund via telephone, email or letter.
- There was a total of 72,812 unique page views for the year October 2017 to September 2016. This means that the 22,814 unique visitors viewed an average of 3.2 pages each

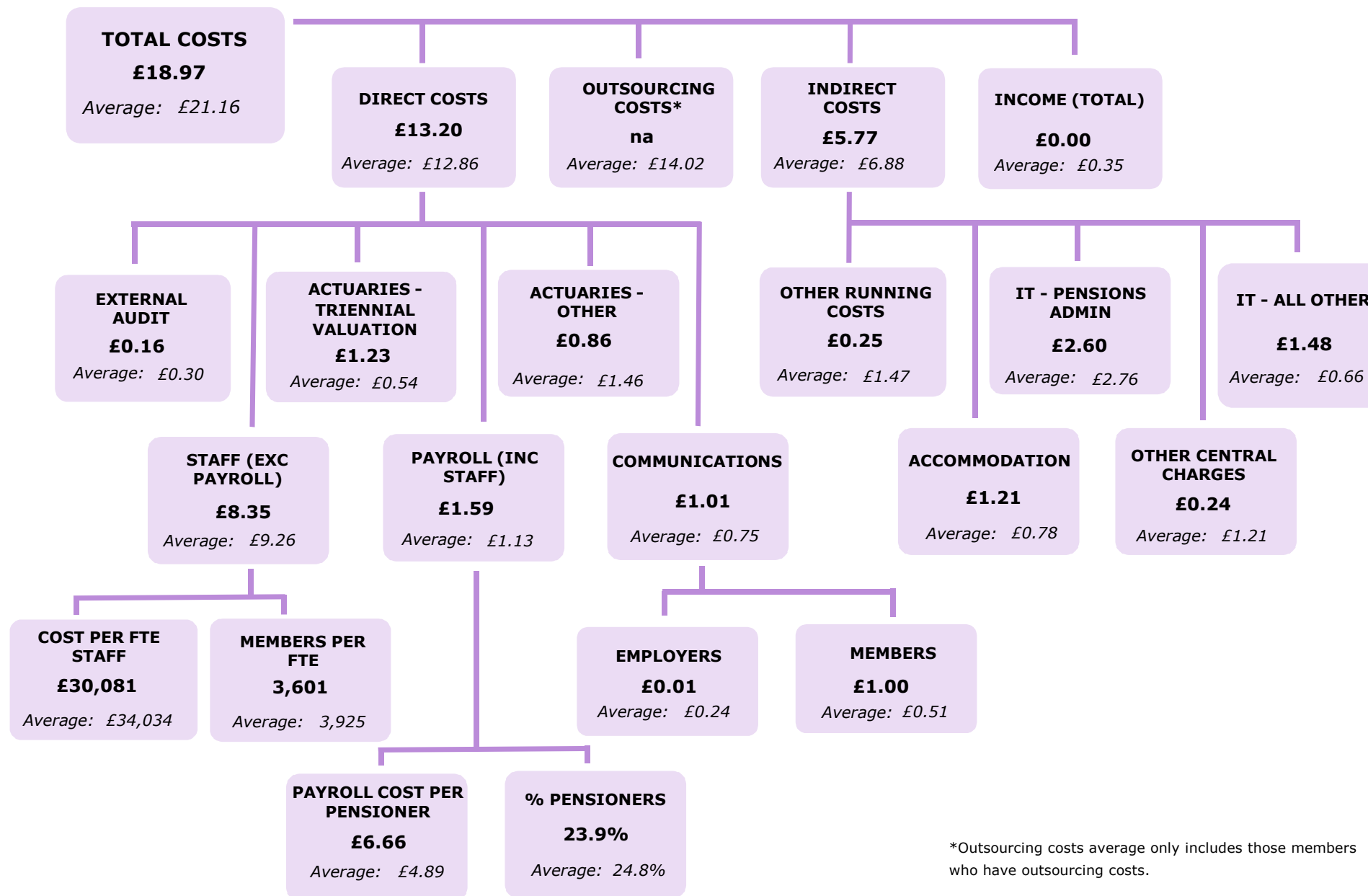
Analytics & Research

# pensions administration benchmarking club

2018 - Norfolk Executive Summary

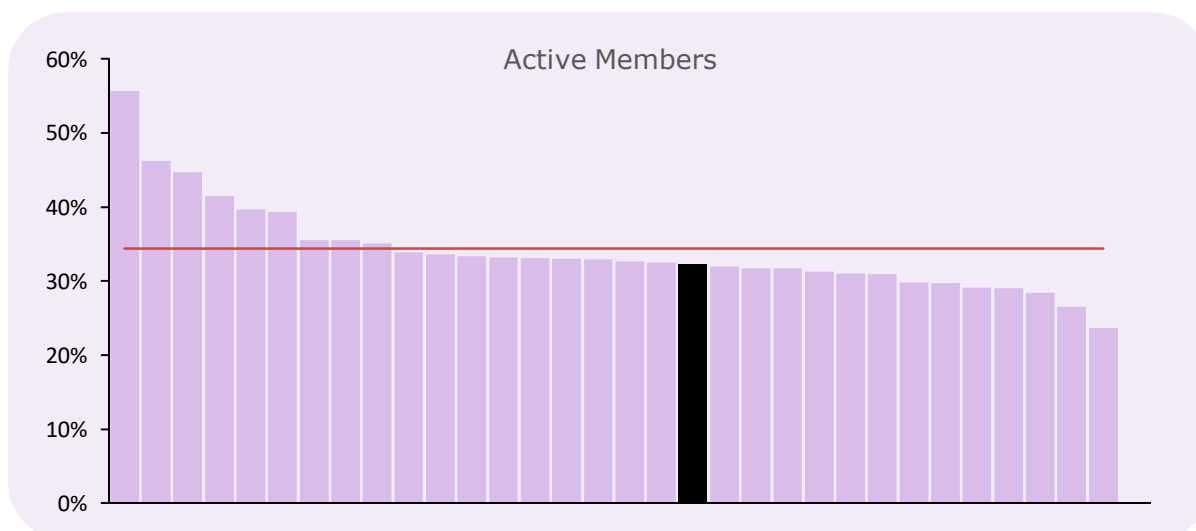


## Cost Analysis per Member



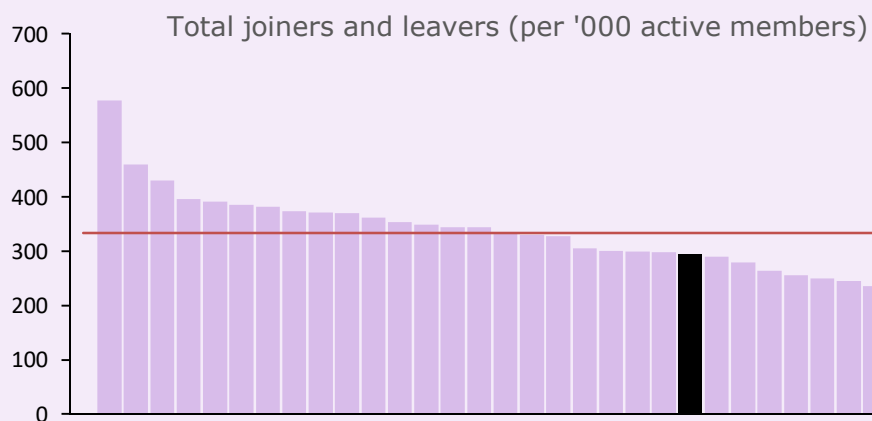
\*Outsourcing costs average only includes those members who have outsourcing costs.

## WORKLOAD MEASURES



Composition of members at 31/03/2018	Number	%	Avg. No.	Avg. %
<u>Active:</u>				
Full-time	8,512	9.5%	22,065	17.7%
Part-time	20,254	22.7%	20,760	16.7%
<b>Active sub-total</b>	<b>28,766</b>	<b>32.2%</b>	<b>42,824</b>	<b>34.4%</b>
Deferred staff	30,281	33.9%	37,672	30.3%
Pensioners	21,328	23.9%	30,849	24.8%
Dependants	2,964	3.3%	4,813	3.9%
Frozen refunds	449	0.5%	4,574	3.7%
Leavers unprocessed/in progress	5,527	6.2%	4,042	3.2%
<b>Total</b>	<b>89,315</b>		<b>124,773</b>	

## WORKLOAD MEASURES

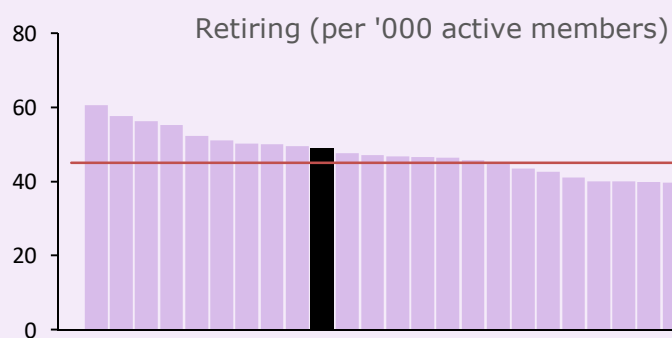


### Joiners & Leavers

	Number	'000	Average
Joining	6,540	227	190
Retiring	1,406	49	45
Deaths	492	17	25
Transferred out	na	na	11
Deferred	na	na	52
Opted out	na	na	19

### Total

**8,438      293      334**



### Retirements

	Number	%	Average
Incapacity	42	3%	5%
Normal Retirement Date (NRD)	146	10%	24%
Pre-NRD	260	18%	45%
Post-NRD	708	50%	12%
Redundancy / efficiency	180	13%	11%
Flexible	70	5%	3%

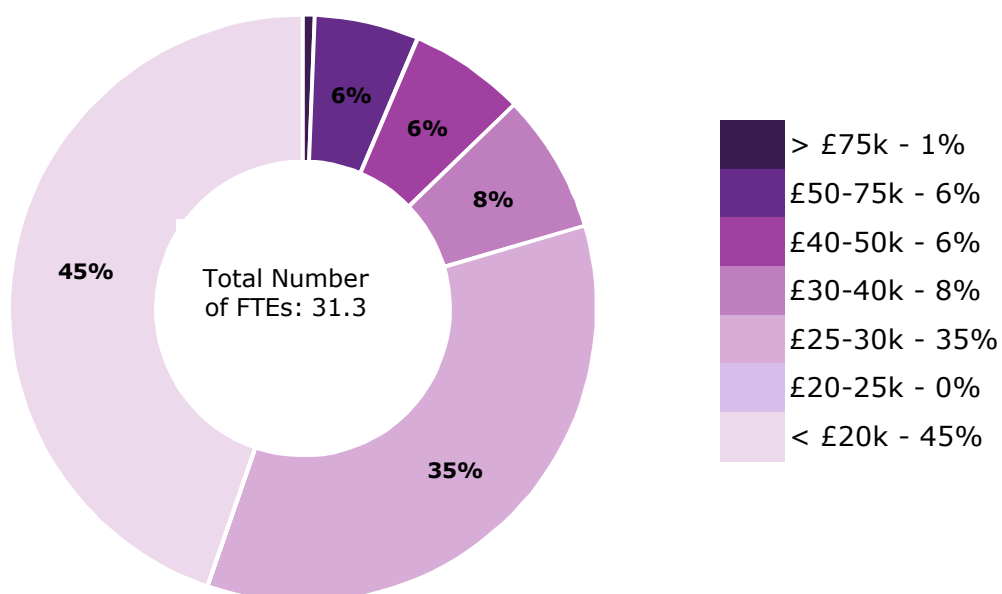
### Total

**1,406**

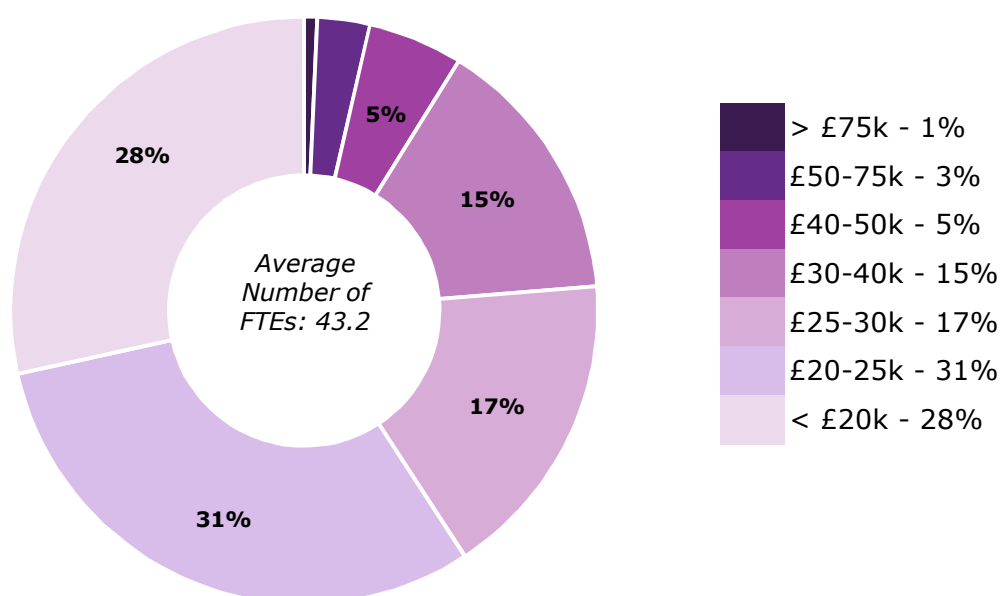


## STAFFING AND PROFESSIONAL EXPERIENCE

### Norfolk FTEs

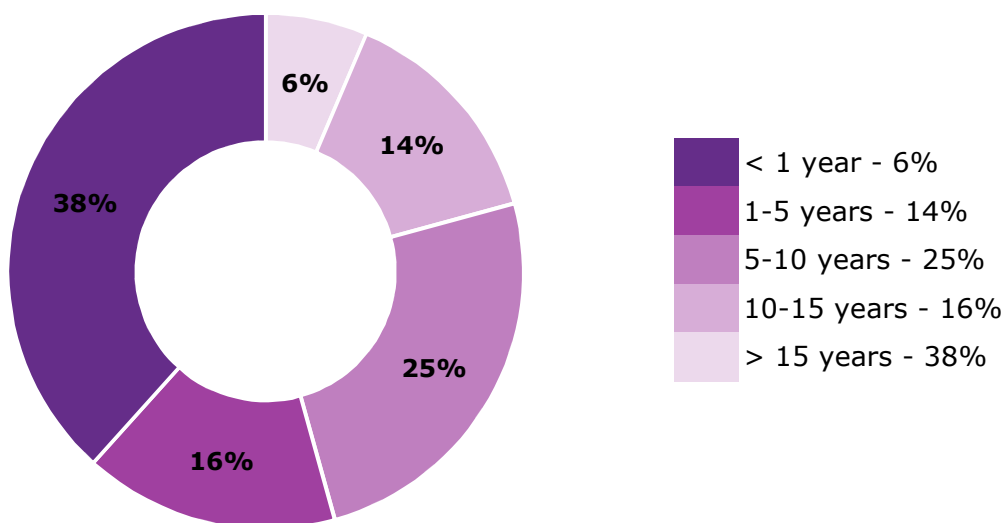


### Average FTEs

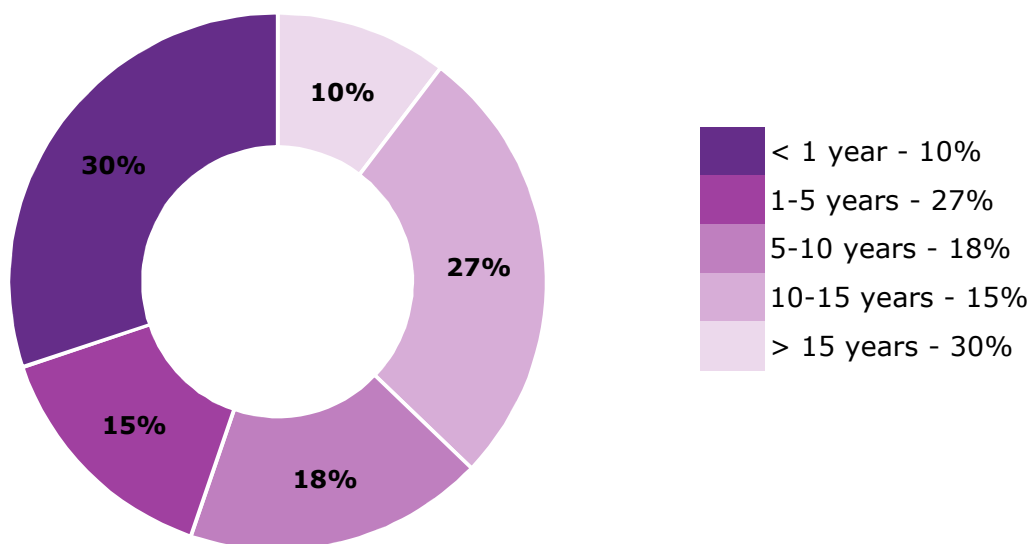


*For local authorities with percentages less than 5%, these will not be shown on the graphs above.*

## Norfolk Pensions Experience



## Average Pensions Experience



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

**CIPFA is the leading professional accountancy body for public services, whether provided by the public or private sectors. It provides education and training in accountancy and financial management, and sets and monitors professional standards.**

CIPFA also provides professional services to public sector organisations and managers. These include: statistical and technical information services, research services, consultancy, advisory networks and forums.

CIPFA holds more data on local government performance than any other organisation in the world and our Corporate Services Benchmarking Clubs are the market leader in local government benchmarking, with high levels of participation and customer satisfaction. Our detailed reports, databases, and interactive tools provide you with solid evidence to support decisions on budget and improvement.

### **We also do...**

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

We also provide other Pensions related services through TISonline.

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

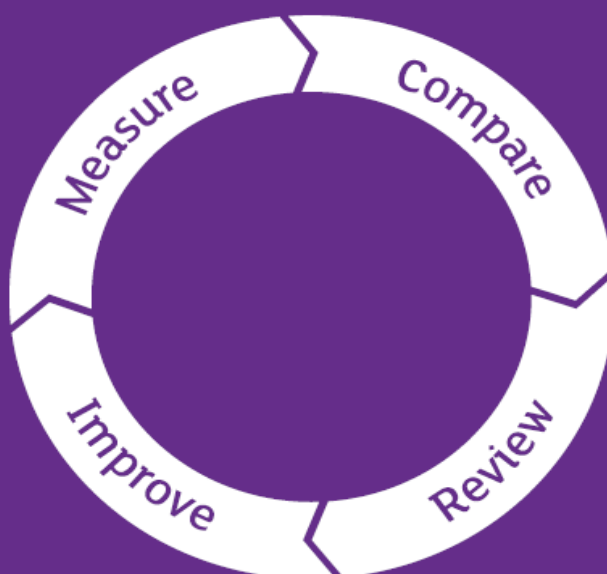
[www.cipfa.org/services/benchmarking](http://www.cipfa.org/services/benchmarking)

### **Contact us**

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E: [customerliaison@cipfa.org](mailto:customerliaison@cipfa.org) T: 020 7543 5600



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## 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
<b>Sep 2018</b>		
19	ACCESS Joint Committee	Nicola Mark
19	LGPS Seminar	Glenn Cossey & Jo Quarterman
24	ACCESS Officer Working Group (OWG)	Nicola Mark
25	DB Council	Nicola Mark
26	Essex County Council Pensions Advisory Board (PAB)	Nicola Mark
<b>Oct 2018</b>		
5	Insight Investment – Investment Review	Glenn Cossey & Alex Younger
8	Pensions Oversight Board (POB)	Nicola Mark, Glenn Cossey & Jo Quarterman
8	CIPFA Governance Conference	Robert Mayes
9	Local Authority Committee	Nicola Mark
10	LGPC Committee (AM)	Nicola Mark
10	LGPS Advisory Board (PM)	Nicola Mark
12	PLSA Policy Board	Nicola Mark
12	HarbourVest – Investment Review	Glenn Cossey & Alex Younger
17-19	PLSA Annual Conference	Nicola Mark
22	CIPFA Pension Panel	Nicola Mark
24	AVIVA – Investment Review	Nicola Mark, Glenn Cossey & Alex Younger
<b>Nov 2018</b>		
1-2	HSBC Custody Site Visit – Service Review & Due Diligence	Robert Mayes & Sarah Jukes
6	PLSA Local Authority Conference	Nicola Mark & Jo Quarterman
15	MHCLG & Local Government Pension Scheme Advisory Board Infrastructure Event	Nicola Mark
19	ACCESS Officer Working Group (OWG)	Nicola Mark & Glenn Cossey
20	Capital Group – Investment Review	Nicola Mark, Glenn Cossey & Alex Younger
22	CIPFA Annual Pension Conference	Nicola Mark & Sarah Jukes
27	DB Council	Nicola Mark

28	ACCESS Cross Pool Collaboration Group	Nicola Mark
28	ACCA Public Sector Governance Conference	Sarah Jukes
<b>Dec 2018</b>		
10	ACCESS Joint Committee	Nicola Mark

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:

<b>Date</b>	<b>What</b>
<b>Dec 2018</b>	
14	Goldman Sachs – Investment Review
18	PLSA Policy Board
20	ACCESS OWG
<b>Jan 2019</b>	
16	Scheme Advisory Board
17-18	LGA Trustee Conference
22	Pensions Oversight Board
24	ACCESS OWG
30	ACCESS Cross Pool Collaboration Group
<b>Feb 2018</b>	
11	ACCESS OWG

CIPFA – Chartered Institute of Public Finance and Accountancy

ACCA – Association of Chartered Certified Accountants

DCLG – Department for 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 December 2018

<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Pensions Committee</b>	<b>Committee Training</b>
<b>February 2019</b>	<b>tbc June 2019</b>	<b>tbc September 2019</b>	<b>tbc December 2019</b>	<b>2018/19</b>
Administration Report <ul style="list-style-type: none"> <li>Annual Audit Plan</li> <li>Annual Data Quality Report (recurring every February)</li> </ul>	Administration Report	Administration Report	Administration Report	Triennial Valuation Role of Pool Operator ESG - Climate Change
Pension Fund Budget Report	Norfolk Audit Services Annual Internal Audit Report	Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	
Corporate Governance and Shareholder Engagement Report	Risk Register Report and Compliance with Breaches Policy	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	
LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	
Update from the Pensions Oversight Board	Update from the Pensions Oversight Board			
Investment Strategy Review – Long-term Enhanced Yield Portfolio	Draft Annual Report and Accounts		2019 Triannual Valuation – Overview and Planning	
2019 Triennial Valuation – Overview and Planning	2019 Triennial Valuation - Assumptions	2019 Triennial Valuation – Whole Fund Level Results	2019 Triennial Valuation – Individual Employer Results	
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Ms J Oliver  
Chair of the Pensions Committee  
Norfolk County Council  
Martineau Lane  
Norwich  
Norfolk  
NR1 2DH

28 November 2018

Ref: NCC/MR/PF

Your ref:

Direct line: 07581 621849

Email: MRussell@uk.ey.com.

Dear Ms Oliver

## **Understanding how the Pensions Committee gains assurance from management - Norfolk Pension Fund for the year ended 31 March 2019**

Auditing standards require us to formally update our understanding of your arrangements for oversight of management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

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);
- 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 disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority code of conduct);
- encouraging employees to report their concerns about fraud; and
- communicating to you the processes for identifying and responding to fraud or error?

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

3) Is the Committee aware of any:

- breaches of, or deficiencies in, internal control; and
- actual, suspected or alleged frauds during 2018/19?

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



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

I would be grateful if you could respond to me by 15 February 2019 by e-mail or letter.

Thank you for your assistance. If you have any queries in respect of this letter please contact me on 07581 621849 or [MRussell1@uk.ey.com](mailto:MRussell1@uk.ey.com).

Yours sincerely



Mark Russell  
Audit Manager  
For and on behalf of Ernst & Young LLP

## **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 September 2018 Committee Meeting.

### **2. Pensions Oversight Board meetings**

- 2.1. The Pensions Oversight Board (POB) last met on 8<sup>th</sup> October 2018, and the agenda for the meeting is at Appendix A.
- 2.2 Operational Review: Corporate Governance and Shareholder Engagement
- 2.3 In addition to regular Agenda items, the Board received a presentation from William Marshall (Hymans Robertson), Investment Adviser to the Norfolk Pension Fund. This enabled the Board to further develop and maintain their knowledge and understanding of the governance and decision making framework within which Pensions Committee and Officers work and provided assurance that the Fund is compliant with legislative requirements and is effectively and efficiently governed and managed.
- 2.4 Operational Review: Guaranteed Minimum Pension (GMP) reconciliation
- 2.5 The Board received a presentation by Mark Alexander (Pensions Manager) which updated members on the GMP reconciliation exercise.
- 2.6 The Board was reassured that officers anticipated that all relevant records would be updated with up-to-date GMP values by the time data was submitted to the Actuary for the 31 March 2019 Valuation, and also that appropriate engagement with affected members had taken place.
- 2.7 The Pensions Oversight Board's next scheduled meeting is on Tuesday 22 January 2019.

### **3 Knowledge and Skills**

- 3.1 Members of the Pensions Oversight Board, Pensions Committee and Fund Officers attended a training day on Friday 16<sup>th</sup> November, delivered by Hymans Robertson (Rob Bilton, William Marshall and Linda McAleer).
- 3.2 The training focussed on preparations for the forthcoming tri-ennial valuation, the Norfolk Pension Funds investment strategy and LGPS Governance (including the National Confidence Assessment, TPR's view of governance in the LGPS and the SABs consultation on Fund separation).

- 3.3 Member of POB are also due to be attending the LGA's 15th Annual LGPS Governance Conference – 'Clarity in Confusion' in January 2019.

#### **4 Membership of the Pensions Oversight Board**

- 4.1 The Norfolk Pensions Oversight Board is now an established and effective part of the governance arrangements of the Norfolk Pension Fund. Board members work well together in the interests of the Norfolk pension Fund and its stakeholders, are knowledgeable, committed, and engaged, with a variety of skills and backgrounds.
- 4.2 Following elections in 2015, members of the Pensions Oversight Board were appointed for 2 years; these initial 2 year terms were extended to 4 years, in line with the Pensions Oversight Board's terms of reference.
- 4.3 There have been 2 changes of membership since the Board was formed in July 2015 (Mr Brian Wigg replaced Mr Laurie Rainger in October 2016 as retired member representative; and Mr Howard Nelson (DNEAT) replaced Mr David Hicks as non levying / precepting employer representative in January 2018).
- 4.4 The Terms of Reference also established the reciprocal Chairing arrangements with the Director of the Essex Pension Fund for the first term.
- 4.5 Pensions Committee is invited to consider:
- 4.6
- Changing the Pensions Oversight Boards Terms of Reference to allow appointments to POB for 4 years, with the option to extend for a further 2 years
- 4.7
- Extending the current Pensions Oversight Boards Members' Terms of Office until July 2021 (subject to their agreement), in order to benefit from their accumulated knowledge and experience.
- 4.8 The current Norfolk Pension Fund Structural Review is considering the implications of the current reciprocal Chairing arrangements, and Officers will present recommendations in light of these considerations in due course.

#### **5 Resource Implications**

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

#### **6. Other Implications**

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

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

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

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

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

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

## 8. Recommendation

- 8.1 The Committee is invited to note the contents of this report Pensions Committee is invited to consider the proposed changes to the Pensions Oversight Boards terms of office and subsequent amendments to the Terms of Reference, as set out in items 4.6 and 4.7, and the intention to bring forward recommendations for the reciprocal chairing arrangements in due course as set out in item 4.8.

## Background Papers

Appendix A – Pensions Oversight Board Agenda 18-10-08

## Officer Contact

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

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### Norfolk Pension Fund Pensions Oversight Board

Date: **Monday 8<sup>th</sup> October 2018**

Time: **10:30am**

Venue: **4<sup>th</sup> 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 15 June 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 Committee  
Feedback from Pensions Committee meeting of the 26 June and 18 October 2018 and items to be raised at 11 December 2018 meeting
- 6. LGPS reform  
Update on the on-going reform programme within the LGPS, to include:
  - Investment pooling
  - Scheme Advisory Board news
- 7. Operational review: Corporate Governance and Shareholder Engagement  
To receive a presentation by William Marshall (Hymans Robertson), Investment Adviser to the Norfolk Pension Fund
- 8. Operational review: Guaranteed Minimum Pension (GMP) reconciliation  
Mark Alexander (Pensions Manager) will update the Board on the GMP reconciliation exercise
- 9. Pensions Oversight Board  
To consider and agree the forward work programme for the Pensions Oversight Board
- 10. Knowledge, skills and training
- 11. Date of next meeting  
To confirm the date of the next meeting

Contact for questions about this agenda:

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