

## **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, affective 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**