

## **Pensions Committee**

### **Minutes of the meeting held on Tuesday 2 March 2021 commencing at 9:30 am and held as a virtual teams meeting**

#### **Present:**

Mr S Aspin	
Cllr D Douglas	
Cllr T FitzPatrick	
Cllr J Fuller	
Cllr J Oliver	(Chair)
Cllr M Storey	
Cllr A Waters	(Vice-Chair)
Cllr B Watkins	

#### **Officers Present:**

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

#### **Others Present:**

David Walker	Investment Adviser, Hymans Robertson
Fraser Hope	Hymans Robertson
Peter Baker	Pensions Oversight Board
Brian Wigg	Pensions Oversight Board

#### **1 Apologies for Absence**

**1.1** There were no apologies for absence.

#### **2 Minutes**

**2.1** The minutes of the previous meeting held on 1 December 2020 were confirmed as a correct record and signed by the Chair.

#### **3 Declaration of Interest**

The following declarations of interest were received:

- Cllr Waters declared an “other interest” because his wife was a

member of the scheme.

- Mr Aspin declared an “other interest” because he was a member of the scheme and held investments over £25k with Standard Life and Fidelity.
- Cllr Douglas declared an “other interest” because he was a deferred member of the scheme.

## **4 Matters of Urgent Business**

- 4.1** There were no matters of urgent business.

## **5 Administration Report**

- 5.1** The annexed report (5) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This followed the last full quarterly report to Pensions Committee in December 2020.

- 5.2** The Committee received a slide presentation highlighting key issues from the report.

The report itself briefed the Committee on the following topics:

- Coronavirus Update
- Governance framework for the Norfolk Pension Fund
- Pensions Oversight Board
- National Scheme Advisory Board
  - The 95k cap
  - Good Governance in the LGPS - Final Report and Action Plan
- MHCLG and Treasury reform update
- The Pensions Regulator update
- Risk Management
  - Risk Heat Map (at February 2021)
  - Risk Movement by Risk Area
  - Areas of High Risk
- Key Supplier – Change of Ownership
- Norfolk Pension Fund Performance and Membership Data
  - Membership Data
  - Employer Data
  - Key Performance Indicators
  - Annual Data Quality Report
  - Website Data
  - CIPFA Benchmarking
- Service Plan
  - Key projects for 2021 – 24
- Communication
  - With Scheme Members (Annual Newsletter)

- With Employers (Employer Forums, Employer Webinars and Employer Newsletters)
- Norfolk Pension Fund Team
- Accounts and Financial Reporting
  - Financial Year End
  - Employer Financial Reporting Requirements
  - Cash Management Strategy for the Pension Fund – Management of Cash Balances
  - Pension Fund Bank Account
  - Cash held by the Custodian
  - Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme
  - Insight Investment
  - Berenberg Bank
- Monitoring Custodian and Investment Managers Internal Control Reports
- Norfolk Audit Services 2021-22 Audit Plan for the Norfolk Pension Fund
- National LGPS Procurement Frameworks
- Knowledge and Skills
- Admission Agreement
  - St Michaels Family Centre
- Update on Bulk Transfer Values in Progress
- Freedom of Information Act (FoIA)
- Representation on behalf of the Pension Fund
- Norfolk Pension Fund – Pensions Committee Forward Plan

### 5.3

The Committee's attention was drawn to the following:

- Stable operational basis maintained
  - Team wellbeing
  - Resourcing and recruitment –including two new members of staff
- Regulatory reform continued apace, incl.
  - Responsible Investment Advisory Group established
  - Good Governance report published
  - £95k cap (paragraphs 3.16 to 3.21 of the report)
- Risk Management update
- Membership and Performance Data
  - 93,734 members (average pension in own right £5,020.39)
  - 400+ employers
  - KPI's – Appendix D provides an update
  - Annual Data Quality report
  - CIPFA Benchmarking £19.97 (club average: £20.00)
  - Service Plan: projects 2021 – 2024 (Appendix G)
- Communications and engagement
  - Members: Prime Time - to be published towards end of the month
  - Employers: Virtual Forum; Webinars; Newsletters

- Team: Regular communications; annual team event
- Accounts and Financial reporting
  - Planning for 2020-21 financial year-end
  - Cash Management Strategy (recommendation)
- Monitoring of Internal Control Update — no issues to bring to the attention of Committee based on the reports produced by investment managers and custodian
- Norfolk Audit Services 2021-22 Audit Plan - Appendix I — represented 80 days of audit work for administration, governance and investment services
- National LGPS Frameworks – new Global Custody Framework live and new Actuarial Framework in progress
- Admission Agreements (Recommendation)
  - St Michael's Family Centre
- In reply to questions it was pointed out that temporary arrangements were in place to cover the work of the vacant senior management post of Head of Frameworks. Preparations were underway to fill the vacancy at the earliest possible opportunity.
- Following HM Treasury's mandatory direction issued on the 12<sup>th</sup> February 2021 to disapply the Public Sector Exit Cap Regulations ("the £95k Cap"), the Norfolk Pension Fund has reverted to paying qualifying scheme members an unreduced pension in accordance with LGPS regulations. This was in accordance with guidance issued by the Scheme Advisory Board and the Local Government Association. This position has been communicated to scheme employers. The Government had not conceded the general principle of an Exit Cap and stated its intention to return to this issue. In light of this announcement, the Norfolk Pension Fund (with Actuarial input) has opted to re-instate locally determined strain factors calculated by the Fund Actuary until such a time as there is further clarification as to HM Treasury's and MHCLG's exit payment reform regulations.
- The Norfolk Pension Fund applied the treasury management and cash management strategies adopted by Norfolk County Council. Questions about whether local credit unions met with the criteria included in these strategies should be addressed to the Executive Director of Finance and Commercial Services after the meeting.
- Information about scams and reminders about cyber security are regularly highlighted by the Norfolk Pension Fund in communications with all stakeholders.

#### **5.4 RESOLVED**

**The Committee agree and note the contents of this report and approve the following items:**

- **Cash management strategies for the management of the**

**Fund's cash balances and dynamic currency programme (paragraphs 8.10 and 8.19 of the report); and**

- **Admission agreement in respect of St Michael's Family Centre (paragraph 13.2 of the report).**

## **6 Update from the Pensions Oversight Board**

**6.1** The annexed report (6) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board (POB) which had last met on 4 February 2021.

**6.2** Brian Wigg, the Independent Chair of the POB, said that the POB had received reports on the following issues:

- Updated on current operational issues and regulatory reform
- HEAT employer asset tracker training
- Risk update and heat map
- Climate monitoring and management training

**6.3** It was noted that the POB intended to focus on the following issues in their forward work programme, which they believed would be complimentary to the work of Pensions Committee:

- Pensions Admin Software - implications for scheme members and employers
- New Employer Service
- Cybersecurity

## **6.4 RESOLVED**

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

## **7 Pension Fund Budget 2021-22**

**7.1** The annexed report (7) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received.

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

- The Norfolk Pension Fund Budget was set separately from NCC's budget
- Incorporated the Fund's statutory responsibilities and service plan objectives
- The proposed budget for 2021-22 is £3.646m a 5% reduction on the 2020-21 approved budget.
- The proposed budget included the pre-approved organisational changes (staff costs), reprofiled due to recruitment delays as a

result of the COVID-19 pandemic.

- Budgets reflected prudent assumptions for COVID/smarter working.
- The proposed budget included:
  - Norfolk's share of ACCESS Support Unit (ASU) costs
  - Prudent increased provision for external audit fees and the removal of costs for voting services (transferred to Pool)
  - 2 months dual running of old and new administration software systems.
  - Administration software contract savings of £30k pa over life of the contract (5 years contract term)
  - Provision for the re-let of Actuarial and Custody contracts

**7.3** In reply to questions it was noted that external auditors' fees for 2021-22 had yet to be finalised.

**7.4 RESOLVED**

**That the Committee approves the Pension Fund 2021-2022 budget.**

**8 Corporate Governance and Shareholder Engagement Report**

**8.1** The annexed report (8) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received.

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

- Six-monthly update on voting and engagement activity by equity managers reported through LINK
- ACCESS Pool Environmental, Social and Corporate Governance (ESG)/Responsible Investment (RI) Update
- Final report on segregated voting activity following completion of the transfer of public equity assets to the ACCESS pool.

**8.3** It was pointed out that the voting arrangements set out in paragraph 1.4 of the report were aimed at enabling investment managers to effectively take up the key ESG engagement issues on behalf of the ACCESS Pool. The review of ACCESS ESG/RI policy was ongoing and would be reported back to the ACCESS Joint Committee (JC) later in the year.

**8.4 RESOLVED**

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

**9 ACCESS Update – Unrestricted Items**

- 9.1** The annexed report (9) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Committee on the work of the ACCESS Pool. The last virtual meeting of the Joint Committee was held on 13 January 2021.
- 9.2** The Committee's attention was drawn to the following:
- JC approved 2 new ASU posts; Client Manager and ACCESS Support Officer
  - Forecast 2020-21 spend of £0.969m against budget of £1.078m
  - Forecast underspend of £10k per authority
  - 2021-22 Business Plan includes:
    - On-board of remaining liquid assets into the ACCESS Authorised Contractual Scheme (ACS)
    - Creation of illiquid asset pooling structures
    - Development of communications strategy and RI policy
    - Total 2021-22 ASU budget of £1.247m
    - Equivalent to £113k per Authority

**9.3 RESOLVED**

**That the Committee:**

- 1. Note the contents of the report.**
- 2. Note that the next virtual meeting of the ACCESS Joint Committee will be held on 8 March 2021.**

**10 Exclusion of the Public Items 11-16 only**

- 10.1** 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.

- 10.2** 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:-

**10.3 Item 11 – ACCESS Update – Exempt Items**

This report contained financial, business and commercial information including details about third party company operations which could significantly weaken their position in a competitive environment by

revealing this activity to competitors.

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

#### **10.4 Item 12 – NPF Strategic Review Programme: Highlight Report**

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

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

#### **10.5 Item 13- Quarterly Performance Report by Hymans Robertson**

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

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

#### **10.6 Item 14 – Investment Update (including public Equity Review)**

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

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

#### **10.7 Item 15 – Climate Risk Reporting**

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

Inappropriate disclosure would or would be likely to prejudice their



interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

**10.8 Item 16 – 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.

**10.9 RESOLVED**

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

**11 ACCESS Update- Exempt items**

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

**11.2** The Committee received on a confidential basis an overview and update on the work of the ACCESS pool, governed by a Joint Committee made up of one Councillor from each Committee's Pensions Committee.

**11.3 RESOLVED**

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

**12 NPF Strategic Review Programme: Highlight Report**

**12.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of Norfolk Pension Fund that updated the Pensions Committee on progress with the Norfolk Pension Fund Strategic Review Programme and supporting projects.

**12.2 RESOLVED**

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

**13 Investment Performance Update by Hymans Robertson**

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

**13.2** The Investment Advisor summarised the investment performance for the fourth quarter of 2020 which was set out in the report.

**13.3 RESOLVED**

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

**14 Investment Update (including Public Equity Review)**

**14.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with the investment strategy and assets of the Fund. It included the results and recommendations of the review of the public equity allocation that was carried out with Hymans Robertson.

**14.2 RESOLVED**

**That the report is noted and a training session about the issues is arranged for Committee Members.**

**15 Climate Risk Reporting**

**15.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that updated the Committee on the Fund's participation in Hymans Robertson's pilot project to monitor climate risk in the Fund's public equity portfolio.

**15.2 RESOLVED**

**That the Committee note the contents of the report and approve the provision of ongoing reporting from Hymans Robertson with six monthly reporting to the Committee.**

**16 Exempt Minutes of the meeting held on 1 December 2020**

**16.1** The exempt minutes of the meeting held on 1 December 2020 were confirmed by the Committee and signed by the Chair.

**The meeting concluded at 14.30 pm**

**Chair**

