



Pensions Committee

Date: **Tuesday 2 March 2021**

Time: **9:30am**

Venue: **Virtual Meeting**

Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting of the Pensions Committee of Norfolk County Council will be held using video conferencing.

The Pensions meeting will be broadcast live via You Tube. Please click on this link:

<https://youtu.be/G97v5WsvRac>

Membership

Members

Cllr Judy Oliver – Chairman

Cllr Danny Douglas
Cllr Tom FitzPatrick
Cllr Martin Storey
Cllr Brian Watkins

Co-opted Members

Cllr John Fuller
Cllr Alan Waters - Vice-Chairman

Member Representative

Steve Aspin

**For further details and general enquiries about this Agenda
please contact the Committee Officer:**

Tim Shaw on 01603 222948
or email timothy.shaw@norfolk.gov.uk

A g e n d a

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

2. **Minutes**

(Page 5)

To confirm the minutes of the meetings held on 1 December 2020

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	Administration Report	(Page 14)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
6	Update from the Pensions Oversight Board	(Page 110)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
7	Pension Fund Budget 2021-22	(Page 119)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
8	Corporate Governance and Shareholder Engagement Report	(Page 139)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
9	ACCESS Update – Unrestricted Items	(Page 152)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
10	Exclusion of the Public (Items 11-16 only)	
	<p>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 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 the public interest in maintaining the exemptions outweighs the public interest in disclosing the information.</p> <p>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.</p> <p>Comfort break</p>	
11	ACCESS Update- Exempt Items	(Page 155)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
12	NPF Strategic Review Programme: Highlight Report	Page 159)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
13	Hymans Quarterly Performance Report	(Page 179)

Comfort break

14 Investment Update – Including Public Equity Review (Page 205)

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

15 Climate Risk Reporting (Page 247)

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

16 Exempt Minutes (Page 270)

To confirm the exempt minutes of the meeting held on 1 December 2020

Tom McCabe
Head of Paid Service
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 22 February 2021



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Pensions Committee

Minutes of the meeting held on Tuesday 1 December 2020 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 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
Rob Bilton	Fund Actuary, Hymans Robertson
Fraser Hope	Hymans Robertson
Brian Wigg	Pensions Oversight Board

1 Apologies for Absence

- 1.1** An apology for absence was received from Cllr Martin Storey.

2 Minutes

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

3 Declaration of Interest

The following declaration of interest was received:

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

4 Matters of Urgent Business/Additional Information

- 4.1** The Committee received on the table as urgent business a paper from the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund about a request for an additional admission agreement in respect of Access Community Trust. The admission application was in respect of a gardening contract let by Great Yarmouth Borough Council, which commenced 1 October 2020. The Chair agreed to take this at item 5 when considering other admission requests.

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 October 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
 - Guide to Employer Flexibilities
- The Pensions Regulator
 - New Combined Code
- Communications
 - With Active and Deferred Scheme Members
 - Annual Allowance and Lifetime Allowance
 - The Government Actuary's Department (GAD)
 - Valuation
 - With Retired Members
 - With Employers
 - Employer Forums
 - Employer Webinars
 - Employer Newsletters
 - Norfolk Pension Fund Team
- Accounts and Financial Reporting
 - Publication of the Annual Report and Accounts
 - Employer Financial Reporting Requirements
- Collaborative Working/Value for Money
 - CIPFA Benchmarking

- National LGPS Procurement Frameworks
- Knowledge and Skills
 - Norfolk Pension Fund Training Strategy
- Team News and Awards
- Admission Agreements
 - Churchill Services (the Wensum Trust – Kinsdale contract)
 - Pendergate Ltd t/a Ridge Crest Cleaning (Sapientia Education Trust – Fakenham Academy contract)
 - Ecoclean (North Norfolk District Council contract)
 - Access Community Trust (Great Yarmouth Borough Council—separate urgent business report)
- 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:

- Communications and engagement with Scheme Members:
 - Annual Allowance and Lifetime Allowance
 - Retired members Autumn update
- Communications and engagement with Employers:
 - Virtual Forum; Webinars; Newsletters.
- The Norfolk Pension Fund Training Strategy (set out on page 34 of the agenda) was developed to aid the Pension Committee, Pension Oversight Board and Officers understand and meet their respective responsibilities.
- The Committee noted that the SAB, the LGA and the Pensions Regulator continued to provide support for the LGPS.
- Norfolk Pension Fund requirements for the central post room printing and posting of Fund correspondence were now being progressed.
- In reply to questions it was pointed out that the Norfolk Pension Fund continued to monitor Government plans for changes in the measurement of inflation from RPI to CPI and would respond to the possible impact on pension fund asset values when/where necessary. The Government's plans would not impact on calculations about scheme members annual inflationary pension increases because they were already linked to CPI.
- In reply to further questions it was noted that on-line security and financial fraud were high risks on the Committee's risk register. A range of actions to mitigate against these risks were in place with further activity planned for early 2021.
- Members congratulated Alex Younger for being shortlisted for Outstanding Contribution of the Year in the LAPF Awards.

5.4 RESOLVED

The Committee agree and note the contents of this report specifically including the admission agreements in respect of:

- **Churchill Services (the Wensum Trust – Kinsdale contract)**
- **Pendergate Ltd t/a Ridge Crest Cleaning (Sapientia Education Trust –Fakenham Academy contract)**
- **Ecoclean (North Norfolk District Council contract)**
- **Access Community Trust (Great Yarmouth Borough Council) (take as an urgent business item).**

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 5 November 2020.

6.2 Brian Wigg, the Independent Chair of the POB, said that the POB had asked for the following issues to be included in their forward work programme:

- The shape of Employer Services (including suggestions as to how employer administration may be reorganised and details about the new Employer Services Team).
- The implications of the new Pensions Administration Software for scheme members and employers.
- Details about how HEAT (Hymans Robertson Employer Asset Tracker) system could assist employers.

6.3 Brian Wigg referred to how POB had previously looked at the experiences of scheme members who were coming up to retirement and the experiences of a small employer and offered the possibility of POB taking part in similar work areas in the future.

6.4 RESOLVED

That the Committee note the contents of the report.

7 ACCESS Update – Unrestricted Items

7.1 The annexed report (7) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Committee on the work of the ACCESS Pool. The last virtual meeting of the Joint Committee was held on 12th November 2020.

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

- No change to ACCESS risk scores, and no new risks had emerged.
- The Joint Committee was updated on the ACCESS Communications Plan.
 - A service specification was issued to six communication service providers.
 - Bids were evaluated and interviews held early in November 2020.
 - The Joint Committee recommendation to appoint the winning bidder would be reported under exempt business (at item 9).
- The Joint Committee also considered ESG and RI Guidelines.
 - Detailed specification for the procurement of specialist ESG/RI advice.
 - Phase 1: developing and drafting guidelines, Phase 2: ESG/RI reporting requirements.
 - Officer 'task and finish' group set-up to support the development of guidelines
 - Procurement for Phase 1 launched mid-November 2020
 - January 2021 JC - appoint winning bidder.

7.3 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 13 January 2020.**

8 Exclusion of the Public 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 – 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.

8.4 Item 10 – Risk Register

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.

8.5 Item 11 - 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.

8.6 Item 12 – 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.

8.7 Item 13 – Investment Update

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.

8.8 Item 14 – Regulatory and Funding Update

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

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

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 outweighed the public interest in disclosing the information.

9 ACCESS Update- Exempt items

9.1 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).

9.2 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.

9.3 RESOLVED

That the Committee note the contents of the report.

10 Risk Register

10.1 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 Members on the Norfolk Pension Fund's Risk Register and Breaches Policy that had continued to be assessed and monitored through the Covid-19 pandemic.

10.2 RESOLVED

That the Committee note the contents of the report.

11 Norfolk Pension Fund Strategic Review Programme: Highlight Report

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 that updated the Committee on progress with the Norfolk Pension Fund Strategic Review Programme and supporting projects.

11.2 RESOLVED

That the Committee note the contents of the report.

12 Investment Performance Update by Hymans Robertson

12.1 Members received a detailed booklet and presentation by Hymans (containing exempt information) that reviewed Investment Managers' performance for the third quarter of 2020.

12.2 RESOLVED

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

13 Investment Update

13.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with items relating to the investment strategy and assets of the Fund.

13.2 RESOLVED

That the Committee note the content of the report and agree to the recommendation contained therein.

14 Regulatory and Funding Update

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 updated Pensions Committee on the latest position, implications and Fund approach to regulatory and funding issues.

14.2 RESOLVED

That the Committee note the content of the report.

15 Exempt Minutes of the meeting held on 1 October 2020

15.1 The exempt minutes of the meeting held on 1 October 2020 were confirmed by the Committee and signed by the Chairman.

The meeting concluded at 13 20 pm

Chairman

Report to Pensions Committee

Item No. 5

Report title:	Administration Report
Date of meeting:	2 March 2021
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
<p>Executive Summary</p> <p>This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in December 2020.</p> <p>Recommendations</p> <p>The Committee is asked to consider and note the contents of this report and approve the following items:</p> <ul style="list-style-type: none"> • cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 8.10 and 8.19); and • admission agreement in respect of St Michael's Family Centre (item 13.2) 	

<u>Item No.</u>	<u>Title</u>	<u>Appendices</u>
1	Background	
2	Coronavirus	
3	Governance framework for the Norfolk Pension Fund:	
3.1	Pensions Oversight Board	
3.3	National Scheme Advisory Board	
3.7	○ The 95k cap	
3.9	○ Responsible Investment (RI)	
3.12	○ Good Governance in the LGPS	
3.15	▪ Good Governance - Final Report	Appendix A
3.15	▪ Action Plan	Appendix B
3.16	MHGLC and Treasury	
3.22	The Pensions Regulator	
3.24	Risk Management	
3.25	○ Risk Heat Map (at February 2021)	Appendix C
3.27	○ Risk Movement by Risk Area	
3.31	○ Areas of High Risk	
4.	Key Supplier – Change of Ownership	

5.	Norfolk Pension Fund Performance and Membership Data	
5.1	Membership Data	
5.5	Employer Data	
5.9	Key Performance Indicators	Appendix D
5.11	Annual Data Quality Report	Appendix E
5.14	Website Data	Appendix F
5.21	CIPFA Benchmarking	
6.	Service Plan	
6.1	○ Key projects for 2021 – 24	Appendix G
7.	Communication	
7.1	With Scheme Members	
7.2	○ Annual Newsletter	
7.7	With Employers	
7.9	○ Employer Forums	
7.13	○ Employer Webinars	
7.15	○ Employer Newsletters	Appendix H
7.18	Norfolk Pension Fund Team	
8.	Accounts and Financial Reporting	
8.1	○ Financial Year End	
8.7	○ Employer Financial Reporting Requirements	
8.10	○ Cash Management Strategy for the Pension Fund – Management of Cash Balances	
8.11	○ Pension Fund Bank Account	
8.14	○ Cash held by the Custodian	
8.19	○ Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme	
8.20	○ Insight Investment	
8.26	○ Berenberg Bank	
9.	Monitoring Custodian and Investment Managers Internal Control Reports	
10.	Norfolk Audit Services 2021-22 Audit Plan for the Norfolk Pension Fund	Appendix I
11.	National LGPS Procurement Frameworks	
12.	Knowledge and Skills	Appendix J
13.	Admission Agreement	
13.2	• St Michaels Family Centre	
14.	Update on Bulk Transfer Values in Progress	Appendix K
15.	Freedom of Information Act (FoIA)	
16.	Representation on behalf of the Pension Fund	Appendix L

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| 17. | Norfolk Pension Fund – Pensions Committee Forward Plan | Appendix M |
| 18. | Financial and Other Resource Implications | |
| 19. | Risk Implications/Assessment | |
| 20. | Other Implications (inc. Equality Impact Assessment (EqIA) | |
| 21. | Recommendations | |
| 22. | Background Papers | |
| | Appendix A - Good Governance - Final Report | |
| | Appendix B – Good Governance - Action Plan | |
| | Appendix C - Risk Heat Map (at February 2021) | |
| | Appendix D – Key Performance Indicators | |
| | Appendix E - Annual Data Quality Report | |
| | Appendix F – Website Data | |
| | Appendix G - Key projects for 2021 – 24 | |
| | Appendix H – Employer Newsletter – February 2021 | |
| | Appendix I - Internal Audit Plan 2021-24 | |
| | Appendix J – Knowledge and Skills | |
| | Appendix K - Update on Bulk Transfer Values in Progress | |
| | Appendix L - Representation on behalf of the Pension Fund | |
| | Appendix M - Pensions Committee Forward Plan | |

1. Background

- 1.1 This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to Pensions Committee in December 2020.

2. Coronavirus

- 2.1 The full Norfolk Pension Fund team transitioned to home working on the 23 March 2020. A stable operational basis has been established and maintained.

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 6 at this committee meeting.

3.3 National Scheme Advisory Board

- 3.4 The National Scheme Advisory Board (SAB) met virtually on the 8 February 2021. More information about the work of the Board is available on their [website](#).
- 3.5 Councillor Fuller is a member of the SAB, as a scheme employer representative
- 3.6 The SAB, Secretariat and LGA continue to provide valuable support and resources to the LGPS through the coronavirus pandemic, including liaison with MHCLG, TPR etc.
- 3.7 'The £95k cap'
- 3.8 This item is covered in more detail under 3.16 of this report.
- 3.9 Responsible Investment (RI)
- 3.10 The SAB are developing an online dynamic A-Z RI resource for LGPS Funds, and have appointed a supplier, Digitech, to develop the website on their behalf.
- 3.11 The SAB is also establishing a Responsible Investment Advisory Group (RIAG) to act as both an editorial board for future editions of the online guidance and as advisers to SAB and the committee on responsible investment and related matters. Membership proposals were received by the SAB on the 8th February with the first meeting anticipated in March 2021.
- 3.12 Good Governance in the LGPS
- 3.13 The SAB received the 'Good Governance - Final Report' at its meeting on the 8th February, together with an Action Plan to submit to the Local Government minister for consideration.
- 3.14 The report includes more detail on the recommendations proposed including :
 - single named officer responsible for the delivery of all LGPS related activity for a Fund;
 - Conflicts of interest policy
 - Representation
 - Skills and training
 - Service delivery
 - Compliance and improvement framework
- 3.15 A copy of the [final report](#) is as Appendix A, and the [Action Plan](#) at Appendix B.
- 3.16 **MHCLG and Treasury**
- 3.17 As reported to Committee in December, the introduction of the restriction of Public Sector Exit Payments Regulations 2020 came into force on 4th November 2020, in

conflict with existing LGPS regulations. Judicial reviews were scheduled for March 2021.

- 3.18 Unexpectedly the Government announced that they will revoke the legislation introducing the Cap, after concluding that there may be unintended consequences.
- 3.19 On Friday 12th February, HM Treasury issued mandatory [Directions](#) disapplying the Cap, and published [Guidance](#) for individuals and public sector authorities who were affected by the Cap whilst it was in place.
- 3.20 The guidance also confirms that whilst government will revoke the exit cap regulations in due course, they will legislate again to tackle unjustified exit payments.
- 3.21 The implications of the change for the Norfolk Pension Fund and its employers, including the factors used in strain calculations relating to the early payment of pensions, are currently being assessed.

3.22 **The Pensions Regulator**

- 3.23 The Norfolk Pension Fund has responded to the annual Pensions Regulator governance survey for the LGPS.

3.24 **Risk Management**

- 3.25 The latest summary Risk Heat Map (at February 2021) is at Appendix C.
- 3.26 There has been some movement in Risks since the last full report to Committee in December 2020.

3.27 Risk movement by risk area:

- 3.28 *Governance:* ACCESS governance, Knowledge and Understanding (Committee and POB) and Business Continuity risks have reduced; National LGPS Frameworks has increased.
- 3.29 *Funding and investment:* Systemic risk; lack of skilled resource has reduced; ESG inherent risk has increased but mitigation in place means risk is stable.
- 3.30 *Benefits Administration:* Lack of skilled resource has reduced; Business continuity has increased; new risk identified: system implementation and transition

3.31 Areas of high risk:

- 3.32 The following areas are identified as high risk:

Governance: regulatory and performance failure, lack of skilled resource, National LGPS Frameworks (new high risk); cyber security

Funding and Investment: lack of skilled resource

Benefits Administration: lack of skilled resource

4. **Key Supplier – change of ownership**

- 4.1 Aquila Heywood (who supply pensions administration software to the Norfolk Pension Fund; also, a supplier on the Pensions Admin Software National LGPS Framework, and the largest provider of specialist LGPS administration software) have been purchased by BlackRock Long Term Private Capital.

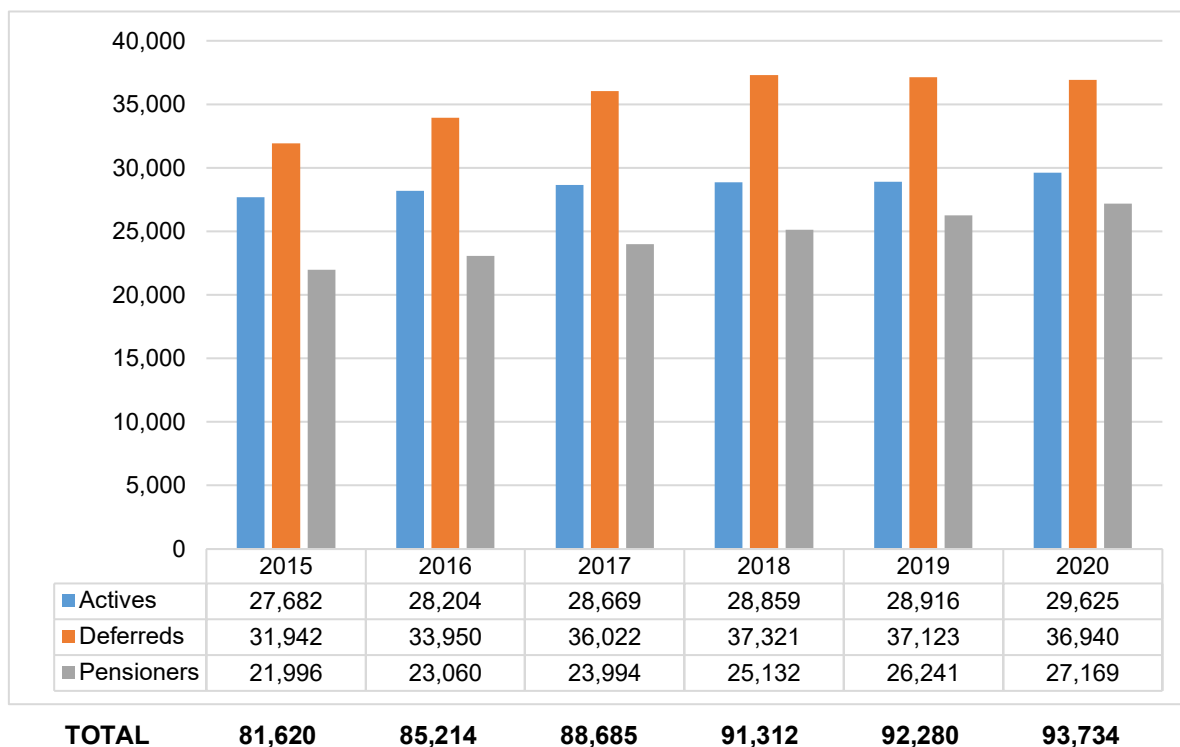
5. **Norfolk Pension Fund Membership and Performance Data**

5.1 **Membership data**

- 5.2 As at 31st December 2020 there were 93,754 scheme members in the Norfolk Pension Fund.

5.3 Total Fund membership has increased by 1.6% in the last year.

5.4 A breakdown of membership and comparison with previous years is shown below:



	Jan 2017	Jan 2018	Jan 2019	Jan 2020	Jan 2021
Pension in own right:	£4,956.29 (£413 per month)	£4,948.90 (£412 per month)	£5,003.56 (£417 a month)	£5,030.68 (£419 per month)	£5,020.39 (£418 per month)
Dependants pension:	£2,745.80 (£229 per month)	£2,771.27 (£231 per month)	£2,852.78 (£238 per month)	£2,882.94 (£240 per month)	£2,915.80 (£243 per month)
Average pension:	£4,680.98 (£390 per month)	£4,685.10 (£390 per month)	£4,747.35 (£396 per month)	£4,776.73 (£398 per month)	£4,775.03 (£398 per month)

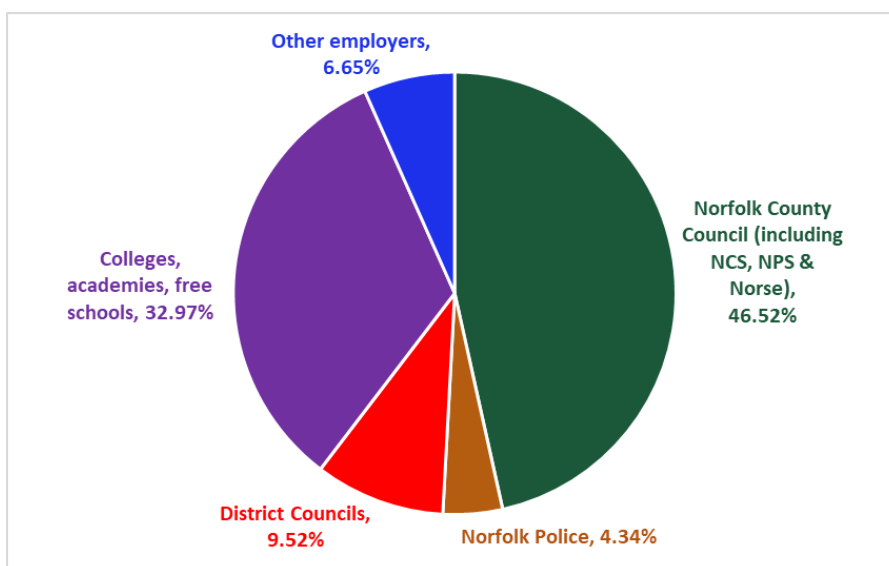
5.5 Employer Data

5.6 Employer numbers continue to increase steadily.

5.7 As at 31st March 2020 there were 414 active employers in the Fund.

5.8 The table below shows the change in employer numbers from 2012 to 2020:

As at 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020
Employers	134	152	181	233	262	322	369	400	414



5.9 **Key Performance Indicators**

5.10 The latest Norfolk Pension Fund benefits administration Key Performance Indicators (KPI's) are at Appendix D.

5.11 **Annual Data Quality Report**

5.12 The latest Annual Data Quality Report by the Norfolk Pension Fund is at Appendix E.

5.13 The report includes scoring for "common data" and "conditional data" which is a requirement of The Pensions Regulator's annual return.

5.14 **Website Data**

5.15 Our website (at www.norfolkpensionfund.org) is an essential element of our transparency and Communications and Customer Care Strategy.

5.16 We will transition to a new website this year, which will be compliant with the latest accessibility guidelines for public sector websites.

5.17 Members and Employers also access our portals via the website.

5.18 Appendix F presents analysis of the latest usage of the Norfolk Pension Fund Website, and how this is developing over time.

5.19 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 29,908 unique visitors during 2020.

5.20 The number of members registered to view their personal details online also continues to increase, with approximately 1 in 5 scheme members now registered. The page views analysis does not include visits to the secure area.

5.21 **CIPFA Benchmarking**

5.22 The Norfolk Pension Fund participates each year in the CIPFA LGPS Pensions Administration Benchmarking Club. This year the Norfolk Pension Fund cost per member is recorded as £19.97, compared to the Club average cost per member of £20.00.

6. **Service Plan**

6.1 A summary of the key projects for 2021 – 24 (as currently identified) is at Appendix G. Where appropriate, provision for these is included in the budget paper for 2021-22 at Agenda Item 7.

6.2 The full Norfolk Pension Fund Service Plan will be refreshed and updated within the Strategic Review programme.

7. Communication

7.1 With Scheme Members

7.2 Annual Newsletter

7.3 The regular newsletter for retired members, Primetime, will be published in March 2021.

7.4 The booklet contains a mixture of articles of interest to retired members, including details of the annual pension increase and pay dates, what to do if you change your bank, latest tax news, how to access our online services, information about benefits for dependants, how to avoid scams, details of the Fund's governance arrangements and a summary of the Funds' investments and annual accounts.

7.5 'Spare' space within the newsletter is being used to share information about the Norfolk Community Directory, NHS Wellbeing services and Oxford University Covid research amongst older people.

7.6 In place of the usual Forum a second Primetime will be published later in the year.

7.7 With Employers

7.8 We have increased our employer engagement since March 2020 so that we can provide the support our employers need as a result of the pandemic, changing operational scheme requirements and regulatory developments.

7.9 Employer Forums

7.10 A virtual Employer Forum was held on 11th December.

7.11 The Agenda included:

- An update from Rob Bilton (Hymans Robertson) on the evolving LGPS landscape, focusing on the latest £95k exit cap situation and employer funding flexibilities
- Overview of developments in Norfolk Pension Fund employer services and administration
- Ask the Panel Q&A session

7.12 The event was recorded so that those who couldn't attend on the day could view it later.

7.13 Employer Webinars

7.14 We will continue to arrange Employer Webinars to support employers as necessary.

7.15 Employer Newsletters

7.16 Our most recent Newsletter (please see Appendix H) was published in February 2021, and included information about:

- Employer consultation on the Funding Strategy Statement
- i-Connect – our new Employer Portal
- Exit Payment Cap update
- Employer forms

7.17 Since the newsletter we have also shared an update with Employers, in respect of the revocation of the £95K exit payment cap.

7.18 Norfolk Pension Fund Team

7.19 We are maintaining our weekly newssheet to help keep the team connected, supported and informed through remote working, alongside regular team meetings and less formal connections.

- 7.20 We are also planning communications to replace our annual team meeting and to mark the anniversary of working from home, together with the opportunity to attend different discussion groups on different aspects of the Fund in the next few months.

8. Accounts and Financial Reporting

8.1 Financial Year End

- 8.2 All Local Authorities and the LGPS are required to 'close' their financial accounts on the 31st March. For financial year 2019-20 some of the statutory deadlines were extended due to the COVID19 global pandemic. The Norfolk Pension Fund maintained its financial year-end timeline and was able to meet all deadlines set internally and statutory.
- 8.3 For the 2020-21 financial year-end there is a consultation on extending the statutory deadline to publish draft accounts to 1st August from the 31st May. However, the Pension Fund along with the Corporate Authority are maintaining their year-end planning to still meet the original 31st May deadline. This will also ensure the Fund's external Auditors can complete their planned audit in late June. The Pension Fund draft annual report and accounts deadline is 31st July 2021. The statutory publication deadline remains 1st December 2021.
- 8.4 The Pension Fund will submit its draft financial accounts to Director of Finance and Commercial Services for sign off by 31st May 2021. These draft accounts will be presented to Pension Committee in July 2021. The Fund are currently discussing with EY (Ernst and Young) the external audit and audit opinion timelines. The Fund anticipates the external audit of the annual report and accounts will commence in June 2021 with the audit opinion given in the autumn.
- 8.5 The Fund is subject to separate external audit engagement and for the past eight years EY 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 again decided it would be appropriate to approach the Chair of Pensions Committee to gain assurance on Fund governance arrangements rather than just approaching the Chair of Audit Committee. However, due to a backlog of audits still to be finalised for 2019-20 the timetable for completing the assurance work by EY has slipped, and the draft assurance letter from the Pension Committee will be presented to Committee in July.
- 8.6 It is important to note, that there have been no changes to auditing standards and the questions included in the letter do not reflect any particular concerns EY have regarding Fund governance. The Fund and Internal Audit have assisted the Chair of Pensions Committee in completing an appropriate response that gives assurance to EY.

8.7 Employer Financial Reporting Requirements

- 8.8 Planning is underway to deliver the 31st March (Councils/Scheduled bodies) IAS19/FRS102 employer financial reporting requirements. The March exercise is the largest in terms of financial risk and is subject to additional audit work as part of the overall fund audit completed by EY.
- 8.9 In recent years, employer auditors have significantly higher audit requirements on the accounting disclosures, and this has created additional queries and work for the Fund.

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

8.11 Pension Fund Bank Account

- 8.12 The management of the Pension Fund's locally held cash balances is undertaken by the County Council's treasury team in accordance with the Council's Investment

Strategy. The Investment Strategy is approved by Full Council and includes credit rating criteria and maximum exposure limits in terms of value and duration. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council (NCC).

8.13 The NCC team manage the cash using a range of overnight and term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC.

8.14 **Cash held by the Custodian**

8.15 There are three options for Sterling and US Dollar frictional cash held by the investment managers within HSBC's custody system:

- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis. No manager currently elects to use this option.
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).
- For all other US Dollar and Sterling denominated cash holdings within the HSBC custody system, an overnight sweep is undertaken by the custodian and deposited through its cash liquidity investment platform into AAA rated constant NAV (net asset value) money market funds (US Dollar and Sterling denominated). The sweep allocates 50% of its US Dollar and GBP cash holdings to the Goldman Sachs liquidity reserves funds with the remaining 50% of the Fund's cash holdings swept to HSBC money market funds. Due to the transition of all segregated equity mandates to the ACCESS pool resulting in significantly lower frictional cash balances available to sweep into money market funds. With effect from 1st April the Fund will revert to sweeping 100% of its cash balances to HSBC money market funds.

8.16 The use of the money market fund avoids a large single exposure to the balance sheet of one institution (HSBC) for the cash balances of the Fund held within the custody system.

8.17 The approach used by the Fund for the management of Pension Fund cash balances is in accordance with the Management and Investment of Funds Regulations and meets the best practice guidance issued by the regulator.

8.18 With the approval of Committee, it is intended that the Fund follows the 2021-22 Investment Strategy approved by Full Council on 22 February 2021.

8.19 **Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme**

8.20 **Insight Investment**

8.21 The external fund manager Insight Investment are responsible for half of the Pension Fund's dynamic currency hedging programme.

8.22 Insight monitors the counterparties used to implement forward currency contracts required by the programme, but the relationship is between the Fund (Administering Authority) and the individual counterparty banks.

8.23 The Pension Fund Accountancy Team monitor the permitted counterparties against appropriate credit criteria included within the Administering Authority's approved

Investment and Treasury Strategy, using credit ratings and other market material provided by Link Asset Services (treasury advisor to the County Council).

8.24 The forward contracts within the Insight programme have a quarterly settlement cycle (cash flow +/-).

8.25 The Pension Fund allocates non-cash collateral (Gilts), as part of its strategic allocation to protection asset, to cover the variation margin position (notional exchange loss prior to settlement) on foreign exchange currency transitions within the Insight hedging programme.

8.26 **Berenberg Bank**

The second half of the dynamic currency hedging programme is managed by Berenberg Bank.

8.27 Berenberg Bank are the Fund's counterparty on all trades within the programme it undertakes for the Fund. The Fund has agreed asymmetric credit lines of £15 million (the Fund owes Berenberg) and £1.5 million (Berenberg owes the Fund) in respect of any profits or losses on these activities. Both parties are required to post collateral to cover any balance sheet exposure above these limits but with a minimum transfer amount of £0.5 million i.e. as collateral movement would only be triggered when the actual exposure first reached £15.5 million or £2 million.

8.28 The process for the daily monitoring of collateral requirements and movement of collateral is undertaken by the Pension Fund Accountancy Team.

8.29 The forward contracts within the Berenberg programme have a monthly settlement cycle (cash flow +/-). This assists in diversifying the profile of the two managers employed to implement the dynamic currency hedging programme.

9. **Monitoring Custodian and Investment Managers Internal Control Reports**

9.1 The Norfolk Pension Fund uses third-party investment managers to manage the Fund assets on its behalf and employs a custodian to ensure assets are held in safe custody. These organisations have internal control structures and procedures in place to safeguard client assets against loss through error or fraud and to ensure that client reporting is accurate.

9.2 Best practice internal control reporting frameworks have been developed by the investment industry to provide 'reasonable assurance' to third parties that internal controls are working effectively. UK reports are referred to as AAF 01/06 reports, the US report is an SSAE16 (updated to SSAE18 for future reports) and the international reporting standard is ISAE3402. There is not a common reporting period between managers as this is determined by the requirements of each organisation.

9.3 Scrutiny of control procedures is undertaken by 'reporting accountants' (usually the service organisation's external auditors) and requires them to deliver an opinion on the control environment in order to give 'reasonable assurance' that the controls operated effectively.

9.4 A comparison between the UK AAF 01/06 and the internal ISAE3402 report is shown below:

Topic	AAF 01/06	ISAE 3402
Scope	AAF 01/06 covers internal controls within a service organisation – not necessarily just those concerning financial transactions	Report can be extended beyond financial reporting.

Opinion/ assertion	In addition to the auditor's opinion, the management of the service organisation provides a formal assertion affirming its responsibilities for the controls in the report.	In addition to the auditor's opinion, the management of the service organisation provides a formal assertion affirming its responsibilities for the controls in the report.
Disclosure requirement for use of internal audit	N/A	Work performed by the organisations internal audit function can be used in part to form the service auditor's opinion. The report can include a description of the internal auditor's work and of the service auditor's procedures with respect to that work.
Audit Guidance	Guidance for the auditor is included in the AAF 01/06 and includes illustrative control objectives	Guidance for the service auditor is solely contained in the ISAE itself and does not contain illustrative control objectives. The US will continue to provide audit guidance to support the SSAE standards.
Example of terminology differences	Type (i) – report to service organisation and their customers on fairness of the description of controls, whether they are suitably designed and their operational effectiveness	Type A - report on the fairness of the description of controls and whether those controls were suitably designed.
	Type (ii) – report to service organisation only on fairness of the description of controls, whether they are suitably designed and their operational effectiveness	Type B - report also includes an opinion on the operating effectiveness of the controls.

9.5 A summary of all the reports received is provided below. Following our review, there are no specific issues to report to Committee. Future reports will continue to be monitored.

Fund Manager	Report Type	Date of Last	Review completed	Next	Issues to bring to Committee's Attention
Janus Henderson	SSAE16/ ISAE3402	01/07/19-30/06/20	Currently being reviewed	Jun-21	Expected Sep-21
LaSalle	ISAE3402/A AF 01-06	01/01/19-31/12/19	Yes	Dec-20	Expected Apr-21
Capital	SSAE16/ ISAE3402	01/07/19-30/06/20	Yes	Jun-21	Expected Sep-21
Aberdeen Standard Life	AAF 01-06	01/10/18-30/09/19	Yes	Sep-20	Expected Jan-21
HarbourVest	SSAE16/ ISAE3402	01/10/19-30/09/20	Currently being reviewed	Sep-21	Expected Jan-22
GSAM	SSAE16/ ISAE3402	01/10/19-30/09/20	Currently being reviewed	Sep-21	Expected Jan-22
M&G (incl. Infracapital)	AAF 01-06	01/01/19-31/12/19	Yes	Mar-21	Expected Jun-21
Insight	SSAE16/ ISAE3402	01/10/18-30/09/19	Yes	Sep-20	Expected Jun-21
Berenberg (N1)	ISAE 3402 Type II	01/01/19-31/12/19	Yes	Dec-20	Expected May-21

UBS	SOC1	01/01/19-31/12/19	Yes	Dec-20	Expected Jun-21
Link Asset Services	ISAE 3402 Type 1	01/03/19-28/02/20	Yes	Feb-21	Expected May-21
Aviva (Infrastructure)	ISAE3402/A AF 01-06	01/10/18-30/09/19	Yes	Sep-20	Expected Jan-21
Equitix (N2)	No report produced				
JPMorgan	SOC1	01/01/19-31/12/19	Yes	Dec-20	Expected May-21
Pantheon	ISAE3402/A T-C320	01/10/18-30/09/19	Yes	Sep-20	Expected Jan-21
Stafford Capital Partners (N2)	No report produced				
Mondrian	SSAE18/ISAE3402	01/04/19-31/03/20	Yes	Mar-21	Expected Jun-21
HSBC	ISAE3402	01/10/19-30/09/20	Currently being reviewed	Mar-21	Expected Jun-21

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

N2. Equitix and Stafford Capital Partners do not produce an internal controls report. A mechanism to review internal controls has been developed and agreed between the Fund and these managers.

10. Norfolk Audit Services 2021-22 Audit Plan for the Norfolk Pension Fund

- 10.1 A review of internal audit needs, and the development of a medium-term internal audit plan were undertaken during 2020-21. A three-year Medium-Term Internal Audit plan (see Appendix I) was agreed in consultation with Senior NPF staff, the Director of the Norfolk Pension Fund and was considered by the Executive Director of Finance and Commercial Services.
- 10.2 This three-year plan was reviewed as part of the 2021-22 planning process and has informed the Internal Audit plan for 2021-22. The plan is based on the model recommended by the Society of County Treasurers (SCT) for Pension Funds and covers the key areas; Governance and Strategy, Pensions Administration and Investments. It also takes account of any significant changes taking place for Pension Funds and the associated risks and controls. The plan has also been informed through researching topical risk areas in relation to Pension Funds and CIPFA TIS advisory and guidance online services and benchmarked against other Local Authority plans. The Internal Audit needs for 2021-22 will be re-assessed during the year as part of next year's planning process. We are satisfied with the level of proposed coverage.
- 10.3 It is recommended that the Pensions Committee should consider the Pension Fund internal audit plan 2021-22.

11. National LGPS Procurement Frameworks

- 11.1 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).
- 11.2 Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements. The LGPS is already collectively

benefiting from more than £119m in projected savings as a result of the National LGPS Frameworks programme.

- 11.3 The Global Custody Services Framework procurement is due to launch in February 2021.
- 11.4 The Invitation to Tender for the Actuarial, Benefits and Consultancy Services Framework was published in January 2021, with evaluation due to take place in March 2021.
- 11.5 Preparations are in hand to commence the letting of a new Stewardship Framework, with a possible Third-party administration framework later in the year.
- 11.6 We have had preliminary discussions with the SAB about the potential to assist in reducing the risk of scams and assisting scheme members to access suitably qualified Independent Financial Advice across the LGPS.
- 11.7 A green paper on public sector procurement is currently being consulted; this may provide greater flexibility for services provided via the National LGPS Frameworks.
- 11.8 The secure area of the National LGPS Frameworks website has been penetration tested.

12. Knowledge and Skills

- 12.1 There is an ongoing requirement for members of the Pensions Committee to demonstrate a level of knowledge commensurate with the decisions they are making.
- 12.2 Members of Pensions Committee, POB and Fund Officers attended monitoring and managing climate risk training.
- 12.3 A detailed training plan is being developed to support the Norfolk Pension Fund's Training Strategy.
- 12.4 Details of training events, conferences and webinars that may be of interest are being shared with members of Pensions Committee and the Pensions Oversight Board; and training records are maintained. Please see Appendix J for details of forthcoming events and record of training.

13. Admission Agreements

- 13.1 There is one admission agreement for the Committee to approve;
- 13.2 **Admission Agreement – St Michael's Family Centre**
- 13.3 We have received an application for an admission agreement from St Michael's Family Centre; a registered charity and early years provider.
- 13.4 The agreement will allow for continuity of LGPS membership for staff to be transferred to the charity from the Diocese of Norwich Education & Academies Trust (DNEAT).
- 13.5 DNEAT are the current employer of the staff and have agreed to provide a guarantee for the participation of the family centre in the Fund. This guarantee will maintain the covenant for these liabilities.
- 13.6 As this agreement is required to facilitate a restructure of staffing arrangements rather than a contract let the Committee is asked to specifically approve the admission to the Fund

14. Update on Bulk Transfer Values in Progress

- 14.1 Please see Appendix K for Bulk Transfer Values in progress.

15. Freedom of Information Act (FoIA)

- 15.1 Since the last Committee papers were finalised, we have provided the following responses to Freedom of Information Act enquiries. All responses have been made via the Corporate Freedom of Information Act Officer within statutory deadlines.

11/02/2021	PitchBook ENQ-459974-X7F3V6	Quarterly performance data for alternative asset holdings from Q1 2010 through Q4 2010, and Q3 2011	Responded
10/02/2021	Cobalt Software ENQ-459866-G3Z3D3	Q3 2020 fund level performance reports for private equity and real estate portfolio	Responded
29/01/2021	Private Equity International ENQ-456998-J8M5J2	Information on Investment Portfolio Allocations, Fund Commitments, Fees & Expenses, Performance	Responded
14/01/2021	Preqin ENQ-453565-F0Q6W3	Commitment, Contribution, Distribution, Value and IRR data for Q1 and Q2 2020	Responded
23/12/2020	Fundmap ENQ-450084-B9R1T7	Information on investment pools and investment fund performance	Responded
15/12/2020	Altman ENQ-448659-C7X1Q6	Q3 2020 cash-flow report for all private capital investments	Responded
09/12/2020	John Broome ENQ 447723-G1J5D8	Details on investment in the tobacco industry	Responded
11/11/2020	Pitchbook ENQ-442609-J2W5Z1	Investment information and values for Q2 2020	Responded
03/11/2020	Cobalt Software ENQ-441062-C2B2D4	Fund level performance reports for private equity and real estate portfolio for Q2 2020	Responded

16. Representation on behalf of the Pension Fund

- 16.1 Please see Appendix L for meetings and events which have taken place since the last Pension Committee.

17. Norfolk Pension Fund – Pensions Committee Forward Plan

- 17.1 The rolling one-year Pensions Committee Forward Plan is attached at Appendix M.

18. Financial and Other Resource Implications

- 18.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

19. Risk Implications/Assessment

- 19.2 Any risk implications relating to this report will be recorded on the Fund's risk register.

20. Other Implications (inc. Equality Impact Assessment (EqIA))

- 20.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 20.2 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.

21. Recommendations

21.1 Recommendations

The Committee is asked to consider 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 (items 8.10 and 8.19); and**
- **admission agreement in respect of St Michael's Family Centre (item 13.2)**

22. Background Papers

Background Papers

Appendix A - Good Governance - Final Report

Appendix B – Good Governance - Action Plan

Appendix C - Risk Heat Map (at February 2021)

Appendix D – Key Performance Indicators

Appendix E - Annual Data Quality Report

Appendix F – Website Data

Appendix G - Key projects for 2021 – 24

Appendix H – Employer Newsletter – February 2021

Appendix I - Internal Audit Plan 2021-24

Appendix J – Knowledge and Skills

Appendix K - Update on Bulk Transfer Values in Progress

Appendix L - Representation on behalf of the Pension Fund

Appendix M - Pensions Committee Forward Plan

Officer Contact

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

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Good Governance: Phase 3 Report to SAB

February 2021

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Good Governance: Phase 3

Report to SAB

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Appendices

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Appendix 4 - Summary of the Independent Governance Review

Introduction

The Scheme Advisory Board accepted the proposals in the Good Governance report Phase 2 on 3 February 2020 and requested that the project team and working groups provide further detail on the implementation of these proposals. The project has suffered delays as a result of COVID and the requirement for key stakeholders in their main roles to focus on and prioritise the response to the pandemic. However, some meetings were held early in 2020 and working papers and notes have been circulated over the last months to collate feedback and reflect the wide range of views from the group.

We considered that some proposals from Phase 2 didn't need further detail in order to progress with implementation and focussed on the proposals which needed further analysis or consideration ahead of implementation. We have provided additional details on these proposals for the consideration of the SAB. This paper should be read in conjunction with the paper from Phase 2.

For reference, all the proposals from Phase 2 are listed below and we have indicated with a * the proposals addressed further in this report.

Area	Proposal
A. General	*A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
	*A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.
B. Conflicts of interest	*B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – now updated
C. Representation	*C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
D. Knowledge and understanding	*D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	*D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
	*D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	*D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
E. Service Delivery for the LGPS Function	E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of

	delegation and constitution and be consistent with role descriptions and business processes.
	*E.2 Each administering authority must publish an administration strategy.
	*E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	*E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
F. Compliance and improvement	*F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended;

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example "Each administering authority must publish an annual report".

Committee a committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example "The pensions committee should have a role in developing the business plan".

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example "Delivery of the LGPS function must be consistent with and comply with the constitution of the host authority"

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example "Taking this course of action will improve the fund's administration".

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years”.

Further Discussion on Recommendations

A General

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

The intention throughout this review has been that any SAB recommendations should be enacted via the introduction of new statutory governance guidance which will supersede current guidance¹. It was felt that this approach would be quicker and more responsive than relying on changes to secondary legislation. The LGPS regulations contain a provision² that allows the secretary of state to issue guidance on the administration and management of the scheme.

We have noted that the outcome of The Supreme Court’s judgment on LGPS boycotts (The Palestinian Case)³ may impact the extent to which future changes are enacted through guidance rather than changes to legislation.

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

This is one of the core recommendations in Phase 2 report and we have provided further detail on the proposal below, including details on the core requirements of the role, organisational guidelines and personal competencies for individuals.

Core Requirements

The role of the LGPS senior officer is to lead and take responsibility for the delivery of the LGPS function. The core requirements include but are not limited to:

- Following appropriate advice, developing the fund’s strategic approach to funding, investment, administration, governance and communication;
- Ensuring that there is a robust LGPS specific risk management framework in place which embeds risk management into the culture of the fund and identifies, assesses and mitigates the risks facing the fund;
- Ensuring the pension fund is organised and structured in such a way as to deliver its statutory responsibilities and compliance with The Pensions Regulator’s codes of practice;
- Managing delivery of the LGPS function to meet service level agreements;
- Providing advice to members of committees that have a delegated decision-making responsibility in respect of LGPS matters;
- Providing advice and information to members of local pensions board to assist them in carrying out their responsibilities;
- Ensuring that the role of the pension fund and LGPS matters are understood and represented at the local authority’s senior leadership level;

¹ [LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE COMPLIANCE STATEMENTS STATUTORY GUIDANCE – NOVEMBER 200](#)

² See Regulation 2(3A)

³ [R \(on the application of Palestine Solidarity Campaign Ltd and another\) \(Appellants\) v Secretary of State for Housing, Communities and Local Government \(Respondent\)](#)

- Working with partner funds and the pool company (if appropriate) to ensure effective governance in respect of investment pooling arrangements;
- Where the LGPS Senior Officer is not themselves the local authority's s151 officer, support the s151 officer to ensure the proper administration of the fund's financial affairs; and
- Acting with the highest integrity in the interests of the fund's members and employers.

Underpinning principles and characteristics

This section considers what needs to be in place for an LGPS senior officer to successfully deliver the role. It is split into the organisation principles that the administering authority should consider when drawing up the role of Senior Officer as well as the personal characteristics and competencies that the individual should exhibit.

Organisational Principles

In appointing a LGPS senior officer, administering authorities should have consideration of the following organisational principles.

Representing the fund at a senior level. The Senior Officer should be of sufficient seniority to ensure that pension issues can be brought the attention of the senior leadership team as necessary. This also ensures that the Senior Officer is close enough to the strategic direction of the host organisation and able to influence decisions where they impact on the management of the fund. It is unlikely that the Senior Officer role could be carried out effectively by an individual lower than third tier in the organisation.

Capacity. The role of Senior Officer is demanding and those undertaking it should be able to give it the necessary attention. While the Senior Officer might have some other responsibilities within the organisation, these should not be of a scale that they impact adversely on the ability to ensure the effective delivery of the LGPS function. When considering capacity, it would be appropriate to consider both the Senior Officer role and the capacity and seniority of their direct reports working in the LGPS.

Reporting Lines. As the individual with responsibility for delivering the LGPS function, it is appropriate that those with key LGPS functions come under a reporting structure which falls under the Senior Officer's supervision.

From time to time the fund will employ resource and expertise from other areas of the authority, for example project management, IT or legal services. It is not the intention that all that all of these functions should fall under the Senior Officer, however the expectation is that key functions such as investment, administration, employer liaison, communications, fund accounting etc do.

Resourcing. The senior officer is responsible for the delivery of the LGPS function and as such must be able to ensure that they run an operation that is sufficiently resourced. The intention is that the Senior Officer is responsible for drawing up the fund's budget and agreeing it with the Pension Committee.

In doing so the Senior Officer needs to be cognisant of the need to maximise the value of any spend from the public purse.

Personal Competencies

The following are the personal and professional attributes that should be embodied by the LGPS Senior Officer.

An ability to build strong relationships and influence. The Senior officer will be expected to influence matters at the highest levels of the organisation. They should be comfortable dealing with elected members and understand the requirements of working in a political environment.

The Senior Officer will need to build and maintain strong relationships with employers within the Fund as well as partners within the investment pool.

The Senior Officer will also need the ability to build strong relationships with professional advisers, including challenging them when appropriate and work to enable the effective operation of the pension board

The Senior Officer will also be expected to represent the fund at a national level.

Strong technical skills. There is no requirement for an LGPS senior officer to have a specific professional qualification, although a relevant qualification (accounting, investment, actuarial, pensions management, legal) may be advantageous. They should have a strong understanding of all aspects of the LGPS. The Senior Officer should have a good grasp of the funding, investment and regulatory matters that impact the fund. They should also be able to explain and simplify difficult concepts to non-technical audiences.

Strategic thinking. It is the role of the Senior Officer to set the strategic direction of the fund. This requires an individual who can synthesise information from a broad range of sources, learn from experiences and bring new ideas to the table. The LGPS senior officer should develop a strong idea of how the delivery of the service will change over time and how the fund can be ready to meet new challenges.

Operational effectiveness. The Senior Officer should be leader with the ability to drive improvement within the organisation and motivate others to buy into their vision. They will need to put plans in place to deliver effective services yet be flexible enough to deal with a volatile pensions landscape.

Strong ethical standards. The LGPS environment can produce the potential for conflicts of interest to arise. The Senior officer should be an individual who embodies the highest ethical standards and acts in the interests of the fund's members and employers. They demonstrate and positively promote the seven principles of public life.

Organisational Structure

Appendix 1 contains examples of how the Senior officer role could be incorporated into various organisational structures.

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.

In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority's s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

It should be noted that the current LGPS regulations⁴ require that administering authorities publish an annual governance compliance statement concerning matters relating to delegation and representation on pension committees. We recommend that amendments are made such that all requirements are incorporated into a single governance compliance statement.

⁴ See Regulation 55 “Administering Authorities: Governance Compliance Statement”

B Conflicts of Interest

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

One of the key objectives of the Good Governance Review was to consider how potential conflicts of interest manifest themselves within current LGPS set up and to suggest how those potential conflicts can be managed to ensure that they do not become actual conflicts. In doing so, the SAB was of the view that the democratically accountable nature of the LGPS be maintained.

Since almost all LGPS funds are rooted in local authority law and practice, those elected members who serving on pension committees are subject to local authority member codes of conduct⁵. These will require members to register existing conflicts and to recognise when conflicts arise during the course of their duties and how to deal with them. Elected members must also comply with the Seven Principles of Public Life (often referred to as the Nolan Principles). Non-elected members sitting on committees and local pension boards should be subject to the same codes and principles.

There are, however, specific conflicts that can arise as a result of managing a pension fund within the local authority environment. The intention of this recommendation is that all administering authorities publish a specific LGPS conflicts of interest policy. This should include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS and will be listed in The Guidance. The expectation is that the areas covered will include:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations;
- Contribution setting for the administering and other employers;
- Cross charging for services or shared resourcing between the administering authority and the fund and ensuring the service quality is appropriate for the fund;
- Dual role of the administering authority as an owner and client of a pool;
- Investment decisions about local infrastructure; and
- How the pension fund appropriately responds to Council decisions or policies on global issues such as climate change.
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

⁵ Similar codes apply for non-local authority administering authorities.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded; and
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.

In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

The Guidance should require each fund to make public its conflicts of interest policy.

B.2 The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular those on decision making committees.

There are no immediate plans for SAB to opine on or publish a statement on fiduciary duty given the conflict between Nigel Giffin's opinion and those of the Supreme Court in the Palestine case. Therefore, this recommendation has been updated.

C Representation

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

One of the key principles of the Good Governance Review is the recognition that each administering authority knows its own situation best and that The Guidance should avoid being overly prescriptive and limiting. In the matters of delegating responsibilities and appointing members to committees, most administering authorities must comply with the Local Government Act 1972. Nothing within The Guidance can, or should, override or limit the provisions of the 1972 Act. The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

The SAB's view is that **it would expect** scheme managers to have the involvement employers and member representatives on any relevant committees.

In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

D Skills and training

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

There was widespread agreement throughout the Good Governance Review process that those making decisions about billions of pounds of public money and the pension provision of millions of members should be properly trained to carry out the responsibilities of their role. The level of knowledge and understanding of technical pensions topics will vary according to role.

The Guidance should require the Administering Authority to identify training requirements for key individuals having regard for:

- topics identified in relevant frameworks or in publications by relevant bodies (e.g. CIPFA, TPR etc)
- the workplan of the Administering Authority; and
- current or topical issues.

The Administering Authority should develop a training plan to ensure these training requirements are met and maintain training records of key individuals against the training plan. These records should be published in the Governance Compliance Statement.

Pension Committees

The private sector has seen an increasing move towards the professionalisation of trustees and the introduction in to the LGPS in recent years of TPR, local pension boards and MIFID have made knowledge and skills for committees and boards a greater focus.

The membership of committees typically includes some or all of the following:

- administering authority elected members;
- other local authority elected members;
- other employer representatives; and
- scheme member representatives.

Training requirements for pensions committees apply to all members.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees. As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

A pension committee member is not being asked to be a subject matter expert or act operationally. Instead the role involves receiving, filtering and analysing professional advice in order to make informed decisions.

A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework.

When considering what training is appropriate for committee members, it might help to consider how pension committee operate and what makes an effective committee. To carry out the role effectively a committee member must have the following;

- An ability to focus on the issues that make the most difference and produce the most value and not be distracted by lower order issues;
- Access expert professional advice in the form of external advisers and administering authority officers; and
- An ability to seek reassurance, challenge the information provided and bring their own experiences to bear in decision making.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

Treasury Guidance⁶ requires that all government departments should have professional finance directors and that “It is good practice for all other public sector organisations to do the same, and to operate to the same standards”.

Professionally qualified in this context refers to both being a qualified member of one of the five bodies comprising the Consultative Committee of Accounting Bodies (CCAB) in the UK and Ireland; and having relevant prior experience of financial management in either the private or the public sector.

The intention behind this recommendation is that an understanding of the LGPS should be a requirement for s151 officers (or those aspiring to the role). During the Good Governance project itself the view was put forward by some the profession that requiring an element of LGPS training could form part of an individual’s ongoing continuous professional development requirements. This would have the advantage of ensuring the topics covered remain current and relevant.

The expectation would be that an appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS in order that they can understand issues relating to the participation of their own organisation, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

Many funds already publish training strategies which set out training strategies which establish how members of the Pension Committee, Pension Board and fund officers will attain the knowledge and understanding they need to be effective and to challenge and effectively carry out their decision making responsibilities. The intention is that all LGPS funds should produce a strategy which should set out how those involved with the fund will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified;
- ensure that knowledge is maintained; and
- evidence the training that is taking place

⁶ See Managing Public Money (July 2013), Annex 4.1

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The intention is that SAB engage with the professional accountancy bodies to develop LGPS training modules for accountancy professionals operating within local authorities.

E Service delivery for the LGPS Function

E.2 Each administering authority must publish an administration strategy.

This proposal has been progressed by the Cost Management, Benefit Design and Administration subcommittee to the SAB. When it met on the 6th January 2020 the following proposals were discussed:

- Changing the status of Regulation 59 from discretionary to mandatory and introduce the requirement for Pension Administration Strategy statements to be prepared and maintained in accordance with new statutory guidance
- Reviewing the remainder of Regulations 59 and 70 to identify whether any additional changes should be made;
- Exploring the scope for empowering administering authorities to penalise inefficient scheme employers in a more effective way;
- Recommending that MHCLG publishes new statutory guidance including :-
 - Minimum standards of performance;
 - Assessment of inefficiency costs;
 - Timescales for submitting scheme data
- Extending Regulation 80 to include a duty on all scheme employers to comply with the new Pension Administration Strategy statements.
- Changing the name of the statement to make it clear that it is wholly relevant to scheme employers.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

The working group considered this and recommend that rather than attempting to define a universal set of standards for administration across the LGPS. the KPIs should focus on ensuring that each fund has defined service standards, and has the governance in place to monitor their service standards and to benchmark those standards against other funds where appropriate.

Governance KPIs

Subject Area	KPI	Notes
Breadth of representation	1. Percentage make-up (employer/member) on committee and board and number of LPB representation	
	2. Average attendance level at meetings (percentage) – split between absence and vacancies	<i>1. and 2. may be incorporated in the Governance Compliance Statement (GCS) by including a clear statement of committee members and their attendance at meetings</i>
Training and expertise	3. Hours of relevant training undertaken across panel/board in last year	
	4. Relevant experience across senior management team	A qualitative statement on the LGPS Senior Officer and their direct reports (or other senior pensions staff) to include professional qualifications and financial services/pension/LGPS experience. Also include % time spent on pension fund business by each person
Compliance/ Risk	5. Number of times risk register reviewed annually – number of times on agenda at committee/board.	This is not measuring the quality of the register but the expectation that it will be viewed regularly at the committee should also improve quality.
	6. Number of times carried out business continuity testing and/or cyber security penetration testing	<i>Key focus of TPR</i>
Appropriate governance time spent on key areas	7. Split of committee/board spent on administration/governance/investment	How should this be measured, is it just by number of items on the agenda keeping in mind it needs to be auditable?

Administration KPIs

		Notes
Data quality	1. Common/conditional data score, in line with TPR expectations	
	2. Annual Benefit Statement percentage as at 31 August	<i>Include explanation where less than 100%.</i>
Service standards/SLAs	3. Number and percentage of pension set-ups (new retirements) within disclosure requirement timeframe	
	4. Does the Fund monitor and report its own standards?	Y/N
	5. Percentage of calls to customer helpline answered and resolved at first point of contact	
Engagement and communication – capabilities and take-up	6. Specify which online services are available to members/employers	<i>Measuring services provided by Fund online, perhaps against an agreed standardised list.</i>
	7. Percentage of members registered for the fund's online services and the percentage that have logged onto the service in the last 12 months split by status	<i>Measuring take up of services</i>
	8. Number of employer engagement events and/or briefings held in last 12 month and percentage take-up	<i>Percentage take-up could be weighted to size of employer.</i>
Customer satisfaction	9. Percentage of members (or employers if appropriate) satisfied with the service provided by their LGPS fund (this could be obtained via a simple questionnaire of no more than 5 questions).	<i>Members and employers should be measured separately, and funds should also report the number completing the questionnaire to ensure appropriate coverage. For consistency in comparison we suggest a general question is drafted and Funds told to incorporate into their surveys – e.g. “The service was excellent – Strongly Disagree/Disagree/Agree/Strongly Agree.”</i>

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund's budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund's business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year's budget by an inflationary measure or specify an "available" budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund's business plan, but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority's scheme of delegation and constitution.

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard.

If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

F Compliance and Improvement

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

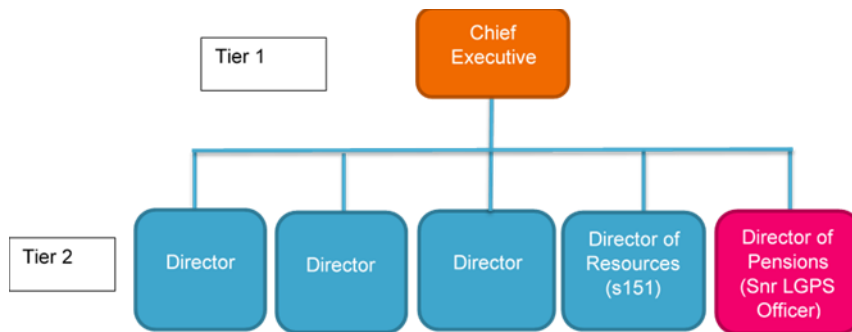
IGR reports to be assessed by a SAB panel of experts.

The Phase 2 report sets out the key features required in the Independent Governance Review. A sample outline for further discussion is included in Appendix 3.

Appendix 1 - Senior officer organisational structures

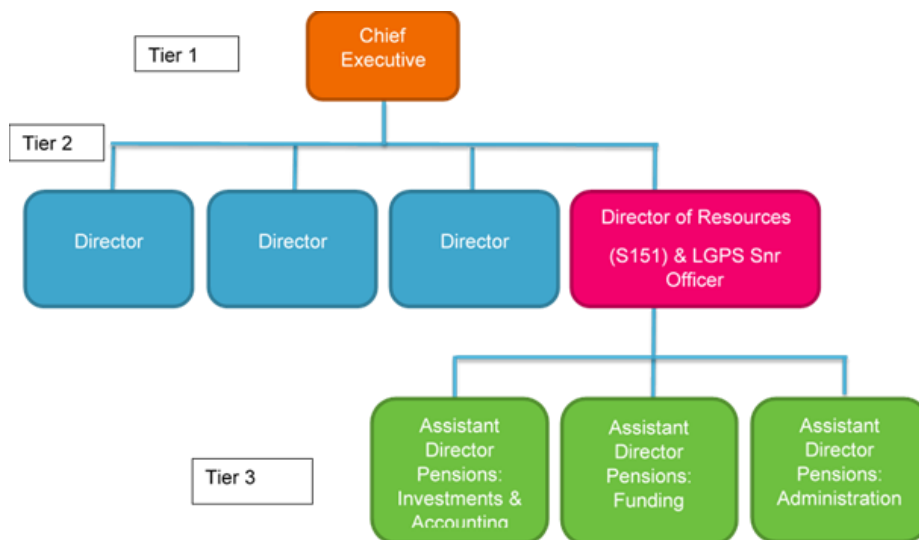
The following organisational structure charts show where the LGPS senior officer role may sit.

Example 1



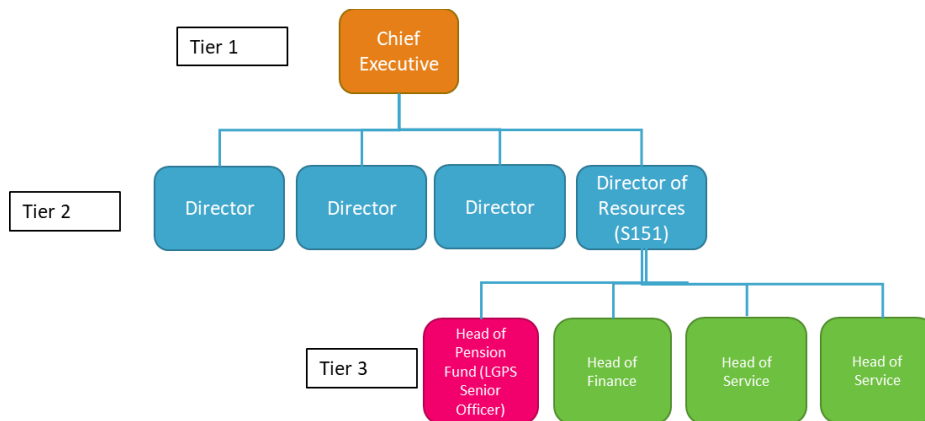
In this structure the LGPS Senior Officer is the Director of Pensions. As a tier 2 officer in the organisation the Director of Pensions will have the appropriate seniority for the role and with only LGPS responsibilities they will have the capacity to focus solely on delivery of the LGPS function.

Example 2



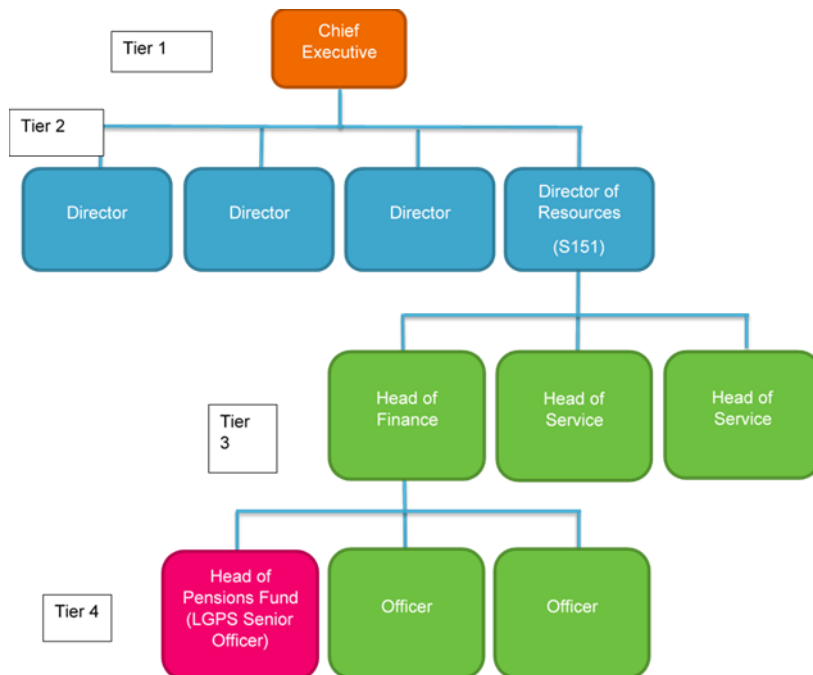
In this model the LGPS Senior Officer is a Tier 2 Director with significant other responsibilities. The diagram shows the LGPS Senior Officer as the Director of Resources and s151 officer, but a similar situation could arise if pension responsibilities lay within another Directorate, for example under a director with responsibility for legal/governance (in which case the LGPS Senior Officer would likely be the monitoring officer as well). Although the Senior officer has other responsibilities in this scenario, they are supported by a senior team of assistant directors, who are themselves tier 3 officers. The strength of the management team in this case is likely to mean that the LGPS Senior Officer has the ability to delegate aspects of LGPS delivery to an appropriately senior team, while retaining the ability to influence the strategic direction of the fund.

Example 3



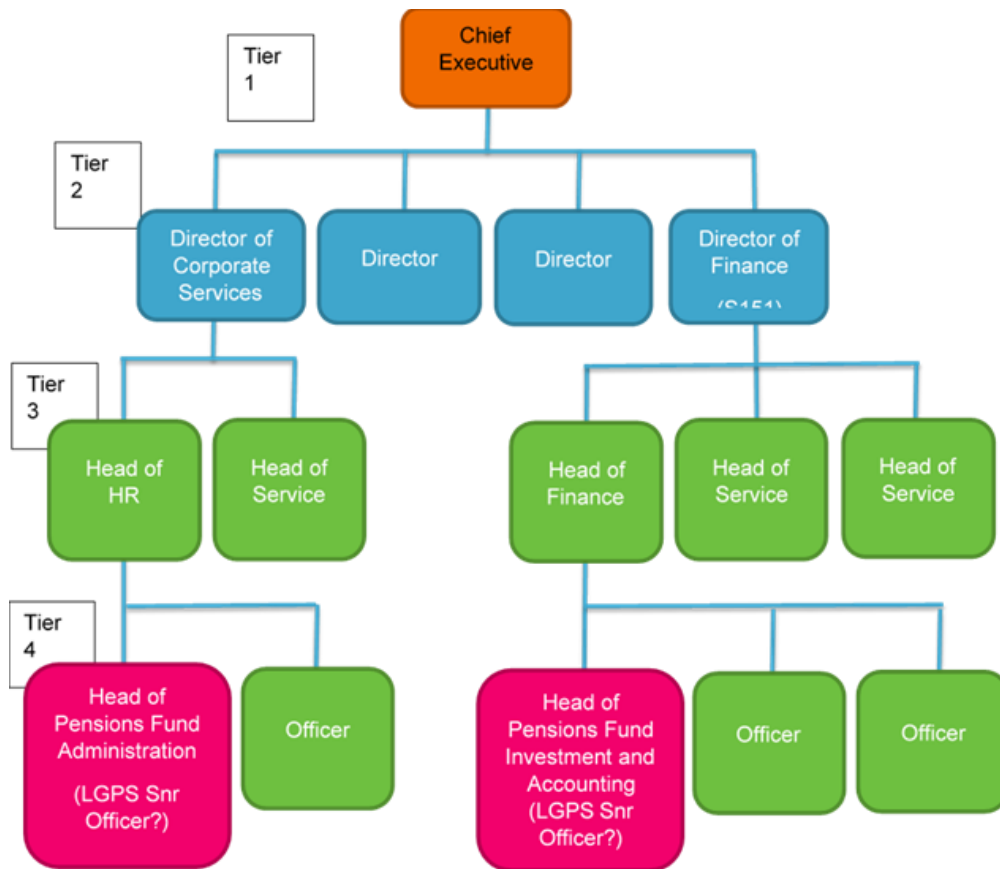
Under this structure the Head of Pensions is a Tier 3 officer reporting to the S151 officer.

Example 4



Under this structure the Head of Pensions sits at tier 4 with a reporting line that runs through the Head of Finance, Director of Resources (s151) and to the Chief Executive. As long as the reporting lines are clear and there is sufficient support for the Head of Pensions from senior officers this structure may provide an appropriate level of seniority and capacity for the Senior officer. However, some members of the working group expressed the view that in order to manage the scope and exert the required influence, the LGPS Senior Officer role should be held by an individual no lower than Tier 3.

Example 5



In this structure it becomes difficult to identify where the LGPS Snr officer should sit. While the investment and accounting functions sit within the function at tier 4, the administration of the fund is delivered by a fourth tier officer in the corporate services directorate who reports to the Head of HR. such an arrangement makes it difficult to for any one person to have full sight of all LGPS functions. Separate reporting lines in this fashion militate against a joined strategy and decision making for the fund.

Appendix 2 - Governance compliance statement

The following is an example of a governance compliance statement. It is recognised that under the current LGPS regulations, administering authorities must prepare, publish and maintain a statement on the following matters;

- (a) whether the authority delegates its functions, or part of its functions under the LGPS regulations to a committee, a sub-committee or an officer of the authority;
- (b) if the authority does so-
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

These matters should continue to form part of each administering authority's governance compliance statement.

It is recommended that the new governance compliance statement incorporates the existing requirements alongside the recommendations arising from this review.

A Conflicts of interest

A1. Conflicts of Interest Policy

The Fund has published a conflict of interest policy which sets out:

- How it identifies potential conflicts of interest (including those set out in recommendation B1)
- How it ensures that understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- That the policy applies to officers, elected members, members of the local pension board and advisers and contractors;
- Systems, controls and processes for managing and mitigating conflicts of interest effectively;
- How it reviews the effectiveness of its conflict of interest policy and updates it as required;
- How it embeds a culture which supports the management and mitigation of conflicts of interest.

The Governance Compliance Statement includes a link to this policy.

A2. Conflicts of Interest Process

The fund embeds the management of conflicts of interest into its everyday processes. This includes:

- Providing regular training to members of the pension committee, pension board and officers on identifying and managing potential conflicts of interest;
- Ensuring a record is kept of situations where the Conflict of Interest Policy has been applied to mitigate or manage a potential conflict situation;
- Ensuring that a declaration of interests forms part of the agenda for all pension committee and pension board meetings and that an annual declaration of interests is completed;
- Ensuring actual and potential conflicts of interest are considered during procurement processes; and
- Ensuring that conflicts of interest form part of the Fund's suite of policies for example the Funding Strategy Statement and Administration Strategy.

A3. The Council as administering authority and employer

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all of the Fund's employers and scheme members are treated fairly and equitably.

The Fund achieves this in the following ways:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund actuary and is opened to consultation with all Fund employers before being formally adopted by the Pension Committee. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.
- The Fund also has an admissions policy which details its approach to admitting new employers to the Fund. This includes its approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted in to the Fund.
- The Fund's administration strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This policy has been opened to consultation with all the Fund's employers and is operated in a consistent fashion across all of the employer base.
- The pension fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is set and managed separately from the expenditure of the Council. Decisions regarding pension fund resource are taken to the Pension Committee who then make recommendation to the S151 officer.

B Clarity of Roles and Responsibilities

B.1 Clear decision making

The Council's constitution and scheme of delegation set out the terms of reference for the Pension Committee.

The Pension Board's terms of reference and the membership and terms of reference for any sub-committees are also published.

The scheme of delegation is supported by:

- clearly documented role and responsibilities for the LGPS Senior Officer, S151 and pension fund officers / Head of Pension Fund; and
- a decision matrix which sets out the key decisions that are required to be made in the management of the Fund and the role that the main decision makers have in those decisions. The matrix sets out when an individual or body is responsible for a decision, accountable for a decision or where they must be consulted or informed of a decision.

On a regular basis the Fund's business processes are referenced against the decision matrix, to ensure that they properly reflect the correct responsibility and accountability.

The terms of references for the Committee & Board are publicly available and should be reviewed on a regular basis.

C Sufficiency of resources for service planning and delivery

In order to ensure that the Fund has the appropriate resource to deliver its statutory obligations it has adopted a 3 stage approach.

C.1 Business planning and budget setting

The Fund operates a 3 year business plan which sets out the priorities for the Fund's services. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis. The business plan is publicly available.

The business plan takes into account the risks facing the Fund, performance of the Fund (including backlogs of work) and anticipated regulatory changes.

The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan.

The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published in the Fund's annual report and accounts.

C.2 Service delivery

The Fund publishes an administration strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;

- the Fund's approach to the use of technology in pension administration.

C.3 Monitoring delivery and Control environment

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

- Performance against KPIs is reported to the Pension Committee and Pension Board on a regular and agreed basis. KPI performance is reported in the Fund's annual report. Plans to address any backlogs added to business planning process above.
- Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. The areas for review are agreed in advance with the Pension Committee and findings are reported to them.
- This year the internal audit also included an assessment of the Fund's performance against the requirements of The Pension Regulator's Code of Practice 14. The assessment recognised that the Fund is fully compliant in most areas but did make a number of suggestions about how the Fund could improve its internal controls for managing data. These suggestions have been adopted into the Fund's data improvement plan.
- Last year the Pension Board assisted the committee by undertaking an independent review of the sufficiency and appropriateness of the Fund's governance and operational resources. The review found that the Fund was for the most part properly resourced although the use of regular staff to tackle a backlog of aggregation cases was causing the backlog project to fall behind and having an adverse impact on business as usual. The review suggested procuring additional temporary resource in order to address the backlog issue.
- The Fund also participates in national benchmarking exercises which provides information on how costs, resource levels and quality of service compare with other LGPS funds and private sector schemes. The benchmarking did not identify any significant areas of concern.

D. Representation and engagement

The Fund has published a Policy on representation and engagement.

D.1 Representation on the main decision making body

The policy recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain a majority of voting members on the Pension Committee. The present Pension Committee is constituted as follows;

Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	Meeting Date				Attendance (%)
		MM/YY	MM/YY	MM/YY	MM/YY	
Voting Members						
Cllr A (chair)	Administering Authority	Y	N	Y	Y	75%
Cllr B (vice-chair)	Administering Authority	Y	Y	Y	Y	100%
Cllr C	Administering Authority	Y	N	Y	Y	75%
Cllr D	Administering Authority	N	Y	Y	N	50%
Cllr E	Administering Authority	Y	Y	Y	Y	100%
F	Employer representative	Y	Y	N	Y	75%
G	Member representative	N	Y	Y	Y	75%
Vacancy		N	N	N	N	0%
Average attendance (including vacancies) %						78%
Average attendance (excluding vacancies) %						69%
Proportion of voting members not from the Administering Authority						2 out of 7 (28%)
Non-Voting Members						
H	Member representative	Y	Y	Y	N	75%
I	Member representative	Y	Y	Y	Y	100%

D.2 Membership of the Local Pension Board

The Local Pension Board is constituted as follows;

- 4 employer representatives comprising;
 - 2 elected members of the Council
 - 1 elected member of the District Council
 - 1 member representing all other employers
- 4 scheme member representatives comprising;
 - 1 member appointed by trade unions
 - 3 members representing active, deferred and pensioner Scheme members (to be appointed by an open election process)
- 1 independent chair

With the exception of the Chair, all members are full voting members.

The Pension Board has an independent adviser.

D.3 Engagement with employers

The Fund carries out a range of activities that are designed to engage employers. These are set out within the Fund's Communication strategy and include:

- An Annual Employer Forum which provides an opportunity for employers to receive an update on the performance of the Fund, provide feedback on the service and receive updates on the LGPS and related issues;

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A quarterly employer newsletter provides update on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

D.4 Engagement with members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointments, by phone or at our offices, with members of the pension team to discuss specific matters.

E. Training

E.1 Training Strategy

The Fund has adopted a training strategy which establishes how members of the Pension Committee, Pension Board and Fund officers will attain the knowledge and understanding they need to be effective and to challenge and act effectively within the decision making responsibility placed upon them. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified.

The Fund will measure and report on progress against the training plans.

E.2 Evidencing standards of training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in the Fund's annual report and in this statement.

Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed and any gaps identified are addressed as part of the ongoing training plans.

Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan.

Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal.

The CIPFA requirement for continuous professional development for s151 officers now includes a regular LGPS element. This requirement applies to the s151 officer for the Council as well as the district and borough councils within the Fund. The fund has complied fully with this requirement.

Pensions Committee – Training for Financial Year YYYY/YY

Training Completed (hours)		Subject				Total (hours)
		Governance	Investment	Pensions Administration	Other (specify)	
Pensions Committee						
Cllr A (chair)		2	5	1	1	9
Cllr B (vice-chair)		2	4	1	1	8
Cllr C		4	5	2	2	13
Cllr D						
Cllr E						
F						
G						
Vacancy						
Sub-Total						130
Pensions Board						
R (chair)		2	5	1	1	9
S (vice-chair)		2	4	1	1	8
T		4	5	2	2	13
U						
V						
W						
X						
Sub-Total						100
Officers						
LGPS Senior Officer		6	8	3	4	9
X						
Y						
Z						

Appendix 3 - KPI Reporting

This appendix includes example tables for reporting committee structure and training KPIs.

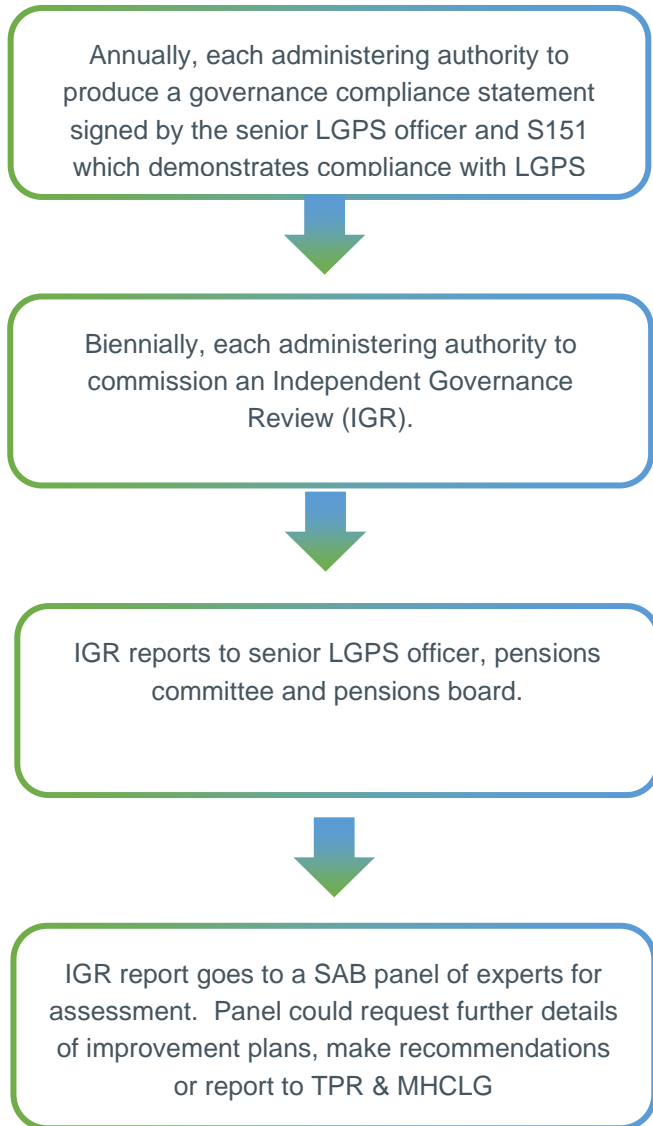
Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	Meeting Date				Attendance (%)
		MM/YY	MM/YY	MM/YY	MM/YY	
Voting Members						
Cllr A (chair)	Administering Authority	Y	N	Y	Y	75%
Cllr B (vice-chair)	Administering Authority	Y	Y	Y	Y	100%
Cllr C	Administering Authority	Y	N	Y	Y	75%
Cllr D	Administering Authority	N	Y	Y	N	50%
Cllr E	Administering Authority	Y	Y	Y	Y	100%
F	Employer representative	Y	Y	N	Y	75%
G	Member representative	N	Y	Y	Y	75%
Vacancy		N	N	N	N	0%
Average attendance (including vacancies) %						78%
Average attendance (excluding vacancies) %						69%
Proportion of voting members not from the Administering Authority						2 out of 7 (28%)
Non-Voting Members						
H	Member representative	Y	Y	Y	N	75%
I	Member representative	Y	Y	Y	Y	100%

Pensions Committee – Meeting Content (Governance KPI 7)

			Meeting Date				Number of times item considered
			MM/YY	MM/YY	MM/YY	MM/YY	
Meeting duration (hours)			3.0	2.5	4.0	2.5	
Governance							
	Declaration of Conflicts of Interest		X	X	X	X	4
	Policies/Strategies			X	X		2
	Business Planning					X	1
	Budget setting					X	1
	Annual report and accounts			X			1
	Governance Compliance Statement			X			1
	Audit matters (internal/external)		X	X	X		3
	Risk Register		X	X	X	X	4
	Business Continuity			X			1
	Data Security				X		1
	Breaches		X	X	X	X	4
	Regulatory Update			X		X	2
	Update from Pension Board		X				1
	Pool Governance issues			X		X	2
	Review of Effectiveness		X				1
	Training		X		X		2
	Other [to be specified]						
Funding							
	Actuarial Valuations		X	X			2
	Funding Strategy Statement		X	X			2
	Interim Funding Update				X	X	2
	Other [to be specified]						
Investment							
	Strategy review				X		
	Policies/Strategy (Investment Strategy Statement, Responsible Investment)				X	X	
	Strategy implementation - Asset Pooling - Investment manager appointments		X		X	X	3
	Monitoring of investments - Market update - Investment managers - Performance		X	X	X	X	4
	Other [to be specified]						
Pensions Administration							
	Administration Strategy					X	1
	Communications Strategy						0
	Performance Indicators		X	X	X	X	4
	Updates on Projects			X		X	2
	Other [to be specified]						

Appendix 4 - Summary of the Independent Governance Review



Scheme Advisory Board

ANNEX to letter from SAB Chair to Luke Hall MP 11.2.2021

Action Plan (extract from Board report of 8 February 2021)

The action plan consists of formal requests from the SAB to MHCLG and other bodies to implement the recommendations from the project together with actions for the SAB which are either dependant on or regardless of the outcome of those requests.

- Column 1 of the grid below sets out the recommendations listed in the final report from Hymans Robertson.
- **Column 2 shows the actions proposed for MHCLG either by way of regulation or statutory guidance.**
- Column 3 shows any associated work that would need to be undertaken by bodies other than MHCLG or SAB
- Column 4 shows work that would need to be undertaken by SAB dependant on MHCLG guidance/work by other bodies being completed and;
- Column 5 shows actions that SAB can undertake to further improve scheme governance and administration immediately, regardless of the actions of MHCLG and other bodies.

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").	Publish statutory guidance (SG) to include requirements set out below using either reg 2(3A) powers or a new regulation in section 3			

Scheme Advisory Board Secretariat

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”).	Set requirement in scheme regulations	CIPFA to refer to the role in their guides	Publish a guide to the named officer role	Letter to CIPFA confirming SAB’s recommendation to Minister
A.3 Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.	Set requirement in scheme regulations and publish high level statutory guidance		Publish a guide to GCS, including best practice examples	
B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.	Set requirement in statutory guidance at A.1		Publish a guide to Col policies, including best practice examples	Survey AAs to identify extent of conflict of interest policies already in existence

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	Request that MHCLG clarify Fiduciary Duty in statutory guidance at A.1	CIPFA to make reference in their Knowledge and Understanding framework	Publish guide on statutory and fiduciary duty based on A1 guidance and further legal advice	Seek further legal advice in co-ordination with Administering Authorities and recommend any further action in this area
C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	Set requirement in statutory guidance at A.1		Publish a guide to representation based on requirements of SG	Survey AA's for analysis of current representation
D.1 Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	Set requirement in statutory guidance at A.1	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	Investigate existing training in this area and publish results

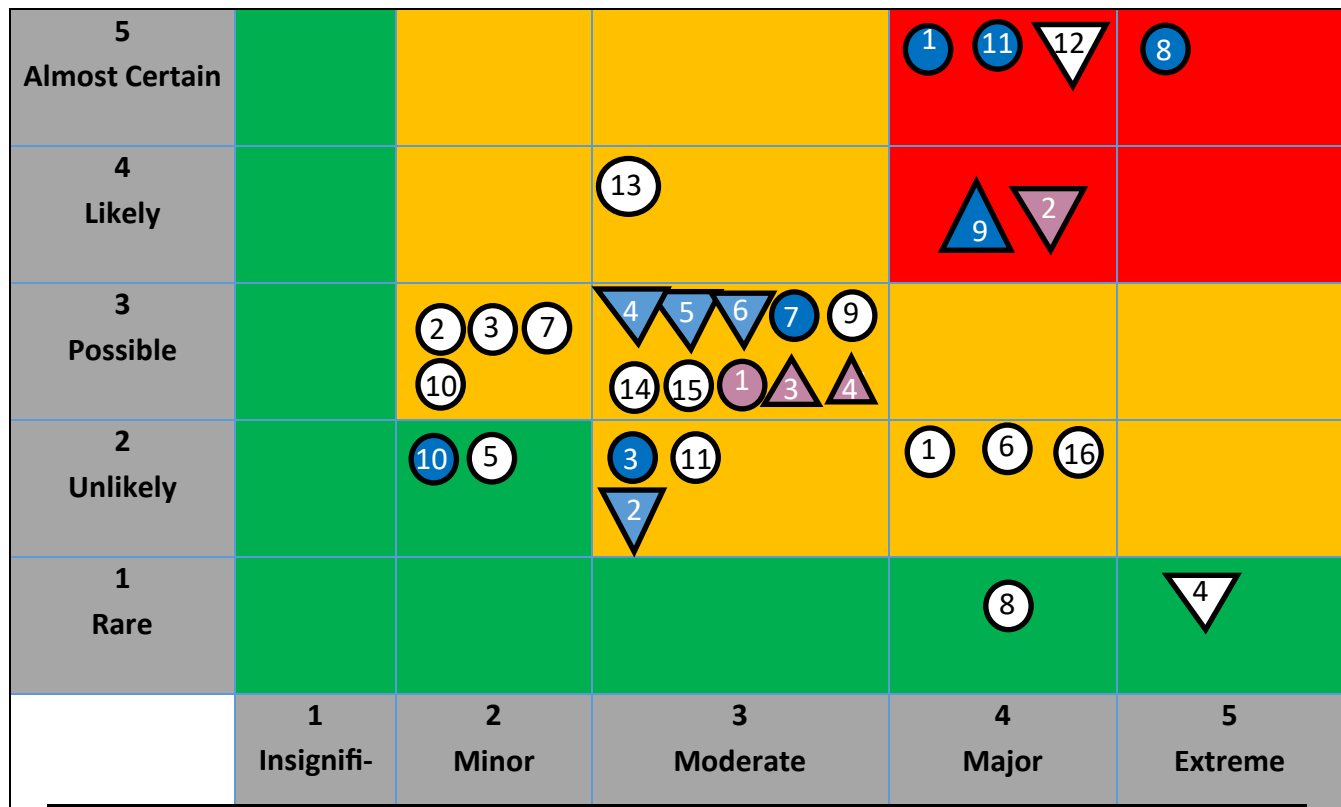
Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	Set requirement in statutory guidance at A.1	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	
D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	Set requirement in statutory guidance at A.1		Publish a guide to training plans	Survey AA's for existing training plans and publish for best practice
D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.		CIPFA to produce appropriate guidance and training		Letter to CIPFA setting out request
E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The	Set requirement in statutory guidance at A.1		Publish a Guide to Roles and Responsibilities Matrix	Survey and publish existing delegation arrangements in AA's

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
matrix should reflect the host authority's scheme of delegation and constitution, and be consistent with role descriptions and business processes.				
E.2 Each administering authority must publish an administration strategy.	Set requirement in scheme regulations		Publish a guide to administration Strategy	Obtain and publish examples of existing PSAs
E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service	Set requirement in scheme regulations or SG	CIPFA to include in AR&A guidance		
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	Set requirement in statutory guidance at A.1	CIPFA to publish appropriate guidance		Investigate and publish current arrangements for agreeing pensions budget


Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Set requirement in scheme regulations, and include in high level statutory guidance		Establish panel of experts to review biennial governance reviews	Investigate the work of any similar bodies and consider potential structure and membership
F.2 LGA to consider establishing a peer review process for LGPS Funds.		LGA to consider proposal		Letter to LGA setting out request


Norfolk Pension Fund Risk Heat Map February 2021 , showing movement since November 2020


APPENDIX C



	Governance (NPFG)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (Admin)
3	Knowledge & understanding (O)	Manager underperformance	-
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	NEW System implementation and transition
6	Business continuity (Gov)	Illiquidity	
7	Communication & Engagement	Default by participating employer	
8	Lack of skilled resource (gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	Brexit	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12		Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Becoming more of a risk 

Risk is stable 

Becoming less of a risk 

Key Performance Indicators (KPIs) as at Jan 2021

Admin KPIs

Target = 100%

RAG Status

<75%

76% - 84%

>85%

This table shows the volume and percentage within target number of days for Admin KPIs.

Task	Days	Nov-19		Dec-19		Jan-20		Feb-20		Mar-20		Apr-20		May-20		Jun-20		Jul-20		Aug-20		Sep-20		Oct-20		Nov-20		Dec-20		Jan-21		Monthly	
		Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
Transfer In Quotes	10	24	96	26	96	27	96	33	100	26	81	3	67	2	100	14	71	15	73	16	94	20	65	14	100	17	100	22	95	25	96	19	89
Transfer Out Quotes	10	41	98	39	92	63	97	47	96	49	96	17	100	31	97	51	69	45	96	26	92	28	93	61	85	58	97	45	89	53	94	44	93
Refund Payments	5	57	95	60	100	68	100	71	97	48	98	30	97	20	95	62	100	56	100	43	98	38	97	46	100	55	95	31	82	47	100	49	97
Estimate of Retirement Benefits	10	139	98	105	95	150	99	187	99	86	97	37	81	71	92	81	93	145	94	136	93	73	99	119	90	146	78	90	89	95	94	111	93
Actual Retirement Benefits	5	131	100	98	99	140	99	83	100	103	100	107	99	114	98	139	96	112	99	94	98	162	100	155	96	145	99	109	99	152	100	123	99
Acknowledge Death of Member	5	54	98	72	99	99	99	66	97	68	97	64	41	81	25	79	34	73	49	63	90	51	86	63	97	87	94	60	87	100	97	72	79
Notify Dependant's Benefits	5	28	100	23	100	40	100	30	100	20	90	11	36	17	76	35	23	30	37	24	83	22	68	29	83	16	100	22	59	25	84	25	76
Notify Deferred Benefits	10	437	99	250	97	298	99	340	98	197	99	181	99	153	92	160	98	151	99	99	99	113	98	164	99	183	96	155	99	220	99	207	98
Altair Housekeeping	5	13	100	12	92	12	100	12	100	15	100	9	89	10	100	11	82	13	100	6	83	12	83	14	93	13	100	12	75	12	100	12	93



Norfolk Pension Fund

Record Keeping Data Quality

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

January 2021



Norfolk Pension Fund

Report on Data Quality at January 2021

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

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

The figures and statistics in this report are snapshot figures taken from the Pensions Administration System as at 12 January 2021.

For more information please contact:

Mark Alexander
Pensions Manager

Tel: 01603 495781

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

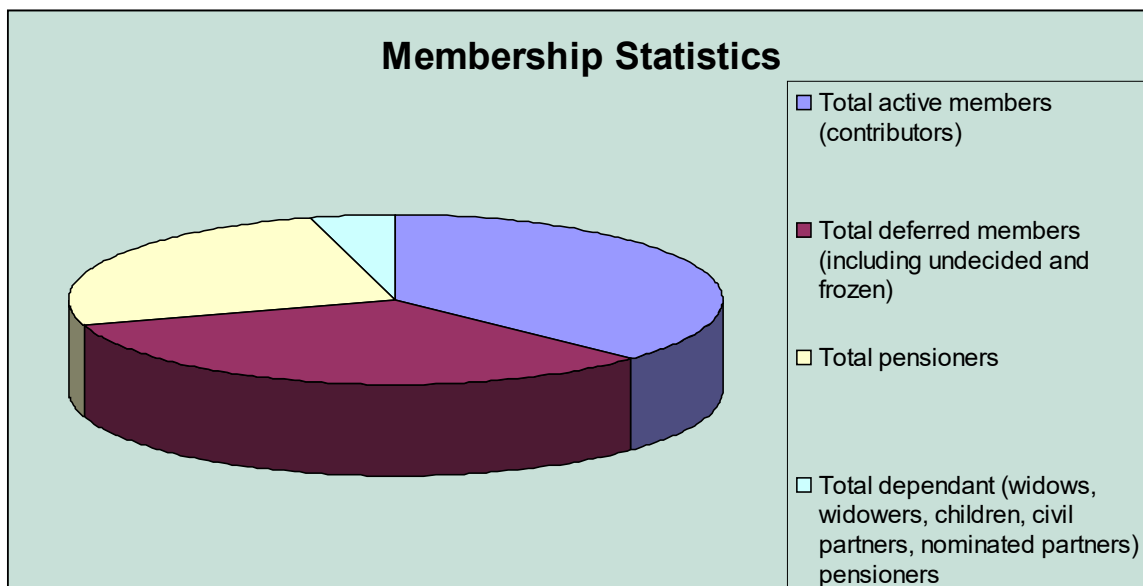
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Numerical Information

1. Numerical information [P391]

1. Membership statistics	
Number of schemes being managed	2
Total active members (contributors)	29,502
Total deferred members (including undecided and frozen)	37,215
Total pensioners	24,981
Total dependant (widows, widowers, children, civil partners, nominated partners) pensioners	3,363
TOTAL of all members	95,061



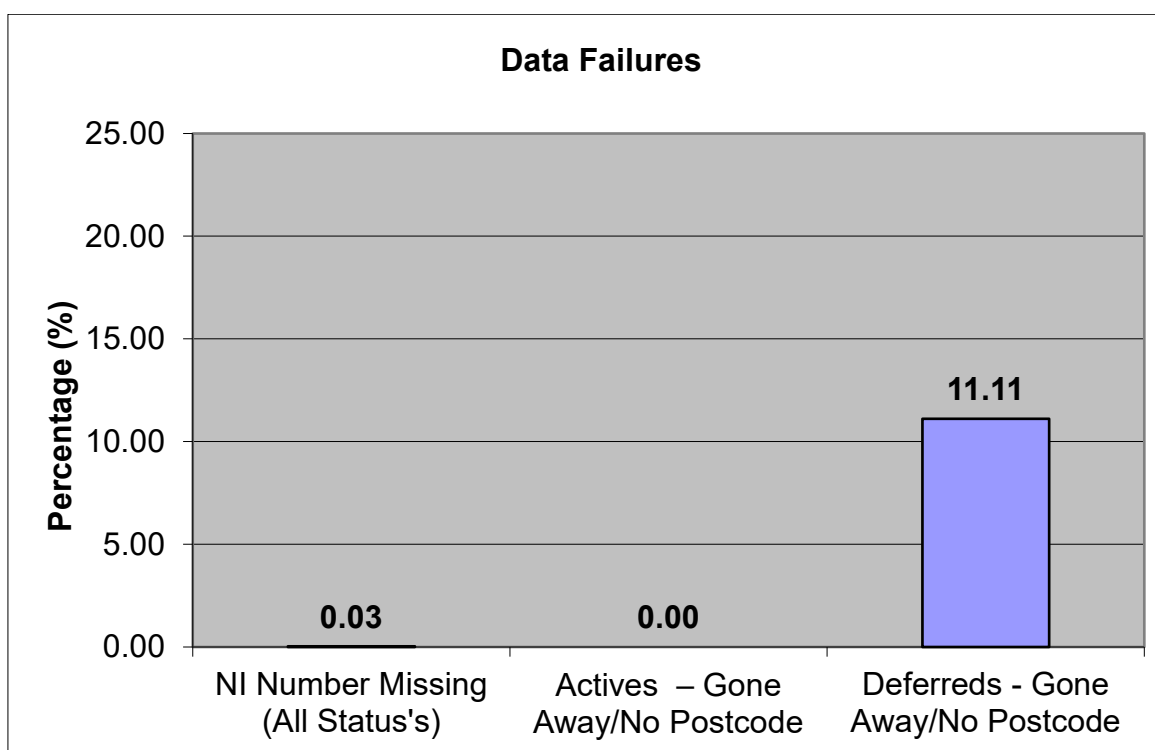
Commentary

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

Common data

2. Common data checking [QUAL01]

Data item	Maximum population	Fails
NI Number	95,061	25
Surname	95,061	0
Forename/initials	95,061	0
Gender	95,061	0
Date of birth	95,061	0
Actives – Gone Away/No Postcode	29,502	0
Deferreds – Gone Away/No Postcode	37,215	4,136
Pensioners – Gone Away/No Postcode	28,334	76
Total individual fails		4,237
Total number of members failing one or more tests		4,237
Percentage members of total with fail		4.43%



Common data score

This is a measure of all common data items averaged across all items: **95.57%**

Commentary

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

Actives:

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

Deferreds:

- **National Insurance Number** – This is checked with employers when posting contributions whilst the member is contributing at year-end to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC.
- **Surname** – This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.

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

Pensioners:

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

Analysis of tests failed

Deferreds – Gone Away/No Postcode

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

Commentary on criticality of data failures

- Whilst it is certainly good practice to keep in touch with deferred pensioners, the fact that we don’t know their current whereabouts does not cause problems in terms of paying out money due or accounting for money due to be paid.
- We carry out regular mortality screening (see above) which highlights where payments may due to be paid. Members not failing the mortality screening are assumed to be still alive and therefore will be entitled to receive benefits on retirement.
- As part of our Data Quality exercises we have scheduled to trace our deferred pensioners addresses using our tracing service. **We repeat this exercise every 18 months or so in order to keep records as up to date as possible whilst bearing in mind the cost of such exercises and the response rates achieved.**
- When deferred members reach retirement age and benefits are payable, individual tracing services are employed in order to ensure benefits are paid on time.

Conditional data

3. Conditional data checking

Test group	Maximum population	Fails
Actives – pay data [PAY009]	29,502	0
Actives – contributions data [CONT35]	29,502	0
Actives – CARE data [CARE001]	29,502	0
Deferreds – Pensions Increase data [PRES22]	37,215	0
Deferreds – Passed Due Date [PRES20]	37,215	24
Pensioners – GMP data [PENS12]	28,344	15
Total		39

Conditional data score

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

Commentary

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

Actives – pay data:

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

Actives – contributions data:

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

Deferreds – Pensions Increase Data:

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

Deferreds – Passed Due Date:

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

Pensioners – GMP Data:

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

Analysis of tests failed

Deferreds – Passed Due Date:

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

Commentary on criticality of data failures

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

4. Actions required for data cleansing

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

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

5. Timescale to complete data cleansing

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

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

6. Data quality improvement

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

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

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

7. Glossary

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

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

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

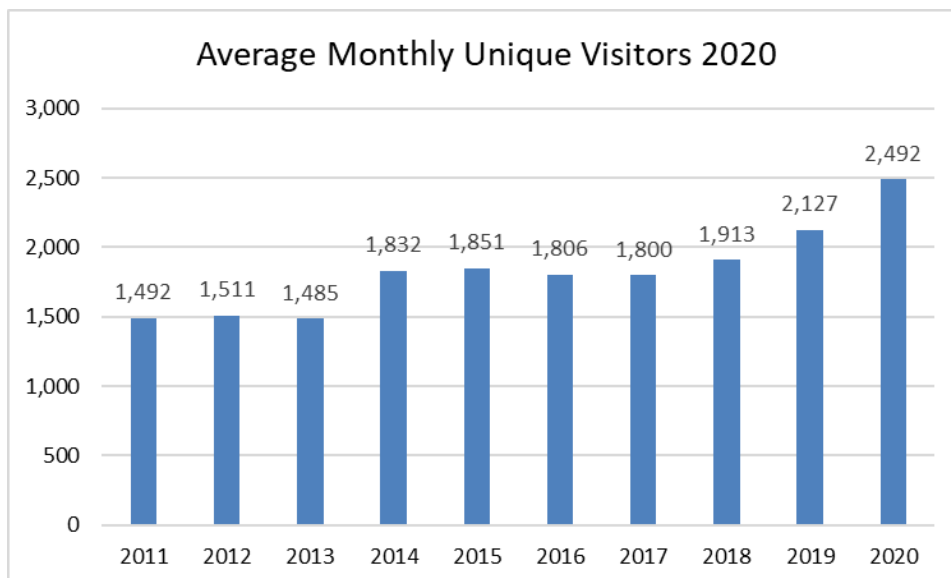
Pensioners – these are former scheme members who are now in receipt of their pension: depending on the context this term might include dependents of former scheme members who are entitled to a pension (e.g. widow’s, widowers, and children).

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

Norfolk Pension Fund Online Usage

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

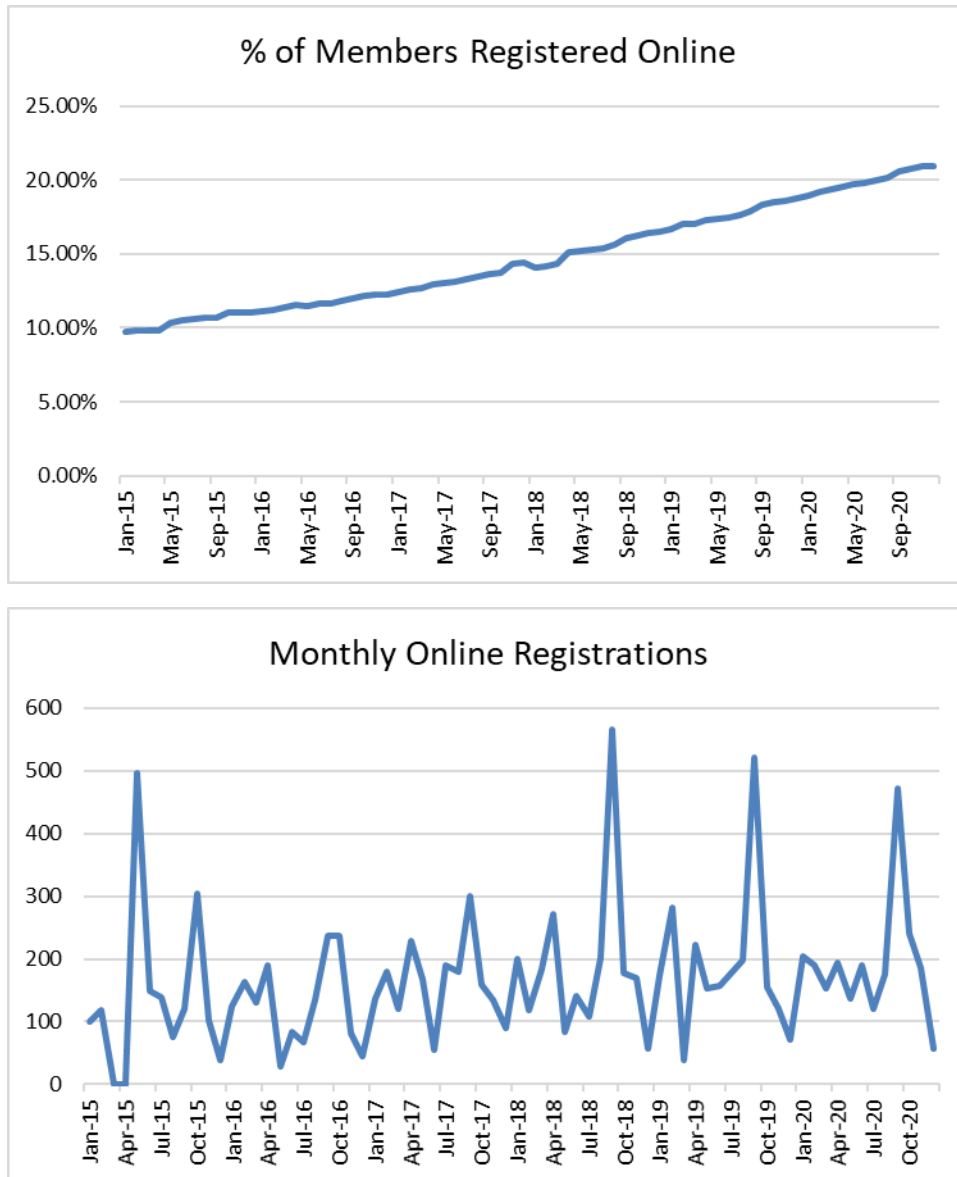
Website visits



- For the year 1 January – 31 December 2020, the website received a total of 29,908 unique visitors (an average of 2,492 a month) which compares to 25,520 unique visitors in 2019 – an increase of 17%.
- The volume of visits tends to spike directly after we send a communication to scheme members. For example, the 3,166 unique visitors in September 2020, which followed the publication of the Annual Benefit Statement, was the highest monthly number on record.

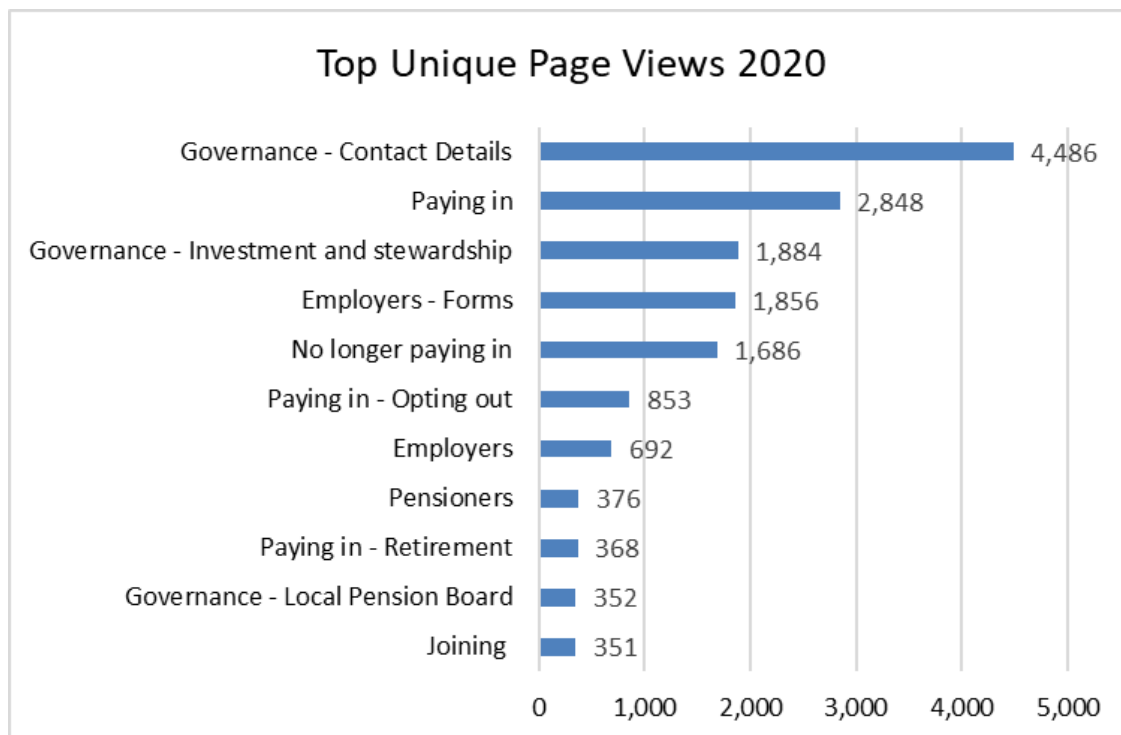
- Another driver of extra visits tends to be other cyclical events such as the end of the financial year and the annual CPI pension increase which usually generates a higher number of website visits during March and April.

Number of scheme members registered



- Nearly 21% (19,654) of scheme members have now registered to use our online member self-service portal. This is a 156% 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 details the top unique page visits on the Norfolk Pension Fund website over the last year. Please note this excludes the website Homepage which had 28,885 unique visits
- The most popular page is the Contact Details page which suggests that many visitors may use the website as a directory and then go on to contact Norfolk Pension Fund via telephone, email or letter.
- There was a total of 84,799 unique page views during 2020. This means that the 29,908 unique visitors (people) viewed an average of 2.8 pages each.

Norfolk Pension Fund Service Planning 2021 – 2024: Key Projects

Key projects for 2021 - 2024 service planning include:

- Delivering the recommendations of the independent strategic and operational review of the Norfolk Pension Fund (to mitigate areas high risk and secure effective and efficient delivery of our responsibilities) via the Strategic review Programme (due to complete March 2022) and management objectives within BAU responsibilities. High level workstreams:
 - Team structure
 - Governance
 - Employer services (includes establishing the new team and supporting systems and processes)
 - Pensions administration software (procurement / implementation & transition / benefits realisation)
 - Administration
 - People, development and career paths
 - Strategic engagement and delivery (inc transition to new website)
- Actively managing risks and issues, including reviewing the Fund's risk appetite and tolerance
- Reform, regulation and best practice:
 - contribute to, prepare for and meet the requirements of regulatory reform and development (eg McCloud, Goodwin, exit reform etc)
 - Secure ongoing compliance with The Pension Regulators' Code of Practice No. 14 (or revised combined code) and recognised best practice, including
 - Reviewing cyber security policies and effectiveness
 - Reviewing policy and procedures linked to employer covenants
 - Good Governance review of the LGPS; prepare for and comply with statutory guidance and outcomes arising from the review
 - Contribute to and respond to national initiatives, e.g. introduction of the Pensions Dashboard, TPR Combined Code
- Maintaining and further developing the Funds on-going commitment to fiduciary responsibilities, stewardship and responsible investment, including environmental, social and governance factors (e.g. carbon monitoring, [TCFD](#) reporting)
- Ensuring the continued effectiveness and success of ACCESS, including
 - Completion of live tranche transitions
 - Review of NPF liquid assets mix post on-boarding
 - Contribute to the implementation of pooled structures for illiquid assets
 - Establishing 'business as usual' management and monitoring
 - Contributing to the development and delivery of the ACCESS Service Plan and longer term strategic planning
- Support the Pensions Oversight Board's work programme, as required under the Public Service Pensions Act 2013.

- Planning for and delivery of the 2022 triennial valuation and subsequent valuation timetable, including communication and engagement with stakeholders.
- Planned procurements via the National LGPS Frameworks:
 - Custodian for the Norfolk Pension Fund (in collaboration with ACCESS partners)
 - Support the re-let of the National LGPS Framework for Actuarial, Benefits, Governance and Consultancy services; procure actuarial services for the Norfolk Pension Fund
 - Actuarial and Investment Consultancy Services via the National LGPS Framework for the Norfolk Pension Fund.
- Smarter working: identify and establish optimum ways of working to meet the needs of stakeholders, including reviewing future accommodation needs
- Establish the National LGPS Frameworks project in a resilient, stable 'business as usual' operating model, maintaining the self-funding basis on behalf of participating LGPS stakeholders to meet the needs of the LGPS



Employer Newsletter January 2021

Welcome to our first Employer Newsletter of 2021

I hope it's not too late to wish you a very Happy New Year and wish you all the best for 2021!

We're excited to be starting the launch of i-Connect, our new Employer Portal, over the next few weeks with the first employers onboarded in February. The launch of i-Connect, which forms part of our review and improvement of employer services, will make the process of how you submit data easier and more robust. Please see page 6 for more information.

Another important project that affects you as an employer is the update of our Funding Strategy Statement, which sets out funding of employer liabilities within the Fund, including employer contribution rates and long term sustainability. Your views are critical to the update and we will shortly be sending you a consultation document inviting your comments. You can read more about the consultation on pages 2 to 4.

The exit payment cap issue continues to develop, so please see page 5 for the latest updates.

I hope you enjoy reading the Newsletter and find it helpful.

Best wishes,

Glenn Cossey

Director the Norfolk Pension Fund



In this issue

- **Funding Strategy Statement - Employer Consultation**
- **Exit Payment Cap Update**
- **i-Connect Employer Portal**
- **Employer Forms**
- **Employer's Pension Policy and Internal Disputes**
- **Pre-Retirement Course**
- **Contact Details**

New Member Joiner Pack

We are currently unable to supply you with a paper copy of the new member joiner pack.

However, you can download the pack items from our website [here](#) or by clicking on the item names below.

- **A Brief Guide to the LGPS**
- **Membership Form (SR95)**
- **Non LGPS Benefits Transfer-In Request (SR96)**
- **Death Grant Form (SR81)**

The forms can be completed electronically, so you can email a copy to the employee and submit the completed form via the Employer Portal.

Funding Strategy Statement - Employer Consultation

Please keep an eye out for our employer consultation on proposed updates to the Funding Strategy Statement (FSS), which you will receive shortly.

The consultation, which will be held over one month, gives you an important opportunity to give your views on the proposed policy and stance of the Fund regarding the use of new powers arising under The Local Pension Scheme (Amendment) (No2) Regulations 2020 (employer flexibility regulations). The consultation will form the basis of an update to the FSS.

The Regulations, which came into force on 23 September 2020, specifically cover:

- Revision of employer contribution rates between formal triennial valuations
- Spreading of exit payments
- Deferred Debt Arrangements (DDAs)

The flexibilities defined in the new Regulations reflect some of the approaches the Fund has already been using as solutions for exiting employers, which also protect the interest of the Fund and all other participating employers.

The proposed policy will be based on the following principles. We believe these will be generally consistent with the approaches proposed by other Local Government Pension Scheme (LGPS) funds.

Regulation 64A - Revision of employer contribution rates in between formal triennial valuations

1. Except in circumstances such as an employer nearing cessation (where contribution rate reviews are already permitted under Regulation 64(4)), the Administering Authority (Norfolk County Council) will not consider market volatility, changes to asset values or emerging actual experience being different from that assumed at the last valuation to be a basis for a change in

Jargon Buster!

Funding Strategy Statement (FSS) - updated every three years by an LGPS fund, as part of the triennial valuation, setting out how employer liabilities will be funded, employer contributions will be kept stable and affordable, and how employer liabilities will be funded prudently in the longer term. The FSS may be updated in the inter-valuation period as required.

contribution rates outside a formal valuation.

2. The view on whether an employer's liabilities or ability to meet their obligations in the Fund has "significantly changed" will be at the sole discretion of the Administering Authority, having taken appropriate professional advice.
3. The revised contribution rate will be in line with the Fund's funding strategy in force at the time of the review.
4. Employers will be able to request a review of their contribution rates only if they undertake to meet all costs of that review and clearly set out the reasoning for the review (which would be expected to be the result of a significant change in liabilities or ability to meet their obligations). The Administering Authority will have sole discretion over whether the request is reasonable and can proceed.

Jargon Buster!

Admission Body - an organisation admitted to the LGPS under an admission agreement in order to provide some or all of its employees with access to the LGPS. Usually includes charities, colleges and contractors (usually a private sector body performing a contracted out local government function).

Funding Strategy Statement - Employer Consultation

Regulation 64B - Spreading of exit payments

1. The Fund's default policy is that any cessation debt is paid in full in a single lump sum within 30 days of the employer being notified and invoiced.
2. The ability for an employer to spread an exit payment will be at the sole discretion of the Administering Authority, having taken appropriate professional advice.
3. The Fund's default approach will be:
 - a. to permit spreading of exit payments only where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations
 - b. for the employer to offer security (such as a charge over assets, bond indemnity or guarantee) equivalent to the value of the unpaid amount of exit payment at any given time
 - c. for the spreading period to be no longer than the funding time horizon for the Fund's most secure employers i.e. precepting employers
 - d. for the arrangement to be formalised in a legally binding written agreement
4. The Fund may reserve the right to request immediate payment of any outstanding exit payment as part of any agreement.
5. The Fund may deviate from this default approach in exceptional circumstances
6. All costs incurred in the implementation and ongoing monitoring of repayments will be met by the exiting employer.

Jargon Buster!

Employer cessation - arises when an organisation ceases to be an LGPS employer. This is most common with admission bodies (e.g. charities and private contractors) when a contract comes to an end or it ceases to have active members in the Fund if earlier.

Jargon Buster!

Deferred Debt Arrangement (DDA) - Deferred Debt Arrangement (DDA) – allows an employer to continue participating in a fund without any active members. A DDA differs from spreading an exit payment as the value of the debt can be revisited with payments adjusted accordingly, more regularly monitored and subject to the ongoing agreement of the Administering Authority.

Regulation 64(7A) - Deferred Debt Arrangement (DDA)

1. The Fund's default policy is that employers will exit the Fund upon a cessation event.
2. The ability for an employer to enter into a DDA will be at the sole discretion of the Administering Authority, having taken appropriate professional advice.
3. The Fund's default approach will be:
 - a. to permit a DDA only where the Admission Body is expected to have a deficit if a cessation valuation was carried out, the Admission Body is expected to be a going concern and the covenant of the Admission Body is considered sufficient by the Administering Authority.

Funding Strategy Statement - Employer Consultation

- b. for the employer to offer security (such as a charge over assets, bond indemnity or guarantee) equivalent to the value of the deficit on their cessation basis plus an allowance for future market risks (where appropriate)
 - c. for the arrangement to be formalised in a legally binding written agreement.
4. The Fund will reserve the right to terminate any DDA at which point the employer will become an exiting employer and a cessation valuation will be completed in line with the FSS.
5. All costs of the arrangement are met by the exiting employer, such as the cost of advice to the Fund, and ongoing monitoring and correspondence on the contribution requirements and security requirements.
6. A Deferred Debt Agreement will normally terminate on the first date on which one of the following events occurs:
 - the Admission Body enrolls new active Fund members;
 - the period specified, or as varied, under the deferred debt agreement elapses;
 - the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
 - the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the

CONSULTATION



deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months;

- the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis); or
- The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

The consultation will be launched shortly.

If you would like to discuss any of the proposals, please contact Alex Younger at alexander.younger@norfolk.gov.uk or on 01603 222995.

Exit Payment Cap Update

There have been further updates on the new public sector exit payment cap regulations affecting you as an employer. The latest developments include:

- HM Treasury has confirmed that for the purposes of calculating individual exit payments in relation to the £95k cap, employer national insurance contributions should **not** be included. Confirmation was provided in [response to a written question from Baroness Eaton](#).
- HM Treasury has published new versions of the Exit Payment Cap Directions 2020 and the associated guidance. You can find links to the updated documents in the 'Directions and guidance' section on the [Related Legislation](#) page of www.lgpsregs.org.
- The 'Exit cap information notes for employers', has been updated to strengthen the message on responsibilities and incorporate the Ministry of Housing, Communities and Local Government (MHCLG) guide on waiver applications. The updated notes can be viewed on the [Employer guides and documents](#) page of www.lgpsregs.org.
- Three requests for Judicial Reviews of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed. These requests contest the regulations on a number of grounds, including their effect on the LGPS regulations. As the requests are not expected to be heard until the end of March 2021, the MHCLG has confirmed that this will affect the timing of changes to the LGPS regulations.



In the meantime, Scheme members will still be able to bring claims against employers and administering authorities relating to the exit payment cap.

Complaints must go through the IDRP (internal dispute resolution procedure) stages 1 and 2 before the member can refer the case to the Pensions Ombudsman.

The adjudicator and the administering authority are able to determine that they cannot make a decision at stage 1 and 2 respectively, due to the conflict between the exit payment cap regulations and the LGPS regulations.

It is important to note that even if this approach is adopted, both stages 1 and 2 of IDRP must be completed before the complaint can be referred to the Pensions Ombudsman.

Until the LGPS regulations are amended, please contact Debra at debra.keeling@norfolk.gov.uk if you need an early retirement estimate or would like to discuss the exit payment reforms.

i-Connect Employer Portal

Further to our previous Newsletter, we are now in the final stages of planning for the roll out of i-Connect, our new employer portal.

i-Connect will replace the current employer portal and will change the way you interact with us.

All employers will need to move to using i-Connect by October 2021.

We are planning to take on a number of employers each month and we'll contact you well in advance to let you know when you are scheduled for onboarding.

We will provide you and/or your payroll provider with full training and support.

When you onboard we will tell you what you need to do differently but, in the meantime, please carry



on doing everything exactly the same as you are now.

If you have any questions about use of the current employer portal or i-Connect, please contact Merv McCune at merv.mccune@norfolk.gov.uk.

For more information about i-Connect, please watch the recording of our December Employer Forum [here](#), which included an overview and demonstration of the new portal.

Employer Forms

Further to our previous update about submitting forms online via the employer portal, a complete summary of all scheme member forms you may need to use is shown on page 7.

The table details how each of the forms can be submitted to us securely. In some instances, where an online form is not available, we can still accept a paper copy, but please bear in mind that as we are currently working remotely it will take much longer to reach us and process.

- Online portal forms are available to portal users when logging on (search for the scheme member, then click on 'Forms')
- Interactive PDFs are available on our website at www.norfolkpensionfund.org (either from 'Employers' at the top of the homepage, then navigate to 'Forms and documents' or when logged in to the employer portal under 'Resources' and then 'Forms')
- You **MUST** submit the online employer portal

forms via the employer portal

- Alternatively, if an online portal form is not available, you can use a PDF form from our website at www.norfolkpensionfund.org, but this **MUST** be uploaded to the 'My Document' section of the employer portal
- Forms submitted via other routes **WILL NOT** be accepted and you will need to resubmit via the specified route

If you do not have access to the employer portal, please contact the Pension Liaison Officer within your organisation to enable your access. Further guidance can be found in our [Employer Portal Guide](#).

Please note that this guidance does not apply to Norfolk County Council HR/Payroll staff who provide data to us via other methods.

If you have any questions, please do not hesitate to contact Merv McCune at merv.mccune@norfolk.gov.uk or on **01603 495791**

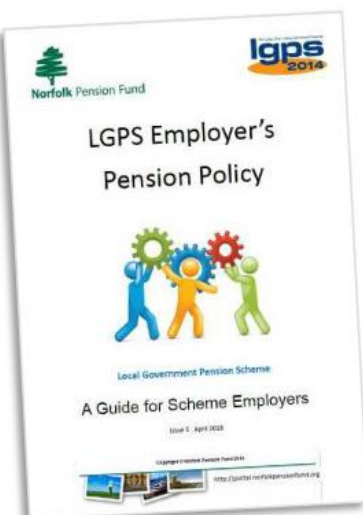
Pension Form	Description	Employer/Member/IRMP	Submission Route
L1	Pensionable pay paid to a member after leaving	Employer	Interactive PDF - upload to employer portal
L45	Member Leaving Scheme	Employer	Online Portal Form or exceptionally Interactive PDF uploaded to portal
MISC91	Employer Contact Details	Employer	Interactive PDF - upload to employer portal
MISC89	Request for Estimate of Benefits	Employer	Online Portal Form
R16	Employer's Authorisation Awarding Additional Pension Early Retirement and Waiving Benefit	Employer	Online Portal Form
R16A	Member Retirement on Grounds of Redundancy or Business Efficiency	Employer	Interactive PDF - upload to employer portal
R18 DB	Ill-Health Retirement Certificate Early Payment of Deferred Benefit	Employer / IRMP	Interactive PDF - upload to employer portal
R18 IH3	Third Tier Ill-Health Retirement: 18 Months Review	Employer / IRMP	Interactive PDF - upload to employer portal
R18	Ill-Health Retirement Certificate: Current Member	Employer / IRMP	Interactive PDF - upload to employer portal
R18 Review	Third Tier Ill-Health Retirement: Suspended Pensioner Review	Employer / IRMP	Interactive PDF - upload to employer portal
R25	Advance Warning of Member Retiring	Employer	Online Portal Form
R45	Ill-Health Retirement: Employer's Decision Notice	Employer	Interactive PDF - upload to employer portal
R46	Ill-Health Retirement: Third Tier Pension Employer's Review Decision Notice	Employer	Interactive PDF - upload to employer portal
R53	Ill-Health Retirement Certificate Request Early Payment of Deferred Benefit Employer's Decision Notice	Employer	Interactive PDF - upload to employer portal
SR106	Option to switch between sections of the Scheme	Member/Employer	Interactive PDF - upload to employer portal
SR106B	Notification of Automatic Employer decision to switch to Main Scheme	Employer	Spreadsheet - upload to employer portal
SR108	Option to Pay Voluntary Contributions in respect of Family or Unpaid Leave	Member/Employer	Interactive PDF - upload to employer portal
SR46	Notification of New Scheme Member	Employer	Interactive PDF - upload to employer portal
SR47A	Notification of Changes Form A	Employer	Online Portal Form
SR47B	Notification of Unpaid Leave	Employer	Online Portal Form
SR47C	Notification of Change of Contractual Hours	Employer	Online Portal Form
SR76A	Notification of Absences Due to Trade Disputes	Employer	Spreadsheet - upload to employer portal
SR85	Employer's Pension Policy Exercise of Discretionary Powers	Employer	Word - email to Pension Systems
SR88	Employer Notification of Employee Opting Out	Employer	Interactive PDF - upload to employer portal
SR90	Pension Option Reduced or Restricted Pay	Member/Employer	Interactive PDF - upload to employer portal
SR97	Notice to Opt Out of Pension Saving	Member/Employer	Interactive PDF - upload to employer portal

Employer's Pension Policy and Internal Disputes

Just a reminder of the importance of keeping your Employer Pension Policy up to date. Your Employer Pension Policy should be sent to 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 (G060) available at www.norfolkpensionfund.org/employers/forms-and-documents

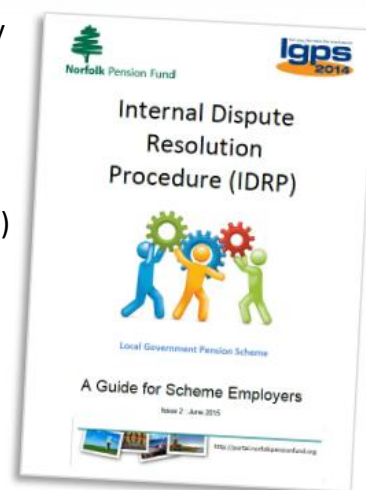
under the **'Guides'** tab.



The Policy usually specifies the person that your employees should contact in the first instance of any dispute.

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

There is also a **'Scheme Member Guide to Disputes (G071)'** available at www.norfolkpensionfund.org/governance/complaints-and-disputes.



Pre-Retirement Course

If you have any employees within two years of retirement, they may benefit from the Pre-Retirement Course delivered by Norfolk County Council on our behalf.

The course, which is currently being delivered virtually over two half day sessions via Zoom, covers general LGPS 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 content includes:

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



Next Course Dates

- 3 & 10 February 2021 (two half days)
- 12 & 19 April 2021 (two half days)

To book a place please contact

HR Direct, Norfolk County Council

01603 222212

HRdirect@norfolk.gov.uk

Contact Details

Norfolk Pension Fund
Lawrence House
5 St Andrews Hill
Norwich
NR2 1AD

Pensions Administration
pensions@norfolk.gov.uk
01603 495923

Investment, Accountancy and Actuarial Services
pensions.finance@norfolk.gov.uk
01603 222139

Website, Technical and Employer Queries
pensions.systems@norfolk.gov.uk
01603 222132

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

2021-24 Medium Term Internal Audit Planning

APPENDIX I

The internal audit plan has been prepared on a risk assessed basis, in accordance with the UK Public Sector Internal Audit Standards and in consultation with Norfolk Pension Fund management and the Executive Director of Finance and Commercial Services. The internal audit plan takes account of the significant regulatory, organisational and technical changes taking place for Pensions Funds and the associated risks and controls. The audit planning process recognises the impact Covid-19 has had on all public services during 2020/21 and acknowledges it is likely to have a wider impact on Pension Funds, particularly on the performance of investments.

The internal audit plan shows the number of planned days which will be delivered within the agreed budget of £25,000. Costs will be assigned to each audit (based on a variable cost depending on the level of staff used on the audit). The total number of days is considered the resource required to achieve the required assurance for an opinion in each year to 2024.

Table 1: Summary of the Internal Audit Plan 2021-2024

AUDIT UNIVERSE	2020-21	2021-22	2022-23	2023-24
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Governance and Strategy				
<i>Total for Governance and Strategy</i>	15	20	10	10
<i>Total Admin Processes and Systems</i>	17	32	40	40
<i>Total Investment Management</i>	21	17	20	20
<i>Total Audit Management</i>	10	10	10	10
Training – Pension Oversight Board		1		
Total number of audit days in the plan and costs	63	80	80	80

APPENDIX A

Norfolk Pension Fund - Medium Term Internal Audit Plan 2021-24

AUDIT UNIVERSE				
	2020-21	2021-22	2022-23	2023-24
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Governance and Strategy				
Governance controls and decision making during the pandemic (JQ Qrt.1)		15		
High level review on the progress being made with the agreed actions resulting from the Hymans Robertson Future Proofing Review Feb 2019. Management Letter to be issued. (JQ Qrt.4)		5		
Cyber Security Governance – To provide assurance that adequate governance and controls are in place to protect personal data and assets, and awareness of the processes used by third party providers. Compliance with The Pension Regulator Cyber Security Principles for Pension Schemes, April 2018. (JQ Qrt.4)	15			
Areas to be audited – To Be Confirmed			10	10
Total for Governance and Strategy	15	20	10	10

AUDIT UNIVERSE				
	2020-21	2021-22	2022-23	2023-24
	Revised planned No. of days	Planned No. of days		Planned No. of days
Admin processes and systems				
Transaction Life Cycles:				
Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges. (RM Qrt.3)		15		
NFI. Full exercise undertaken October 2018 and to be undertaken again in October 2020.	2			
Systems:				
Data Quality and i Connect – assurance there are adequate controls in place to ensure good data quality within key systems used by NPF, including the new i-connect system. (MA/DK Qrt.4)		17		
Transfers out – assurance that adequate processes and controls are in place for members who transfer their benefits. (MA/DK Qrt.2)	15			
Areas to be audited – To Be Confirmed			40	40
Total Admin Processes and Systems	17	32	40	40

AUDIT UNIVERSE				
	2020-21	2021-22	2022-23	2023-24
	Revised planned No. of days	Planned No. of days		Planned No. of days
Investment Management				
Private Equity, infrastructure and private debt – assurance that the processes and procedures for drawing down distributions are working as expected.(AY Qt.3)		17		
Investment Management – Performance monitoring: assurance that the new process in place (with Portfolio Evaluation Ltd) is working as expected. Management Letter produced. (GC/AY Qt.3)	1			
HEAT (Hymans Employer Asset Tracking) system: assurance that there are adequate controls in place by Hymans, regarding the collection, transfer and use of the information provided to them. (RM Qt.2)	20			
Areas to be audited – To Be Confirmed			20	20
Total Investment Management	21	17	20	20
Audit Management	10	10	10	10
Training to be provided to the Pension Oversight Board to provide them with an understanding about the audit process – from deciding on the audit topics through to the planning, performing and reporting on individual audits.		1		
Total number of audit days in the plan and costs	63	80	80	80

Previous Audits

Governance and Strategy

2013-14 Governance arrangements assurance (included in half yearly report to Pensions Committee December 2013).
2015-16 Governance arrangements; Compliance with regulations in setting up Pensions Advisory Board.
2015-16 Compliance with CIPFA code of practice on public sector pensions finance knowledge and skills.
(Management Letter).
2016-17 National LGPS Procurement Frameworks.
2017-18 Pensions Oversight Board – Compliance with their Terms of Reference and Forward Plan.
2018-19 National LGPS Procurement Frameworks – Accounting processes and compliance with accounting principles
2018-19 ACCESS – pooled arrangements – Governance arrangements compliant with Inter Authority agreement
2018-19 General Data Protection Regulation (GDPR) – Assurance that compliance with the new GDPR requirements.
2019-20 Risk Management – Compliance with CIPFA Managing Risk in the Local Government Pension Scheme guidance

Admin processes and systems

Transaction Life Cycles:

2011-12 Review of Life Certificates.
2014-15 LGPS legislative changes from April 2014 (retirements/leavers).
2016-17 Data Quality: record keeping and record management.
2016-17 Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges
2017-18 Review of Mortality screening processes.
2017-18 Triennial valuation 2016: A review of the technical and governance arrangements for the delivery of the valuation and implementation of results.
2019-20 Payables -regular payroll benefit payments, lump sums, transfers, death in service, other.

Systems:

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

2018-19 Early Retirement costing and recharges, debt collection and write offs
2019-20 Information Security – unannounced visit.
2019-20 Deferred benefits: Assurance that adequate processes and controls are in place for members who have deferred their benefits.
2019-20 Annual pension fund reporting requirements; Assurance that NPF is compliant with CIPFA's new reporting guidance from April 2018.

Investment Management

2013-14 Dynamic Currency Hedging arrangements.
2013-14 Internal Control reports.
2014-15 Investment management – Performance Monitoring.
2014-15 Private Equity –Processes and procedures for drawing down distributions etc.
2015-16 New Custodian: Assurance that key controls are in place regarding the new HSBC electronic system for Investment Accounting.
2015-16 Transitioning; Assurance that key controls and adequate processes are in place.
2016-17 Pension Fund Bank Account Reconciliation.
2017-18 Post implementation review of the new Investment Accounting process and review of the dry run Faster Close processes - assurance that the processes are adequate and adequate controls are in place.
2018-19 Investment Strategy Statement: compliance with DCLG guidance and updated to reflect changes / recommendations from Triennial Valuation and the new different strategies.
2019-20 Asset Transition Process; Assurance that key controls and adequate processes are in place by ACCESS operator LINK, regarding the transition of assets into sub-funds.

The following forthcoming events have been identified as of possible interest to Committee and Board members:

Date	What
3 rd March	LGPS Live @ 3.30pm – includes SAB Update & Climate & the LGPS <u>Registration LGPS-Live (lgps-live.com)</u>
18 th & 19 th March	LGC Investment Seminar <u>Register your interest for 2021 LGC Investment Seminar (lgcplus.com)</u>
25 March	Hymans Robertson Better Futures 100 - Building a sustainable future for generations to come
28 th & 29 th April 2021	The Local Authority Responsible Investment Seminar <u>Request a Delegate Place - DG Publishing</u>
27 May	POB meeting
-	For information on future and past Hymans Webinars the link is below <u>The Webinar hub - Hymans Robertson</u>

Training / attendance record for Pensions Committee and POB Members

01/12/2020	Webinar	Monitoring and Managing Climate Risk – Hymans Robertson	PC / Brian Wigg Apologies rec'd from Brian Storey
02/12/2021	Webinar	ACCESS Investor Day	Judy Oliver / Brian Wigg
26/01/2021	Webinar	LGPS Update	Brian Wigg
28/01/2021	Webinar	Investing for climate emergency and managing climate risk	Brian Wigg / Brian Watkins
04/02/2021	Forum	LAPF Strategic Investment Forum	Brian Wigg
04/02/2021	POB	Quarterly meeting including a presentation by Hymans on Employer Asset Tracker (HEAT) system	Brian Wigg Chris Walker Howard Nelson John Harries Debbie Beck Peter Baker
04/02/2021	Webinar	Hymans - Monitoring and Managing Climate Risk	Brian Wigg, Howard Nelson Tom FitzPatrick John Harries Cllr Alan Waters Peter Baker
18/02/21	Webinar	Hymans – 95K Cap update	Brian Wigg
23/02/21	Webinar	LGC Investment Community webinar	Brian Wigg
25/02/21	Webinar	Hymans Webinar Good Governance with Cllr Roger Phillips	Brian Wigg

If you have attended any events that are not on this record, please let us know to enable us to keep the information updated.

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	State of Play
Cambridgeshire County Council to Norwich City Council	April 2020	2021	Circa 60 staff transferred back to City Council as the second part of ceasing the outsourcing agreement with LGSS. We have agreed the Actuary's Letter reflecting the same terms as the bulk transfer received in March 2019 in respect of the 100 members of staff transferred back previously. The Actuary's are targeting agreement on financial settlement by 31 March 2021.

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 – *all meetings were 'virtual' due to the Covid-19 Pandemic*:

GC: Glenn Cossey, **AY:** Alex Younger, **JQ:** Jo Quarterman, **MA:** Mark Alexander, **DK:** Debra Keeling, **RM:** Robert Mayes, **JO:** Judy Oliver

ACCESS regular meetings

AY / GC attend Officer Working Group (fortnightly meeting)

AY attend Investment User Group (monthly)

AY attend Non-Listed Sub-Group (monthly)

AY attend Active Listed Sub-Group (monthly)

National LGPS Frameworks

The National Frameworks team have held meetings with Funds, Pools and Service providers as part of the establishment of:

- Global Custody Framework
- Actuarial, Benefits and Governance Framework.

In addition, they have had discussions with:

- the SAB secretariat / LGA about support for future areas of work;
- Crown Commercial Services to explore potential for opportunities for collaborative working.

Date	What	Who
Dec		
2	LGPS Live Webinar	GC/DK
2	LAPF Awards	AY
2	Capital Review Meeting (GHIO/Global Equity)	AY/GC
7	GSAM Review Meeting (SIF)	AY/GC
8	Climate Transition Investing Seminar (Russell)	AY
9	Baillie Gifford Review Meeting	AY
11	Employer Forum webinar	All
11	ACCESS S151 Meeting	AY/SG
15	Internal Audit Planning meeting	GC/JQ/AY/MA
16	LGPS McCloud meeting	MA
17	SECSOG	MA/DK
17	ACCESS Investor Day	GC/AY/JQ/MA
Jan		
12	ACCESS Emerging Market Equity Interviews	AY/JO
13	ACCESS Joint Committee	GC/JO/AY

20	PLSA catch up	GC
22	Infracapital Review Meeting	AY/RM
25	PLSA LA Committee	JQ
26	ACCESS Custody Task & Finish Group	AY/RM
26	LGA Update webinar	JQ
27	Janus Henderson Review Meeting (all portfolios)	AY/GC
28	LGC Investment Webinar Climate Emergency/Risk	JQ
29	ACCESS ESG/RI Task & Finish Group	RM
Feb		
2	Keeping the LGPS connected webinar	GC/JQ/DK
2	ACCESS ESG/RI Task & Finish Group	AY/RM
2	SAB LGPS Practitioners Meeting	JQ
3	LGPS-Live February 2021	GC/JQ/MA
3	HarbourVest Review Meeting	AY
4	POB Meeting	GC/JQ/RM
4	Monitoring and Managing Climate Risk - Hymans presentation	GC/JQ/AY/MA/DK/RM
5	ACCESS Emerging Market Equity	AY
5	Pantheon Update Meeting	AY
8	Berenberg Review Meeting	AY/GC/RM
10	Lasalle Review Meeting	AY/GC
11	ACCESS Custody Task & Finish Group call	AY/RM
12	Capital review meeting	AY/GC
15	Insight Review Meeting	AY/GC
15	Baillie Gifford – additional update meeting	AY
22	ACCESS Custody Task & Finish group call	AY/RM
25	M&G Real Estate Debt Update	AY

CIPFA – Chartered Institute of Public Finance and Accountancy

ACCA – Association of Chartered Certified Accountants

MHCLG – Ministry for Housing, Communities and Local Government

LAPF – Local Authority Pension Fund

LGA – Local Government Association

LGC – Local Government Chronicle

LGPS – Local Government Pensions Scheme

PLSA - The Pensions and Lifetime Savings Association (previously known as NAPF – National Association of Pension Funds)

Pensions Committee forward programme – as at 2nd March 2021

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
6th July 2021	5th Oct 2021	7th Dec 2021	1st March 2022	
Administration Report	Administration Report	Administration Report	Administration Report	Funding & Reform Review of Equity Assets Carbon Measurement & Reporting LGPS Good Governance Risk Attitude/Boundaries
Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	
LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	
Strategic Review – Highlight Report	Strategic Review – Highlight Report	Strategic Review – Highlight Report	Strategic Review – Highlight Report	
Risk Register Report and Compliance with Breaches Policy (including Review of Risk Attitude/Boundaries)	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	
Investment Strategy Update (including Equity Review)	Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Report to Pensions Committee

Item No. 6

Report title:	Update from the Pensions Oversight Board
Date of meeting:	2 March 2021
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary This report updates the Pensions Committee on the work of the Pensions Oversight Board. Recommendations Pensions Committee is invited to note the contents of this report, including the forward work plan for 2021.	

1. Background

- 1.1. This report updates the Pensions Committee on the work of the Pensions Oversight Board. A further verbal report will be given by the Chair of the Pensions Oversight Board who will also attend committee. The last update was given at the December 2020 Committee Meeting.

2. Pensions Oversight Board meetings

- 2.1. The Pensions Oversight Board (POB) met on the 4 February 2021. The agenda for this meeting is at Appendix A.
- 2.2. In addition to the regular strategic and operational oversight, POB received a presentation on the Employer Asset Tracking (HEAT) system used by the Fund.
- 2.3 The minutes from the POB meeting of 5 November 2020 are at Appendix B.

3. Forward Work Programme 2021

- 3.1 In addition to their regular oversight, POB are focusing on the following 3 areas:
 - Pensions Admin Software - implications for scheme members and employers
 - New Employer Services team
 - Cybersecurity (new)

4. Knowledge and Skills

- 4.1 Along with members of Pensions Committee and Fund Officers, POB attended training on monitoring and managing climate risk.
- 4.2 POB members regularly attend webinars and virtual conferences.

5. Financial and Other Resource Implications

- 5.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

6. Other Implications (inc. Equality Impact Assessment (EqIA))

- 6.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 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. Risk Implications/Assessment

- 7.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

8. Recommendation

- 8.1 Pensions Committee is invited to note the contents of this report.

9. Background Papers

- 9.1 Appendix A: POB Agenda 4 February 2021
Appendix B : POB minutes 5 November 2020

Officer Contact

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

Officer name : Glenn Cossey

Tel No. : 01603 228978

Email address : Glenn.cossey@norfolk.gov.uk



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Norfolk Pension Fund Pensions Oversight Board

Date: **Thursday 4 February 2021**

Time: **10:00am**

Venue: **Virtual Teams Meeting**

Membership

Chairman

Brian Wigg

Employer Representatives

Cllr Chris Walker Poringland Parish Council

Debbie Beck Norfolk County Council

Howard Nelson DNEAT

Scheme Member representatives

John Harries Active / Deferred member

Rachel Farmer Trade Union

Peter Baker Pensioner member

Agenda

1. Welcome and Introduction

2. Apologies

To receive apologies

3. Minutes and matters arising

To agree the minutes of the meeting held on the 4 November 2020.

4. 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 person's 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.
- 5. Items of urgent business
To receive any items of business which the Chairman decides should be considered as a matter of urgency
- 6. Pensions Committee
Feedback from the virtual Pensions Committee meeting on 1 December 2020 and items to be raised at the 2 March 2021 meeting.
- 7. Norfolk Pension Fund operational update (including ACCESS)
An update on operational performance and issues, including latest performance data and review of virtual meeting formats.
- 8. Strategic Review update
To include an update on the implementation of the new Pensions Administration system and rollout to Employers and Scheme Members
- 9. LGPS Reform
Update on latest reform
- 10. Hymans Robertson Employer Asset Tracker (HEAT) system
A presentation by Rob Bilton, Hymans Robertson, about the HEAT system.
- 11. Internal Audit reports
- 12. Risk Management
To receive the latest risk update and HEAT map
- 13. Knowledge, skills and training
- 14. Forward work programme for the Pensions Oversight Board
- 13. Date of next meeting: to confirm the date of the next meeting

Please note joint Board and Committee training session follows at 1 pm

Contact for questions about this agenda: Jo Quarterman, Business Development and Project Manager, Norfolk Pension Fund jo.quarterman@norfolk.gov.uk Tel.: 01603 223950
Date agenda published: 28 January 2021



Minutes of the Norfolk Pension Fund Pensions Oversight Board meeting held on Thursday 5 November 2020.

Present:

Chairman

Brian Wigg

Employer Representatives

Cllr Chris Walker
Debbie Beck until 11.30am
Howard Nelson

Poringland Parish Council
Norfolk County Council
DNEAT

Scheme Member Representatives

John Harries
Rachel Farmer
Peter Baker

Active / Deferred member
Trade Union
Pensioner Member

Also Present

Jo Quarterman

Glenn Cossey
Debra Keeling
Tim Shaw
Elaine Otway
Richard Ewles
Christine Brennan

Business Development and Project
Manager, Norfolk Pension Fund
Director of the Norfolk Pension Fund
Pensions Member Services Manager
Committee Clerk
Pension Fund Office Co-ordinator
Communications and Engagement Officer
Pension Fund Project Officer

1. Welcome and Introduction

- 1.2** The Chairman welcomed all those present to what was the third “virtual” Teams meeting of the Pensions Oversight Board.
- 1.3** Jo Quarterman explained the virtual meeting protocols by which this meeting would operate. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 set out the framework for Councils to hold Council meetings remotely.

- 1.4 Jo Quarterman welcomed Richard Ewles and Chris Brennan to the meeting to assist with presenting the Accessibility Guidelines and Retired Members engagement updates. Feedback from the Knowledge & Skills training session after last Pensions Committee was that Board and Committee members would welcome the opportunity to meet more Pension Fund staff.

2 Apologies for Absence

- 2 No apologies for absence received

3. Minutes

- 3.1 The POB agreed the minutes of the meeting held on the 10 September.

4. Declarations of Interest

- 4.1 There were no declarations of interest.

5 Items of Urgent Business

- 5.1 There were no items of urgent business.

6 Feedback from the virtual Pensions Committee meeting on 1 October 2020 and items to be raised at the 1 December 2020 meeting

- 6.1 The POB appreciated the feedback from Cllr Judy Oliver, Chairman of Pensions Committee, on how Board works and integrates with the Committee; POB members agreed that a good constructive working relationship has been established.

7. Norfolk Pension Fund Operational Update

- 7.1 The POB received a presentation led by Glenn Cossey on Norfolk Pension Fund operational issues, including strategic issues such as the impact of coronavirus (Covid 19).

The operational update included:

Day to day operations:

- KPI's - a further update would be reported at the next POB meeting in February
- A number of employer issues have been created by the £95k cap regulations
- The Annual report and accounts were awaiting final sign off by the auditors before being published
- Jo Quarterman is providing support to the National LGPS Frameworks team as a result of illness in the team

ACCESS update:

- Additional Joint Committee meetings would be held in November / January
- On boarding: global equity mandates in November
- Starting to consider options for when the initial operator contract comes to an end
- Looking at options for illiquids
- RI / ESG policy is being refreshed

Organisational Review Programme

- Phase 1 of the Pensions Administration Software (procurement stage) workstream was near completion
- Employer Services workstream was progressing in parallel with the Pensions Administration Software workstream, with process workshops planned before the end of the year

Accessibility guidelines and compliance

- The upgraded website would be compliant with the guidelines, and should be available early next year
- Document were being reviewed and updated; and the accessibility statement was up to date

Retired members engagement

- A revised engagement programme with retired members had been developed with the support of POB members

Smarter working

- POB received an update on the smarter working programme
- POB were pleased that the focus is on what is the right model for the Norfolk Pension Fund and its stakeholders

8 LGPS Reform

8.1 POB received an update about the ongoing national reform programme and other issues within the LGPS.

8.2 The presentation provided an update on the following regulatory reforms update and impact:

- £95k cap
- McCloud -. The remedy was expected to impact on approximately one quarter of scheme members. The remedy would, however, involve the Norfolk Pension Fund in 12-18 months of additional administrative and communication and engagement work. The software updates to assist in this process were not expected to be available from software providers before 2022.
- 2016 cost management process- This was being revisited after being put on hold until the McCloud case was resolved.
- Goodwin.-This related to past discriminatory issues. The remedy applied to only a small number of retired members.
- Valuation Cycle and employer flexibilities-This related to the

revisiting and recalculating contribution rates in an interval valuation period and the management of exist deficits for employers who left the scheme.

- Good Governance—This was a national initiative. It included an update on guidance about the knowledge, skills and training of members and officers
- TPR revised code-The NPF were pressing for the TPR revised code to acknowledge and include a greater understanding of the governance framework for the LGPS
- Pensions Dashboard- The aim was to provide a wide platform of interest to scheme members who wanted to take greater control of their overall pension planning. The dashboard was not expected to go live before 2023.

9 Internal Audit reports HEAT (Hymans Robertson Employer Asset Tracker) system

- 9.1** The POB was informed about how the lockdown following the pandemic had impacted on the NPF internal audit work programme. The first virtual internal audit report for the NPF following lockdown was now complete. This was of the HEAT (Hymans Robertson Employer Asset Tracker) system (introduced shortly after the 2016 valuation) which allowed NPF to unitise and track changes in employer assets and liabilities, monthly contributions and other information in real time. The internal audit report had considered the processes that the NPF had put in place with the actuary for the operation of this system to be acceptable subject to two low priority findings where NPF procedures required updates over the next 6 months. Future planned audits (of accounting areas, governance and administration) were in hand and would be brought to the attention of POB at an appropriate time.

10 Risk Management To receive the latest risk update and HEAT map

- 10.1** POB received the Norfolk Pension Fund heat map for October 2020 that provided a summary of the current risk register. The risk register was reviewed by the Senior Management Team every month with regular reports to the Pension Committee.
- 10.2** The Senior Management Team was due to meet shortly to update the risk register for November 2020 before it was presented to Pensions Committee in December 2020. The update would take account of recent spikes in some areas of risk that were due to the Covid-19 pandemic and changes in pensions regulations and guidance.

11 Knowledge, Skills and Training

- 11.1** POB received an update about the Knowledge, Skills and Training

Assessment, considered at a joint training session with Pensions Committee on 1 October 2020. The results of this national training assessment showed Norfolk to be in a strong position.

- 11.2** The joint training session had resulted in a draft training strategy being prepared by officers and circulated to POB Members shortly before today's meeting. An update of this draft would be taken to Pensions Committee in December 2020. When complete the strategy amongst other things would provide for a central depository of information on pensions issues and the sharing of on-line links that Members found to be helpful. The responses from POB and Pensions Committee Members would be combined to help develop a picture of training needs looking ahead.
- 11.3** The Chair encouraged POB Members to continue to take part in on-line and (when possible) in-person training events and provide feedback to the Norfolk Pension Fund on their participation so that this information was entered on their training record.

12 Forward Work Programme

- 12.1** It was agreed that the forward work programme should include:
- The shape of Employer Services (including suggestions as to how scheme administration may be simplified for employers with more than one branch office and details about the new Employer Services Team).
 - The implications of the new Pensions Administration Software for scheme members and employers.
 - Details about how HEAT (Hymans Robertson Employer Asset Tracker) system could assist employers.
- 12.2** The Chair referred to how POB had looked at the experiences of scheme members who were coming up to retirement and the experiences of a small employer and said that when attending the Pensions Committee he would continue to offer the possibility of POB taking part in similar work in the future.

13 Date of Next POB meeting

➤ Thursday 4th February 2021

Chair

Report to Pensions Committee

Item No. 7

Report title:	Pension Fund Budget 2021-22
Date of meeting:	2 March 2021
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund

Executive Summary

Background and Purpose

The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget and is built upon the Fund's Service Development Plan. The budget takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year. For 2021-22, this includes:

- The implementation of the new Pensions Administration Software contract.
- The Norfolk Pension Fund Strategic Review.
- Managing the impact of incremental increases in the number of employers joining the LGPS and ensuring resources are in place to meet demand.
- Managing the impact of regulatory developments (e.g. McCloud) and Government Pensions Reform (e.g. exit pay reform) and the Pension's Regulator.

The proposed budget for 2021-22 of £3.646m is made up of the following key budget headings:

Service	Approved Budget 2020-21 (£)	Proposed Budget 2021-22 (£)	Change (%)
Advisory Fees	409,000	428,000	4.6
Investment Strategy Services	890,000	847,000	-4.8
Administration Services	1,477,000	1,497,000	1.4
Facilities & Support Services	424,000	413,000	-2.6
Projects	585,000	406,500	-30.5
Pension Board	58,000	54,000	-6.9
Total	3,843,000	3,645,500	-5.1

Norfolk Pension Fund Strategic Review

As reported to December Pensions Committee (2018), the proposed new organisational structure is likely to increase staff costs by Circa £350K or 10% of the total Fund budget. The final costings will not be known until the final structure is approved and new roles/changes to pay grades have been evaluated by Corporate HR. The current year 2020-21 budget includes six-months salary costs for the investment strategy posts and nine-months salary costs for the Administration posts. The costs were approved by Pensions Committee in February 2020 with full year costs to be included in the 2021-22 budget.

However, recruitment has been delayed as a result of the COVID19 global pandemic.

Therefore, the current budget requirements have been adjusted to reflect the impact of the ongoing recruitment delays and the budgetary provision has been reduced for the investment strategy posts to three-months, and six-months for the Administration posts.

Transition of the remaining segregated equity mandates to the ACCESS pool was completed using existing staff resources and as a result the temporary Pooling Accountant post is no longer required and has been removed from the 2021-22 budget estimates.

National LGPS Procurement Frameworks Project

The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of frameworks being hosted by Norfolk is nineteen (including the development and promotion framework) with a further four frameworks being developed in 2021-22. The total 2021-22 Frameworks estimated forecast accumulated surplus is £717K and is used for further framework development and distribution back to Founders.

Recommendations

The Pensions Committee approves the Pension Fund 2021-2022 budget.

1. Background and Purpose

- 1.1. The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget. Regulation requires Pension Fund assets to be ring-fenced as the Fund is run on behalf of over 400 employers and over 92,000 scheme members, from a range of public, private and quasi-public organisations across Norfolk. All the costs (and efficiencies) of administering the Pension Fund are met by (or benefit) the Fund. The Fund is accountable to all its stakeholders (employers and members) via the Pensions Committee.
- 1.2. Savings on Pension Fund expenditure accrue within the Fund. They do not contribute directly towards, for example, Norfolk County Council's cost reduction targets, or those of any of the other employers in the Fund. Likewise, Pension Fund budgetary cost pressures are not met by any one single employer but are shared across all Fund employers as a small fraction of the contribution rate set at each Triennial Valuation.
- 1.3. Each year the Norfolk Pension Fund prepares a budget built upon its Service Development Plan. Where possible, the Service Development Plan takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year.

For 2021-22, this includes:

- The implementation of the new Pensions Administration Software contract.
- The Norfolk Pension Fund Strategic Review.
- Managing the impact of incremental increases in the number of employers joining the LGPS and ensuring resources are in place to meet demand.
- Managing the impact of regulatory developments (e.g. McCloud) and Government Pensions Reform (e.g. exit pay reform) and the Pension's Regulator.

- 1.4. The proposed budget for 2021-22 of £3.646m includes a number of significant projects totalling £407k. Many of these projects have previously been highlighted to Committee and include for example, provision for the Strategic Review and planning for the 2022 Triennial valuation.

2. Norfolk Pension Fund Strategic Review

- 2.1 Delivery of the recommendations from the Strategic Review undertaken by Hymans Robertson and as reported to December Pensions Committee in 2018 is via the Strategic Review Programme. The proposed new organisational structure is likely to increase staff costs by Circa £350K or 10% of the total Fund budget. The final costings will not be known until the final structure is approved and new roles/changes to pay grades have been evaluated by Corporate HR. As reported to Pensions Committee in February 2020, budgetary provision was to be included in the 2020-21 budget for the part-year impact of the Strategic Review.
- 2.2 Therefore, the current year 2020-21 budget includes additional growth approved by Pensions Committee (February 2020) for new posts arising from the Strategic Review. Six-months salary costs were included in the Investment Strategy budget for three posts (Governance Compliance Manager, Strategic Engagement Development Manager and Temporary Pooling Accountant) and nine-months salary costs included in the Administration budget for four posts (Pensions Team Leader, Assistant Pensions Team Leader, Senior Pensions Administrator and Apprentice Senior Pensions Administrator).
- 2.3 As part of the Fund's budget planning, the 2020-21 budget report to Committee last February highlighted that additional budget would be required in 2021-22 in order to uplift the part year salary costs to full year budgets.
- 2.4 However, due to the COVID19 Global Pandemic there has been a delay in the recruitment to the three posts in the Investment Strategy budget and four posts in the Administration budget. Following a review as part of the 2021-22 budget process, the current budget requirements have been adjusted to reflect the impact of the ongoing recruitment delays. Therefore, the budgetary provision has reduced for the Investment Strategy posts to three-months and six-months for the four Administration posts.
- 2.5 Additionally, during late 2020 the transition of the remaining segregated equity mandates to the ACCESS pool was completed using existing staff resources and as a result the temporary Pooling Accountant post is no longer required and has been removed from the 2021-22 budget estimates.
- 2.6 The table below shows the revised estimated budget required in 2021-22 and the estimated full year growth impact for the 2022-23 budget.

	Approved 2021-22 Budget (Including growth to base Budget in 2020-21)	Adjustments to 2021-22 Budget to reflect COVID19 recruitment delays and post no longer required	Revised 2021-22 Budget	2022-23 (full year estimated cost)
Strategic Review				
Investment Strategy (2 posts)	54,159	-27,080	27,079	108,317
Investment Strategy (Temporary Pooling Accountant)	31,150	-31,150	0	0
Subtotal	85,309	-58,230	27,079	108,317

Administration (4 posts)	94,142	-35,051	59,091	118,182
Subtotal	94,142	-35,051	59,091	118,182
Grand Total	179,451	-93,281	86,170	226,499

- 2.7 The estimated full year increase to the 2021-22 budget is below the £300K-£400k range and below the 10% of the full Fund 2021-22 budget (£364K).

3. Efficiency and Value for Money

- 3.1. The Fund has absorbed an increasing workload over the last few years, particularly in respect of member administration and employers. Total Fund membership has increased by a third and the number of employers with active membership has almost tripled in the last 8 years.
- 3.2 At 31st December 2020 there were 29,625 active scheme members, a small increase in overall numbers from 31st March 2020 (29,317). This apparent stability masks the churn in active membership, with the actual turnover of active members including 3,300 individual new starters and 2,992 leavers. This turnover provides a significant proportion of the Fund's administration workload in respect of starters and leavers and member transfer arrangements.

	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020
Active	26,439	27,254	27,638	28,030	28,469	28,837	29,067	29,317
Deferred	24,535	26,776	29,125	32,477	34,216	36,520	36,947	36,700
Pensioner	19,851	20,887	21,247	22,215	23,220	24,211	25,354	26,343
Total	70,825	74,917	78,010	82,722	85,905	89,568	91,368	92,360

- 3.3 Total employers with active members in the scheme have also increased significantly almost tripling in the last 8 years.

	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020
Employers	152	181	233	262	322	369	400	414

- 3.4 The Norfolk Pension Fund takes part in the annual CIPFA Benchmarking exercise for LGPS administration. The Norfolk cost per member has remained static. However, the number of funds participating in the benchmarking has declined in the last year and this is likely to have had an impact on the club average. Last-years club average cost per member figure was £21.34.
- 3.5 A comparison of our cost per member is shown in the table below. We use the detailed data from this exercise to target areas for improvement in our Service Development Plan.

Benchmark	Cost per member (£)
Norfolk Pension Fund	19.97
Club Average	20.00

4. 2021-22 Pension Fund Budget

- 4.1. At the end of December 2020, the assets of the Fund were approximately £4.4 billion, and the proposed 2021-22 Pension Fund Budget equates to just 0.08% of this value. The 2021-22 budget includes provision for external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy and accounting, benefit administration and retired members payroll, facilities and support services, one-off projects and the Local Pension Board. This budget does not include Investment Expenses (circa £22m). These

expenses are validated and reviewed as part of the Fund's investment monitoring.

- 4.2 The detailed Norfolk Pension Fund budget for 2021-22 is attached at Appendix 1.
- 4.3 A high-level comparison of the proposed 2021-22 budget with the current approved 2020-21 budget is shown in the following table:

Service	Approved Budget 2020-21 (£)	Proposed Budget 2021-22 (£)	Change (%)
Advisory Fees	409,000	428,000	4.6
Investment Strategy Services	890,000	847,000	-4.8
Administration Services	1,477,000	1,497,000	1.4
Facilities & Support Services	424,000	413,000	-2.6
Projects	585,000	406,500	-30.5
Pension Board	58,000	54,000	-6.9
Total	3,843,000	3,645,500	-5.1

- 4.4 The year on year comparison shows a decrease in the budget of 5.1%. A detailed analysis of the movements in the budgets is shown below.

5. Analysis of Budget Movement

5.1. Advisory Fees – Appendix 1a

Category	2020-21 Budget (£)	2021-22 Budget (£)	% Increase/ Decrease
Actuarial Support	124,000	150,000	21.0
Investment Consultancy	70,000	68,000	-2.9
Investment Services	150,000	145,000	-3.3
Legal Fees	65,000	65,000	0.0
Total	409,000	428,000	4.6

- 5.2. The Actuarial Support budget shows a net increase of £19K. This is mainly due to an increase in actuarial fees to reflect additional reform and regulatory support from the Fund Actuary for more employers and a higher volume of queries. The Actuarial Support budget is used to meet the cost of expert advice and calculations including negotiations with other funds where required. It also includes provision for the Actuary's attendance at Committee, advice on legislative reform such as McCloud, Goodwin and the £95K exit cap, support on fund policy updates and reviews. It provides for attendance at events to promote employer knowledge and understanding of the Pension Fund and specifically the nature and risks associated with pension funding.
- 5.3. Where costs are specifically generated by an employer, usually advice relating to outsourcing decisions, these fees will be recharged to the employer generating the work. This meets the requirement of our regulator (Minister for Housing Department of Communities and Local Government) in respect of employer generated actuarial work. There is also budget provision to support the ongoing work on fund unitisation and the monitoring of multi-employer strategies within the unitisation model.
- 5.4. The Investment Consultancy budget provides for advice in relation to the Fund's Investment Strategy including reporting to and attendance at Committee by the Investment Consultant, monitoring and advice in respect of the incumbent investment managers and a provision for advice relating to ad-hoc investment issues.
- 5.5. The Investment Services budget includes the ACCESS contract management support costs. The ACCESS support unit (ASU) is hosted by the Essex Pension Fund and manages the contractual relationship with the pool operator (Link Asset Services) on behalf of the 11 ACCESS funds. There has been a £5K uplift to the annual ASU cost which now stands at £115K. The increased cost is offset

by a lower performance monitoring fee due to the transition of assets to the ACCESS Pool.

- 5.6. The budget in respect of Legal Fees provides for professional and technical legal advice in respect of the recent infrastructure/real asset appointments.
- 5.7. Any specific costs arising from future changes to the existing Fund Manager line-up in 2020-21 will be brought to the Pensions Committee for separate approval during the year.

5.8. **Investment Strategy Services – Appendix 1b**

Category	2020-21 Budget (£)	2021-22 Budget (£)	% Increase/ Decrease
Staff Costs	732,000	677,000	-7.5
Hired & Contracted Services	103,000	121,500	18.0
Membership of Organisations and Statutory Levies	45,000	38,500	-14.4
Internal NCC Recharges	10,000	10,000	0
Total	890,000	847,000	-4.8

- 5.9. This service is responsible for investment strategy, accountancy, business support and oversight of the funds' projects. The proposed Investment Strategy budget for 2021-22 shows a net decrease of £43K.
- 5.10. The net decrease is mainly due to a £55K reduced staff costs budget. As reported in section 2 above, there has been a review of the growth included in the 2021-22 budget in respect of three posts resulting from the Strategic Review (two permanent full time Governance posts and one temporary full time Investment Pooling Accountant post). The budget for 2021-22 has been reduced from six-months salary costs to three-months to reflect recruitment delays as a result of the COVID19 global pandemic for the two Governance posts. The temporary Pooling Accountant post has been removed due to the completion of the transition of the remaining segregated equity assets to the ACCESS Pool using existing staff resources. The staff cost for 2021-22 budget does not include any provision for the Employer Services post outlined in the Strategic review. The staff travel budget has also been reduced by 50% to reflect the travel restrictions currently in place as a result of the Global Pandemic.
- 5.11. The reductions to the staffing cost budget above, are offset by a net £14K increase in Hired and Contract Services. The increased estimated cost is mainly due to an increase in the external audit fee proposed by EY. Discussions are ongoing between the Executive Director of Finance and Commercial Services and the EY Audit Partner to agree the final fee increase. A prudent estimate has been included within the budget pending the outcome of the agreed fee based on figures included in the Audit Results schedule reported to Committee in October. A £15K reduction to the budget has also been made to remove the ISS voting Service charge. This is as a result of the transition to ACCESS of the remaining two segregated equity mandates. Going forward all voting activity will be recorded and reported to the fund via Link. There has also been a transfer of £6,400 from the Investment Strategy Budget to the Facilities training budget. This reflects the cancellation of the CIPFA Pensions Network subscription and purchasing direct training events through the facilities budget.
- 5.12. **Administration Services – Appendix 1c**

Category	2020-21 Budget (£)	2021-22 Budget (£)	% Increase/ Decrease
Staff Costs	1,208,000	1,183,000	-2.1
Operational Costs	298,000	339,000	13.8
Pensions Payroll Income	-29,000	-25,000	-13.8
Total	1,477,000	1,497,000	1.4

- 5.13. The Administration budget for 2021-22 shows a net increase of £20K.
- 5.14. The net increase is mainly due to the implementation of the new Administration Software within Operational Costs. The estimated costs include two months of dual running during the implementation period. Additionally, the £200K upfront one-off costs of the software licences will be accounted for over the life of the 5-year contract. The apportioned cost of the licences in 2021-22 represents 5-months. Despite the increased software cost in 2021-22 to provide for dual running of old and new systems, overall, it is estimated the recurring operational cost of the new Administration Software contract will deliver a £30k per annum cost saving over the life of the 5-year contract.
- 5.15. The net increase in operational costs is offset by a net £25K reduction to the staff costs budget. As reported in section 2 above, there has been a review of the growth included in the 2021-22 budget in respect of the four posts resulting from the Strategic Review (Pensions Team Leader, Assistant Pensions Team Leader, Senior Pensions Administrator and Apprentice Senior Pensions Administrator). The budget for 2021-22 has been reduced from nine-months salary costs to six-months to reflect recruitment delays as a result of the COVID19 global pandemic. The staff travel budget has also been reduced by 50% to reflect the travel restrictions currently in place as a result of the Global Pandemic.
- 5.16. The income budget for Pensions Payroll has been decreased to reflect a reduced recharge for the administration of non-LGPS pension payroll services.

5.17. **Facilities and Support Services – Appendix 1d**

Category	2020-21 Budget (£)	2021-22 Budget (£)	% Increase/ Decrease
Facilities	181,000	176,000	-2.8
Support Services	84,000	81,000	-3.6
Training & Recruitment	37,000	43,500	17.6
Communication Expenses	113,000	100,500	-11.1
Online Services	44,000	35,000	-20.5
Income	-35,000	-23,000	-34.3
Total	424,000	413,000	-2.6

- 5.18. The Facilities and Support Services budget includes property costs relating to Lawrence House and other operational expenses. The Training and Recruitment budget includes team and technical training and continuing professional development for staff plus Pensions Committee training.
- 5.19. The proposed Facilities & Support Services budget for 2021-22 shows a net decrease of £11K. The net reduced budget is mainly due to the impact of the COVID19 Global Pandemic. The COVID19 impacted budget lines may need to be reinstated to their pre-pandemic levels when we prepare the 2022-23 budget. The training budget reflects the transfer of £6,500 from the Investment Strategy budget. The Income budget now includes the recharge of £23k for accommodation and support services provided by the Fund for the National LGPS Frameworks team. This has previously been netted against Facilities costs.

5.20. **Projects – Appendix 1e**

Project	2021-22 Budget (£)
LGPS Pooling Governance Advice (ACCESS)	40,000

2022 Triennial Valuation	80,000
Structural Review - Implementation Phase	150,000
Investment Strategy Implementation and Carbon Measurement	40,000
Custodian Framework Founder Fee	18,000
Custodian Framework Call Off	30,000
Actuarial 3 Framework Founder Fee	6,000
Actuarial 3 Framework Call Off	15,000
Investment Consultancy 3 Framework Founder Fee	7,500
Cyber Security	10,000
Website	5,000
Accommodation/Lease Review	5,000
Total	406,500

5.21. Project spend is one-off, non-recurring. The major projects proposed for 2021-22 include:

- LGPS Pooling Governance Advice (ACCESS) £40K – This budget provides for professional and technical support in relation to governance and on-boarding work relating to the ACCESS Pool.
- 2022 Triennial Valuation (£80K) – Estimated costs associated with any additional actuarial work preparing for the 2022 Triennial valuation, including the provision of additional Compass data.
- Norfolk Pension Fund Strategic Review (£150k) – This budget will enable the Fund to design and implement the recommendations from the structural review programme undertaken by Hymans Robertson. The review includes recommendations for specific project areas including:
 - Employer services - Review the current service provided to employers through detailed data gathering and analysis, explore changes to the organisational structure and the use of Information Technology to form a new best in class employer services function.
 - Governance - Implement a revised governance team structure with refreshed roles and responsibilities, establish a governance manual containing the key processes, procedures and information to deliver the Fund's increasing governance responsibilities and statutory requirements.
 - Administration - Implement an administration team and management structure that enables the best service to be delivered to members.
 - Administration Software Implementation - Implement a long term and robust software solution for scheme administration including new modules for employers and scheme members.
 - Team Structure - Identify and implement a management effectiveness framework to measure strengths and development areas of the Senior Management Team and integrate the review into business as usual. Identify risks around key roles in the team to identify the skills and potential development plans required to minimise the possibility of skills 'gaps' in these roles in the future.
- Investment Strategy Implementation and Carbon Measurement (£40K) – Estimated costs to facilitate an Equity asset review and participation in a carbon measurement pilot.
- Custodian Framework Founder Fee (£18K) and Call Off (£30K) – The Funds custodian contract is due for renewal in 2022. All ACCESS funds are looking to make a joint procurement of Custody services through the LGPS National Frameworks for non-pooled assets. The £18K represents the Founder Fee for Norfolk for the Custody framework and the £30K

represents the potential costs of specialist advice for Norfolk during our call off.

- Actuarial 3 Framework Founder Fee (£6K) & Call off (£15K) – The £6K represents the Founder Fee for the Actuarial framework (£6K) and estimated legal review costs for Norfolk during the call off (£15K).
- Investment Consultancy 3 Framework Founder Fee (£7.5K) – This budget will be used to meet the Founder Fee in respect of the Investment Consultancy framework.
- Cyber security (£10K) – Cyber security is an area of increasing concern across the sector. A full review of cyber security is underway which may require specialist support or system / technical / process changes as a result.
- Website (£5K) - a new website is due to be implemented in 2021, and content upgraded to meet accessibility guidelines.
- Accommodation Lease review (£5K) - This budget provides for the review of Norfolk Pension Fund's operational accommodation requirements and options. The lease for Lawrence House expires in February 2023. It is important that options are evaluated in advance of the lease expiry and a solution found that meets the operational needs of the fund and its stakeholders.

5.22. Pension Board – Appendix 1f

	2020-21 Budget (£)	2021-22 Budget (£)	% Increase/ Decrease
Board Development and Training	41,000	36,000	-12.2
Member Allowances and Costs	5,000	6,000	20.0
Secretariat	2,000	2,000	0.0
Advice and Guidance	10,000	10,000	0.0
Total	58,000	54,000	-6.9

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

5.24. National LGPS Procurement Frameworks Project – Appendix 1g

	2021-22 Forecast (Surplus)/Deficit* £
Actuarial Consultancy one, two and three	-562,900
Custodian Consultancy one and two	3,450
Member Data Verification	8,150
ESG Services one and two	-32,180
Investment Consultancy one, two and three	-69,490
Legal Services one and two	20,280
Investment Management Cost & Performance Monitoring & Reporting one and two	51,480
Passive Investment one and two	8,560
Pensions Administration Software	-96,810
Third Party Administration one and two	2,290
Transition Consultancy one and two	140,440

Framework Development & Promotion	-189,980
Total	-716,710

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

- 5.25. The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of frameworks being hosted by Norfolk is nineteen with a further four being developed in 2021-22.
- 5.26. Due to the long lifespan of each framework and the need to distribute the framework surplus to founders and joiners, the annual net accumulated actual income or expenditure position is carried forward each financial year. Therefore, for budgeting purposes, the Frameworks budgets balance to zero after the roll forward of the forecast actual surplus or deficit forecast above.
- 5.27. Costs associated with the set up and ongoing running costs of each framework include direct framework costs for dedicated framework posts and bought in services such as procurement advice, specialist advisor and legal fees, publicity, launch costs and website hosting. The salary costs of other Norfolk Pension Fund staff involved in the frameworks are also recharged. Framework income and expenditure is monitored closely in order to ensure that income over the lifetime of a framework exceeds expenditure and internal controls have been developed to take appropriate action for deficits rolling forward for more than two financial years.
- 5.28. On termination of the final contract call off, any surplus generated by each framework will be transferred to the Frameworks Development Fund unless agreed otherwise with Founder Members. Each framework is monitored on a rolling basis and action taken if a deficit position persists for more than two financial years. There are agreements in place with Founders to address the appropriate remedial action.
- 5.29. An annual outturn position for each framework is produced and reported to the Founder Members at their Annual Meeting. Details of the framework outturn will also be reported to Pension Committee in July 2021.
- 5.30. The National LGPS Frameworks - 'by the LGPS, for the LGPS' – are enabling the LGPS to efficiently and effectively access high-quality value for money services via an OJEU (or equivalent public procurement) compliant route; reducing procurement timescales and procurement costs. Together with volume rebates it is estimated that the National LGPS Frameworks have saved the LGPS over £132M, together with over 172 years of effort, since their launch in 2012.

6. Budget Monitoring

- 6.1. The budget is monitored by the Pension Fund Management Team throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit.
- 6.2. The table below shows actual spend to date against the approved 2020-21 budget as at 31 January 2021. The budget is not profiled to reflect periodic charges such as six monthly and annual invoicing. It is estimated the total outturn for the Fund in 2020-21 will be £3.000M representing a spend of 78% of the budget.

Service	Budget 2020-21 (£)	Actual Spend to Jan 2021 (£)	% Spent
Advisory Fees	409,000	157,736	39
Investment Strategy Services	890,000	563,975	63
Administration Services	1,477,000	1,079,989	73
Facilities & Support Services	424,000	280,140	66
Projects	585,000	106,833	18
Pension Board	58,000	5,845	10
Total	3,843,000	2,194,518	57

7. Financial Implications

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

8. Resource Implications

8.1. Staff:

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

8.2. Property:

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

8.3. IT:

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

9. Other Implications

9.1. Legal Implications:

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

9.2. Human Rights implications

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

9.3. Equality Impact Assessment (EqIA)

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

9.4. Health and Safety implications

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

9.5. Sustainability implications

Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other sustainability

implications to take into account.

9.6. Any other implications

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

10. Risk Implications/Assessment

10.1. N/A

11. Select Committee comments

11.1. N/A

12. Recommendation

12.1. The Pensions Committee approves the Pension Fund 2021-2022 budget.

13. Background Papers

13.1. Appendix 1 - Norfolk Pension Fund Budget for 2021-22
Appendix 1a - Advisory Fees
Appendix 1b - Investment Strategy Services
Appendix 1c - Administration Services
Appendix 1d - Facilities and Support Services
Appendix 1e - Projects
Appendix 1f - Pension Board
Appendix 1g - Frameworks

Officer Contact

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Pensions Budget 2021-22

2020-21 (£)	Division	2021-22 (£)
409,000	Advisory Fees (Appendix 1a)	428,000
890,000	Investment Strategy Services (Appendix 1b)	847,000
1,477,000	Administration Services (Appendix 1c)	1,497,000
424,000	Facilities & Support Services (Appendix 1d)	413,000
585,000	Projects (Appendix 1e)	406,500
58,000	Pension Board (Appendix 1f)	54,000
0	Frameworks (Appendix 1g)	0
3,843,000	Total	3,645,500

Advisory Fees Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
	Actuarial Fees	
54,000	Actuarial Support Fees	80,000
10,000	Demographic Profiling (Club Vita)	10,000
60,000	Unitisation	60,000
124,000	Subtotal	150,000
	Investment Consultancy	
40,000	General Investment Advice	40,000
16,000	Committee Attendance & Preparation by Investment Advisor	16,000
14,000	Quarterly Analysis & Reporting to Committee	12,000
70,000	Subtotal	68,000
	Investment Services	
40,000	Performance Monitoring	30,000
110,000	ACCESS ASU	115,000
150,000	Subtotal	145,000
	Legal Fees	
65,000	External Legal Advice	65,000
65,000	Subtotal	65,000
409,000	Total	428,000

Investment Strategy Services Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
732,000	Staff Costs	677,000
732,000	Subtotal	677,000
	Hired & Contracted Services	
16,000	RREV Corporate Governance	0
1,000	Internal Dispute Resolution Process (IDRP) Fees/Advice	1,500
27,000	External Audit Fees	61,000
25,000	Internal Audit Fees	25,000
20,000	Internal Legal Fees	20,000
8,000	Treasury Management Fees	8,000
4,000	Accounts Receivable Recharge	4,000
2,000	Accounts Payable Recharge	2,000
103,000	Subtotal	121,500
	Membership of Organisations plus Statutory Levies	
7,000	Local Government Employers Levy	7,500
10,000	LGPS Advisory Board	10,000
10,000	Local Authority Pension Fund Forum (LAPFF) Membership	10,000
11,000	National Association of Pension Funds (NAPF) Membership	11,000
7,000	CIPFA Pensions Network Membership	0
45,000	Subtotal	38,500
	Internal Recharges (NCC - Corporate Finance)	
10,000	Staff	10,000
10,000	Subtotal	10,000
890,000	Total	847,000

Administration Services Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
1,208,000	Staff Costs	1,183,000
1,208,000	Subtotal	1,183,000
	Operational Costs	
2,000	Archive Storage	2,000
285,000	Heywoods Fees	324,000
10,000	Mortality Screening/Life Certificate/Member Tracing	13,000
1,000	Technical Advice	0
298,000	Subtotal	339,000
	Income	
-29,000	Pensions Payroll	-25,000
-29,000	Subtotal	-25,000
1,477,000	Total	1,497,000

Facilities & Support Services Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
	Facilities	
80,000	Rent	80,000
53,000	Rates	53,000
25,000	Service Charge	25,000
8,500	Utilities	4,500
9,000	Cleaning/Refuse	9,000
2,500	General Maintenance	2,000
1,000	Buildings Insurance	1,000
2,000	Norfolk Property Services Fees	1,500
181,000	Subtotal	176,000
	Support Services	
11,500	ICT Network /Telephones	7,000
16,000	Copiers/Stationery etc	16,500
6,000	Courier/Post Collection	0
48,000	Postage	55,000
500	Business Continuity	500
2,000	IT Equipment Purchase	2,000
84,000	Subtotal	81,000
	Training & Recruitment	
25,000	Staff Training	31,500
10,000	Committee Member Training	10,000
2,000	Recruitment	2,000
37,000	Subtotal	43,500
	Communication Expenses	
5,000	Pre-Retirement Courses	5,000
35,000	Events	0
73,000	Communications	95,500
113,000	Subtotal	100,500
	Online Services	
44,000	Annual Fee	35,000
44,000	Subtotal	35,000
	Income	
-12,000	Pensioners Week Sponsorship	0
-23,000	Frameworks Recharge	-23,000
-35,000	Subtotal	-23,000
424,000	Total	413,000

Projects Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
15,000	Altair Admin to Payroll Interface Upgrade	0
100,000	Pension Admin Software Framework Call Off	0
100,000	Structural Review - Design Phase	0
40,000	LGPS Investment Pooling (ACCESS)	40,000
20,000	2022 Triennial Valuation	80,000
125,000	Structural Review - Implementation Phase	150,000
75,000	Investment Strategy Implementation	40,000
0	Custodian Framework Founder Fee	18,000
40,000	Custodian Framework Call Off	30,000
7,500	Actuarial 3 Framework Founder Fee	6,000
25,000	Actuarial 3 Framework Call Off	15,000
7,500	Investment Consultancy 3 Framework Founder Fee	7,500
10,000	Cyber Security	10,000
15,000	Website	5,000
5,000	Accommodation/Lease Review	5,000
585,000	Total	406,500

Pension Board Budget 2021-22

2020-21 (£)	Category	2021-22 (£)
41,000	Board Development and Training	36,000
5,000	Member Allowances and Costs	6,000
2,000	Secretariat	2,000
10,000	Advice & Guidance	10,000
58,000	Total	54,000

Frameworks Budget 2021-22

	Actuarial Consultancy	Actuarial Consultancy 2	Actuarial Consultancy 3	Custodian Consultancy	Custodian Consultancy 2	Member Data Verification	Framework Development & Promotion	ESG Services	ESG Services 2	Investment Consultancy	Investment Consultancy 2	Investment Consultancy 3	Legal Services	Legal Services 2	Investment Management Cost & Performance Monitoring & Reporting	Investment Management Cost & Performance Monitoring & Reporting 2	Passive Investment	Passive Investment 2	Pension Administration Software	Third Party Administration	Third Party Administration 2	Transition Consultancy	Transition Consultancy 2	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Estimated Bal B/fwd from FY 2020/21	-147,567	-441,448	42,636	-45,262	118,130	7,754	-5,062	-19,227	0	-87,512	-167,048	0	-19,866	21,341	-2,117	0	-94,867	0	-76,038	-26,917	0	-14,720	0	-957,789
Framework Posts *	4,848	9,059	15,603	5,415	15,952	7,844	77,727	5,415	26,216	4,848	8,411	24,138	4,848	7,844	4,848	24,138	5,982	24,138	14,874	7,060	27,138	5,415	24,138	355,901
Framework support Costs - NPF	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	3,356	77,180
Framework support Costs - Bought in	0	1,000	1,000	0	15,000	0	27,000	0	62,600	0	0	38,000	0	0	0	22,000	2,500	75,000	15,000	0	117,600	0	140,000	516,700
Founder Fee Reimbursement	0	30,000	0	0	0	0	0	0	0	0	65,000	0	0	0	0	0	27,000	0	0	0	0	0	0	122,000
Transfer to FD&P	147,000	0	0	44,000	0	0	0	0	0	87,000	0	0	15,000	0	0	0	0	0	0	0	0	0	0	293,000
Founders Fee*	0	0	-50,000	0	-125,000	0	0	0	-110,000	0	0	0	0	0	0	0	0	0	0	0	-125,000	0	0	-410,000
Potential Joiners	0	0	-30,000	0	-24,000	-1,000	0	0	0	0	-10,000	0	0	0	0	0	0	0	-24,000	0	0	0	0	-89,000
Rebate	-54,500	-100,600	0	-7,500	0	-9,800	0	-3,900	0	-30,500	-11,900	0	-3,500	-12,100	-4,100	0	-37,900	0	-30,000	-4,300	0	-21,100	0	-331,700
Transfer from FD&P	0	0	0	0	0	0	-293,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-293,000
2021/22 Forecast	-46,863	-498,633	-17,405	9	3,437	8,154	-189,979	-14,356	-17,828	-22,808	-112,181	65,494	-162	20,441	1,987	49,494	-93,930	102,494	-96,808	-20,802	23,094	-27,049	167,494	-716,708
Carry Forward	46,863	498,633	17,405	-9	-3,437	-8,154	189,979	14,356	17,828	22,808	112,181	-65,494	162	-20,441	-1,987	-49,494	93,930	-102,494	96,808	20,802	-23,094	27,049	-167,494	716,708
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

Report to Pensions Committee

Item No. 8

Report title:	Corporate Governance and Shareholder Engagement Report
Date of meeting:	2 March 2021
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary This report is the six-month update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund including ESG matters relating to the ACCESS Pool. The report covers the period 1 July 2020 to 31 December 2020. Recommendations The Pensions Committee is asked to consider and note the contents of this report.	

1. Background and Purpose

- 1.1 Over many years, the Committee have developed their own policy on Corporate Governance in line with industry best practice. Details of the current policies on Voting and Engagement are set out in Appendix 5 of the Norfolk Pension Fund Investment Strategy Statement (ISS). A copy of the ISS can be found on our website at www.norfolkpensionfund.org (type ISS into the 'Site Search' box).
- 1.2 The Fund believes that through the adoption of good practice in corporate governance, environmental and social matters, the management of companies will improve, and long-term shareholder value will increase. The Fund's policy expects Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance and raise awareness of Environmental, Social and Environmental (ESG) issues. Key AGM voting, and manager discussion themes are as follows:
 - Board structure
 - Chairman independence
 - Executive remuneration
 - AGM proposals
- 1.3 The key themes of the engagement policy are as follows.
The Fund expects companies to:
 - Demonstrate a positive response to all matters of social responsibility
 - Take environmental matters seriously and produce an environmental policy on how any detrimental impact can be minimised
 - Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage
 - Make regular and detailed reports of progress on environmental issues available to shareholders
 - Openly discuss the environmental impacts of their business with shareholders
 - Establish procedures that will incrementally reduce their environmental impact

- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.
- 1.4 During the period between July and November, voting has been undertaken in accordance with the Pension Fund's policy by the Research Recommendations and Electronic Voting organisation (RREV) for the non-pooled segregated equity mandates. In November 2020 the remaining segregated equity mandates (managed by Capital and Mondrian) transferred to the ACCESS pool as planned. Therefore, going forward, the Fund will no longer vote any stock directly through its own proxy voting provider. All voting arrangements will now mirror the approach for Baillie Gifford and Fidelity and be undertaken by the investment managers in accordance with Pool policy described in section 7 to this report. The Fund's investment managers have continued to engage with companies and markets to improve governance generally.
- 1.5 We have improved the disclosure of manager engagement policies on our website since the last report by including a direct link to the Managers ESG/RI website.

2. Voting

- 2.1 Details of all votes cast for UK and overseas companies can be found on our website at www.norfolkpensionfund.org.
- 2.2 During the third and fourth quarters of 2020 (01 July 2020 to 31 December 2020) there were 29 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 407 resolutions relating to the Fund's shareholdings. Further analysis of the votes cast at UK Company meetings by the Norfolk Pension Fund is shown below. This includes votes through our proxy voting provider and those through the LINK platform.

Votes "For"	396
Votes "Against"	8
Votes Abstained from	<u>3</u>
Total Votes	407

- 2.3 Votes against the management of UK companies on the LINK platform where the Fund Manager has elected to override the ACCESS policy (comply or explain) are shown in Appendix A.

3. Engagement

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

4. Voting and Engagement - Pooled Funds

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

5. Responsible Investment Active Equity Manager Ratings

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

- 5.2 Hymans include an RI rating for Norfolk's equity managers in the quarterly performance report.

6. Local Authority Pension Fund Forum

- 6.1 The Norfolk Pension Fund is a member of The Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.
- 6.2 LAPFF Business Meetings were held in July and October 2020. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
15 July 2020	<ul style="list-style-type: none">• Change to LAPFF climate change policy statement• Asset Manager Voting on LAPFF Alerts• Quarterly Engagement Report• 2019/2020 Budget Outturn• Medium-Term Financial Plan to 2024/25• Shrinking the Opportunity Spaces for Audit Failure
07 October 2020	<ul style="list-style-type: none">• Hydrogen, Steel, Energy Storage, Biomass Energy and Climate Change• APPG inquiry into a just transition• PRI/CERES Initiative for Sustainable Forests• LAPFF Stewardship Code Guidance• Updates on Scheme Advisory Board

7. LGPS Pooling

- 7.1 The Fund's participation in the ACCESS Pool includes the development of corporate governance and socially responsible investment policies to enable the pool to continue to discharge its responsibility in respect of LGPS regulations and corporate governance activity.
- 7.2 The ACCESS Joint Committee has approved voting guidelines for ACCESS Equity sub-funds. The guidelines are based on the ACCESS Fund's current voting practice as well as from guidance issued by the investment association. Pensions Committee considered the ACCESS sub-fund voting guidelines at its June 2018 meeting.
- 7.3 As detailed in its 2020-21 Business Plan, ACCESS has committed to undertake a review of its responsible investment/environmental, social and governance policy.
- 7.4 A position statement on the development of updated ESG/RI guidelines for the ACCESS pool was presented to the ACCESS Joint Committee on 7th September 2020. The position statement noted key milestones in order to complete the review:
- the status of each Authority's review of its own RI Policy;
 - the upcoming timescales for compliance with
 - the revised UK Stewardship Code; and
 - the Task Force for Climate Related Financial Disclosures;
 - the work in progress on the stewardship and engagement survey of all Investment Managers within the ACCESS ACS using the questionnaire developed by Norfolk;
 - OWG's view that specialist advice be procured for ACCESS.
- 7.5 In September 2020 an ACCESS ESG task and finish group was set up. Norfolk Pension Fund are taking an active role in the group and have been part of the

procurement process to develop the service specification and to appoint a specialist ESG advisor.

8.0 Portfolio Carbon Measurement

- 8.1 The Fund is working with Hymans Robertson to develop a more robust solution to measure climate risk across its public equity portfolios. The results of this work are presented separately at item 15. Going forward it is proposed that this work is incorporated as part of this regular item.

9. Financial and other Resource Implications

- 9.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

10. Other Implications (inc. Equality Impact Assessment (EqIA))

- 10.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.
- 10.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.

11. Risk Implications/Assessment

- 11.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

12. Recommendations

- 12.1 The Pensions Committee is asked to consider and note the contents of this report.

13. Background Papers

- 13.1 Appendix A – 2020 Q3 & Q4 Voting and Results UK
Appendix B – Engagement 01 July 2020 to 31 December 2020

Officer Contact

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

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Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
13	Vodafone Group Plc	Re-elect David Thodey as Director	A Vote AGAINST as in addition to his role as a NED of Vodafone he holds board positions in three other publicly listed companies.	27-Jul-20	Management	Against	98.0%	0.9%	1.1%
13	genus plc	to empower the directors with limited authority to allot ordinary shares	A Vote AGAINST as the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. They do not believe that it is in their clients' best interests to forego the right to vote on a large rights issue at an EGM.	25-Nov-20	Management	Against	87.5%	12.5%	0.0%
15	genus plc	securities for cash without first offering them to existing shareholders provided that this power be used only in connection with an acquisition or other capital investment	A Vote AGAINST as the resolution which sought authority to issue equity, whereas ACCESS guidelines recommended supporting. They believe the potential dilution levels are not in the interests of shareholders.	25-Nov-20	Management	Against	91.955%	7.9671%	0.077%
11	abcam plc	authorise issue of equity without pre-emptive rights in connection with an acquisition or other capital investment	A Vote AGAINST as the proposal that gave the company the right to issue up to two-thirds of its issued share capital via a rights issue under Section 551 of the Companies Act 2006, whereas ACCESS guidelines recommended supporting. They do not believe that it is in our clients' best interests to forego the right to vote on a large rights issue at an EGM.	04-Dec-20	Management	Against	92.7%	7.3%	0.0%
13	abcam plc	authorise issue of equity	A Vote AGAINST as the resolution which sought authority to issue equity, whereas ACCESS guidelines recommended supporting. They believe the potential dilution levels are not in the interests of shareholders.	04-Dec-20	Management	Against	94.4%	5.6%	0.0%

Engagement during the period 1 July 2020 to 31 December 2020**UBS**

In quarter three, UBS met with Conzzeta to address questions on governance and E&S disclosure. The company is currently undergoing a strategic shift with the planned disposal of two business units, related to sportive clothing and foam materials, and a future focus on Bystronic only (systems engineering for sheet metal processing). As a consequence, some of the sustainability strategic planning and reporting has been put in instalments until the new strategy is fully operationalised. The company was receptive to feedback on better board committees' independence, increase of protection of minority shareholders' interests and better alignment of remuneration with performance criteria. Realistically, the company will change its Board composition and remuneration policy in 2022/2023.

UBS were pleased to hear that Conzzeta had initiated the process to measure its carbon footprint, it has updated its previous ESG materiality assessment for the Bystronic business only and more qualitative information will be available in the 2020 annual report. Targets and performance against indicators will follow in 2021. During the meeting, UBS shared with management interest in seeing more actions and disclosure on waste management, energy efficiencies, collaborations with customers on product design, human capital management and management of E&S risks in the supply chain. When asked about useful reporting frameworks for investors, UBS encouraged the company to refer to Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) to shape future materiality driven disclosure.

UBS also engaged with Recruit Holdings in quarter three, to provide feedback on their overall level of disclosure and performance on sustainability as proactively requested by management. During the call, UBS shared views on the most material issues for the company: governance, human capital management and cyber security. Disclosure on governance was positive overall, although the CEO/Chairman combined position is not balanced by an adequate level of independence at board level and the presence of a Lead Independent Director. Information on human capital management is generally detailed and useful to assess how the company mentors and trains employees, although UBS were not able to find data on the company's turnover figures. During the meeting the company shared that of a workforce of 50,000 employees, they had a turnover rate of 13%, which is higher than the industry average of 9% in Japan.

UBS encouraged the company to provide more context on these figures in the future. Disclosure on cyber security and data treatment is overall, limited, which poses a risk given the recent controversy in Japan regarding misuse of future recruits' personal data. UBS recommended that the company provides more information on policies, allocated budgets, audits and responsibilities at senior management and board level on the topic. Finally, UBS commended the company for providing information on actions taken to decrease the overall GHG emissions of the business even if climate change risks are not particularly material.

UBS engaged with ASOS plc in advance of the 2020 AGM in November to discuss the proposed increase in total CEO & CFO compensation, which represented an increase in base salary, short-term and long-term opportunity. UBS particularly wanted to discuss the timing of the changes, given the COVID-19 pandemic and the Company's use of government aid. During the discussion the ASOS plc explained that it took a very pro-active approach at the start of the virus and furloughed all non-essential staff. However, throughout the course

of the lockdown the Company realised it was not as materially impacted as it had initially thought, and in fact had performed better than the previous fiscal year.

As a result, the Company committed to paying back all the money it had received from the government. In conjunction with this, the Remuneration Committee determined that it was appropriate to offer an increased compensation package to the CEO and CFO taking into consideration that the CEO's salary had only increased by 4% since 2015. Despite the Company's rationale and no major concerns with the quantum of the increase, at the AGM, UBS were not able to support the proposal as the timing of this increase was not appropriate given the fact that while staff were on furlough they did not receive 100% of base salary. In addition to concerns with the pay increases, UBS also highlighted concerns around the lack of deferral periods on variable pay elements, and preference for the audit to be put to tender every 10 years.

In collaboration with other investors in quarter four, UBS met with the CFO of the Kingspan Group, to engage on the latest developments related to the Grenfell Tower enquiry which showed employees admitting shortfalls in fire testing of the plastic foam insulation used in the building. As a result, the Board member heading the insulation board business has resigned. During the meeting, UBS learned that the company is planning on commissioning an external assessment on what happened, and they were encouraged to extend the review to the role of the Board. As a consequence, to the later findings, the company has created a new compliance function, reviewed the remit of the audit committee and created a new code of conduct. The company could not comment on any eventual repercussion on executive compensation. Further dialogue will have to take place to understand the actions taken by the company to ensure the right corporate culture and board oversight is in place going forward.

Link Asset Services - Capital

Tencent Holdings is a leading provider of internet and mobile value-added services in China. Tencent has a broad user range spanning demographics and geographies. As part of its efforts to curb video game addiction amongst minors, the Chinese government has introduced a range of measures including a gaming curfew. In quarter three, Capital engaged with the company to discuss the measures they are implementing to protect underage users. The company confirmed that they have implemented anti-addiction measures to ensure minors do not exceed a certain amount of time playing games each day and to ensure they do not play games after certain hours during the day.

During these exchanges, Tencent also highlighted that the majority of their paying users are adults. So, while many young users do play their games, Tencent does not depend on minors to generate the vast majority of its gaming revenue. Tencent's new anti-addiction measures should reduce reputational and regulatory risk for the firm while protecting its user base.

As long-term investors, Capital monitor regulatory developments that have the potential to reshape industries. For example, in September, US Governor Gavin Newsom of California announced that by 2035 the state will require all new light vehicle sales to be zero-emission, and by 2045 all medium and heavy-duty trucks in operation will need to be zero emission where feasible as well. California had already introduced ambitious vehicle emission standards, but heightened concerns about air pollution, wildfires, and wider climate impacts on the state have accelerated the calls for such steps. With upwards of 30 million registered

motor vehicles and a GDP that ranks as roughly the fifth largest economy in the world, the state's policy can have far-reaching impacts.

This announcement will further accelerate the transition to alternative powertrain vehicles as it spurs investment from legacy companies and new entrants. While there are clear implications for vehicle manufacturers, there will also be wider second-order impacts for the supply base, grid capacity and supporting infrastructure such as electric charging stations and hydrogen production facilities. The new operating environment could bring about an evolution of the entire transportation value chain over time. California's announcement follows similar commitments set in France and Germany and may be followed by other US states.

In quarter four, Capital met with Tony Hayward, the chairman of global commodities producer and trader, Glencore. The discussion covered a range of topics, including the company's coal business. Coal is increasingly considered a stranded asset on account of demand shifting towards renewable energy, reduced policy support from governments and the decreasing cost of investing in renewables. Capital suggested Glencore should put the coal business into "run-off" mode, i.e. gradually run-down capacity without reinvesting other than to maintain safety and operating standards. The view was that the carbon issue is having an impact on the multiples the market is putting on Glencore. What to do with the coal might be the key strategic issue facing the company today. Capital reiterated this point with the CEO and other board members in subsequent engagements.

In October 2020, Glencore announced that it is running down its coal mines to reduce Scope 3 carbon emissions (which are emissions arising from the value chain) and will use the funds to invest in minerals, including copper, cobalt and nickel, which are needed in energy transition markets such as electric vehicle production. In December, the company published its Climate Report 2020: Pathway to Net Zero, which describes its plans to achieve net zero emissions by 2050 and align with the Paris 1.5°C scenario. This will involve a managed decline of coal assets.

Since its launch in 2009, China-based Bilibili has evolved from a content community inspired by anime, comics and games into a full-spectrum online entertainment platform that covers video, live broad casting and mobile games. It continues to evolve, catering to the changing and diverse interests of its user communities, to provide a high-quality immersive entertainment experience.

Capital recently engaged with Bilibili's CEO, CFO and COO to discuss the company's long-term outlook. Capital was struck by the importance the management team placed on user community. In fact, this is core to its corporate culture, where the rule is 'community first'. Management has invested significant resources into this community; it is where the founder spends the bulk of his time. Bilibili requires users to pass a 1GO-question entrance exam before they can submit comments or videos, including sections on etiquette and appropriate behaviour, and is a big part of the commitment to providing a safe online experience. The company's priority is to maintain an attractive, open-minded, supportive community that encourages inclusion and creativity.

Communities take time to grow and cultivate. However, once created it drives a virtuous cycle for both users and content, helping to strengthen the company's competitive moat. Highly-engaged users typically display strong loyalty to communities and platforms and can result in higher retention rates. In turn, a sticky ecosystem enables content creators to know what users care about, which fuels higher quality content creation.

Link Asset Services - Mondrian

An important element of Mondrian's process is actively meeting with and engaging with management and the board of current and prospective investments. In order to support their analysis, at meetings with management Mondrian analysts will discuss:

1. The current and long-term outlook for the business
2. The risks to that outlook and the company's business
3. The company's future business strategy
4. Governance policies and structures that support or hinder confidence in the future outlook

The latter will potentially include a discussion of governance policies, corporate structure, management and board experience and composition, remuneration policies, board oversight policies and procedures as well as policies on shareholder returns. To the extent that issues such as climate change, carbon emissions, human capital concerns and energy usage have been identified as potential risk factors to consider in evaluating the investment case of a particular company, Mondrian analysts will conduct further investigation into the extent of these risks as well as risk mitigation. The findings from this questioning and disclosure will be incorporated into the overall investment evaluation of the company and highlighted in the ESG Summary Report.

Where Mondrian find that the approach of direct engagement with the management and board of a company is ineffectual in dealing with concerns, subject to any regulatory restrictions and where it is in clients' best interests to do so, Mondrian may act collectively with other shareholders and governance organisations. While Mondrian recognises the benefits of working alongside other likeminded investors and the likelihood that such engagement may be the most effective means of securing the required change, Mondrian would generally only participate in collective engagement on critical issues which may have a material impact on shareholder value. Any engagement would be reviewed on a case-by-case basis and would require the knowledge of the product CIO and the Compliance Officer.

Time Period:	Quarter 3 2020	Quarter 4 2020
Total Engagements Across Equity Teams:	284	330
Total Engagements with Global Equity strategy-related Companies:	161	191
Total Engagements with Norfolk Portfolio Companies:	19	27
Top Five Engagement Issues Across Equity Teams:	1. Supply Chain	1. Labour
	2. Ownership	2. Supply Chain
	3. Board	3. Board
	4. Labour	4. Ownership
	5. Other Governance	5. Green Opportunities
Top Five Engagement Issues with Norfolk Portfolio Companies:	1. Green Opportunities	1. Climate Change
	2. Climate Change	2. Board
	3. Labour	3. Remuneration
	4. Pollution & Waste	4. Green Opportunities
	5. Board	5. Labour

Mondrian systematically assess investments on their human capital risks and opportunities and where financially material, incorporate these factors within valuations.

Link Asset Services - LF ACCESS UK Equity Core Fund (Baillie Gifford)

During the third quarter, Baillie Gifford had several engagements with BHP engaging with the Chairman about board refreshment, climate change, indigenous communities, trade association memberships and the Mine Tailings Safety Initiative. This was followed by a briefing on climate change, where Mike Henry (CEO), Johan van Jaarsveld (chief development officer) and Fiona Wild (VP, sustainability & climate change), explained how climate is incorporated into strategy, portfolio management and capital allocation. Having previously disclosed a 'net zero by 2050 target', BHP provided a new interim target for 2030 (to cut operational GHG emissions by at least 30% compared to 2020) and the plan of action to achieve that, as well as the company's approach to achieving Scope 3 reductions.

Baillie Gifford then joined a collective briefing on health & safety, governance, cultural heritage, tailings and the two shareholder resolutions on the upcoming AGM agenda and also participated in a call with the proponents (ACCR) of the shareholder resolutions and their representatives. One of the resolutions relates to BHP's management of heritage issues (for example, traditional owners of land where mining activities may take place). The second focuses on the group's membership of industry organisations where it is alleged there is a misalignment of climate ambitions. Baillie Gifford expect to engage with BHP again before the AGM to hear its perspective on both resolutions before finalising voting intentions. Interactions with the company over recent months have helped to develop knowledge of BHP's approach to a broad range of environmental, social and governance issues, which is relevant to the long-term investment case.

Baillie Gifford also held a series of meetings with the chairman, senior independent director and CEO of Rio Tinto on the topics of effective governance, community stakeholder relations and mine safety. The destruction of a site of cultural significance in Juukan Gorge, Western Australia in May 2020 prompted widespread criticism which led to the resignation of the CEO and two additional executive directors in August.

Baillie Gifford engaged with Rio Tinto to set out expectations that the board is fully focused on delivering an effective corporate governance framework which respects all stakeholder rights and have called on the board to make the necessary changes to its composition and working practices to safeguard the long-term success of the company. Baillie Gifford will continue to monitor progress closely.

In quarter four, Baillie Gifford continued to engage with Rio Tinto on the Juukan Gorge disaster. Given ongoing concerns, Baillie Gifford wrote to the board in November to encourage improved corporate governance. Baillie Gifford also engaged as part of the Investor Forum, and attended the Australasian Centre of Corporate Responsibility's briefing, following the interim parliamentary inquiry which identified failings which led to the destruction of the Juukan Gorge site. It recommended governance improvements and restitution payments to traditional owners. Further recommendations, focused at an industry and government level, aim to raise overall standards for cultural heritage including greater protection and empowerment of Indigenous peoples.

Baillie Gifford will continue to monitor Rio Tinto's response to the disaster and will engage with the company again in the new year. The focus will be on minimising the risk of any

similar incident in future, including stronger governance practices and corporate culture to respect stakeholder interests and create sustainable long-term value.

In quarter four, Baillie Gifford also engaged with the chair, the group services director and the Breedons recently appointed (and first) head of sustainability. As an aggregates business with two cement plants, Breedon operates in a sensitive industry from an environment and social perspective and is one of the largest contributors to the UK Core portfolio's carbon footprint report. Baillie Gifford discussed its stated purpose ("to make a material difference to the lives of our customers, our colleagues and our communities") and its consideration of ESG. The board aims to go beyond industry best practice standards on environmental matters. Its social focus is on looking after employees and being a responsible company in relation to the communities on whose goodwill and co-operation it depends for its licence to operate.

Continued board evolution is the key governance consideration. Baillie Gifford were subsequently consulted by the chair of the remuneration committee about proposed changes to the executive pay policy and welcome the consideration being given to introducing a sustainability-related or ESG-related performance objective into the annual bonus scheme ahead of next year's AGM.

Link Asset Services – LF ACCESS Global Ex UK Fund (Fidelity)

In quarter three, Fidelity sent out a letter to their larger holdings in the FTSE 350 setting out expectations for how they would like to see investee companies approach executive pay decisions in the wake of Covid-19. A key point raised was that companies that had participated in taxpayer-supported furlough schemes should waive executive bonuses for the year. Fidelity also urged restraint on pay rises and warned against the risk of windfall payments for LTIP awards. Fidelity had already begun to engage and vote on pay issues related to Covid-19.

In the Autumn, the airlines Ryanair and Wizz Air held their AGMs amid an extremely difficult period for the air transport sector. Although both companies had required government support during the year, their respective CEOs had received substantial bonus payments: Ryanair CEO Michael O'Leary received €458,000 bonus for the year ended 31 March 2020; thereafter the company cut 3,000 jobs, furloughed staff, and drew down £600m under the UK Covid Corporate Financing Facility (CCFF). Similarly, at Wizz Air, Jozsef Varadi received €530,000 on a discretionary basis because the performance target was missed; thereafter the company cut 1,000 jobs, furloughed staff and drew down £300m under the CCFF.

Fidelity voted against the remuneration reports at both AGMs, and both received substantial opposition from minority shareholders (Wizz Air's was voted down). Prior to the vote at Wizz Air Fidelity engaged with management to explain their views. Fidelity expected to ramp up engagement on executive remuneration in quarter four, which is when there is the highest volume of consultations on remuneration policy changes and application.

Fidelity also engaged with Swiss company Temenos to discuss several sustainability topics. Temenos conducted an extensive materiality analysis and cyber security came as the most material issue, both for internal and external stakeholders. They don't directly handle any clients' personal data, have a CISO (Chief Information Security Officer), reporting into the CFO and are also holding meetings with the broader executive team every two months. Every year, the CISO reports to the Board's audit committee. Several board members have

expertise in the cyber domain. All main Data Privacy risks are mentioned in the annual report although not in great detail: (i) IP is the most material area, then (ii) product quality (e.g. risk inherent to their software used by banks), (iii) DDoS attacks, and (iv) software running on clouds are more risky, cybersecurity though is provided by cloud provider (Google, Amazon, etc). Whilst the company would be required to report any incident under GDPR, they haven't had major one so far. The company's policies in this area are updated on an annual basis. Employees and contractors receive an annual training on cyber security, data privacy, the code of conduct and anti-bribery and corruption.

The company has formalised a sustainable procurement policy. About 71% of tier 1 suppliers have been reviewed using the UN Global Compact principles and a cyber security and data privacy questionnaire. Whilst no incident among suppliers has been identified so far, the company is planning to assess all of them. As part of its anti-bribery and corruption efforts, the company has established a strong whistleblowing policy which applies to suppliers. An online system enables for recording gift/hospitality and goes beyond legal requirements. New business opportunities in high-risk countries follow a more stringent due diligence review.

In quarter four, Fidelity launched its inaugural Task Force on Climate-related Financial Disclosures (TCFD) annual report. This follows Fidelity's commitment earlier this year to reduce its operational carbon emissions to net zero by 2040. In the report, Fidelity has holistically gathered and published the relevant global climate-related information that will help stakeholders better understand Fidelity International's alignment with TCFD reporting, both as a corporate entity in its own right and as an investment manager. The report is based on the 4 "pillars" of TCFD recommended disclosures, namely: Governance; Strategy; Risk Management and Metrics and Targets. It addresses the TCFD's 11 core climate-related disclosure recommendations for all companies with respect to Fidelity's own corporate operations, along with the additional five disclosure recommendations with respect to Fidelity's investment management process.

Fidelity also organised and led a group call with the Sinopec and PetroChina, two Chinese integrated oil and gas companies, in December. The main objective of the calls was to understand how each company plans to align its business strategy with China's 2060 carbon neutral pledge which was announced by President Xi in September. While both companies acknowledged their critical roles in helping China to achieve its climate ambition and their intention to achieve carbon neutral before 2060, one was able to provide a clearer outline of its action plans. These include further improving its product mix to produce even more energy efficient and low emitting fuels and stepping up investment in hydrogen. At the moment most of its hydrogen is grey or brown hydrogen but it has recently partnered with two American firms to conduct R&D in electrolysis technology to lay the groundwork for green hydrogen production.

Regarding its upstream business, it has partnered with a number of research institutes in China to look into its carbon emission profile and business strategy with the aim of creating a carbon neutral and carbon peaking target that can be backed up by a business transition plan. This research initiative was launched in November and is expected to take about a year. Upon conclusion of the initiative, the company plans to announce its carbon peaking and carbon neutral target and pathway publicly. Both companies welcomed Fidelity's offer to work with them to improve their climate disclosure in their upcoming sustainability reports in 2021. Fidelity plan to send in suggestions in writing and follow-up with another discussion in the first quarter 2021.

In quarter three of 2020 Fidelity sent out letters to their larger holdings in the FTSE 350 (UK) and the ASX 200 (Australia) setting out expectations as to how investee companies should approach executive pay decisions in the wake of Covid-19. In quarter four, Fidelity sent the same letters to their major holdings in the STOXX 100 (Continental Europe) and commenced engagement and voting on this issue in several markets. A key point of emphasis is that Fidelity expect companies that have taken government support to meet their payroll costs to cancel short-term bonuses for executive directors and equivalent senior management for the year.

Fidelity have considered this issue principally through a reputational lens, both in terms of how payment of bonuses in these circumstances reflects on the individual company, and also how it could contribute the public's perception of private industry as a whole (the 'privatisation of profits vs. socialisation of costs' problem). Fidelity are aware that many of their investee companies have faced difficult headwinds throughout the pandemic and that there may be concerns about demotivating management if pay is cut too drastically, so Fidelity have advised that they are willing to accept some flexibility on e.g. the application of discretion for multi-year equity programmes.

Beyond this, Fidelity have also recommended a general restraint on increases in pay quantum for companies that have been hard hit by the crisis and have recommended cuts in LTIP grant levels to avoid windfall gains in cases of large temporary falls in the share price at the time of grant. Subsequent to the letter campaign, Fidelity have discussed their expectations with a number of UK investee companies and remuneration consultants. Fidelity have also engaged extensively with Australian investee companies on these issues, both prior to and during the 2020 Australian AGM season in September-November 2020.

Fidelity have been generally pleased with the responses from larger UK holdings so far. In particular, they are grateful that most of the larger UK holdings spoken to have elected to cancel bonuses for executive directors when they have furloughed staff during the performance year. In Australia, results have been mixed, as many boards of companies receiving wage subsidies chose to leave executive bonuses in place or reduce them partially. As a result, Fidelity's level of opposition to remuneration voting items in the Australian market rose during the 2020 AGM season.

Report to Pensions Committee

Item No. 9

Report title:	ACCESS Update – Unrestricted Items
Date of meeting:	2 March 2021
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund

Executive Summary

The Government requires LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.

Since December 2016 the Norfolk Pension Fund has been working with 10 other ‘like-minded’ Administering Authorities to form 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.

An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool.

The ACCESS Pool is governed by a Joint Committee (JC) made up of one elected councillor from each authority’s Pensions Committee. The Norfolk Pension Fund is represented by the Chair of Pensions Committee.

This report provides an update to the Pensions Committee on the work of the ACCESS Pool.

Recommendations

- The Pensions Committee is asked to consider and note the contents of this report.
- The Committee notes that the next virtual meeting of the JC will be held on 8th March 2021.

1. Background and Purpose

- 1.1 The ACCESS Joint Committee (JC) last met on 13th January 2021. A full set of restricted and unrestricted agenda papers relating to this meeting were previously circulated to members of this Committee and the Pensions Oversight Board for information.
- 1.2 This report briefs Pensions Committee on the unrestricted items considered by the JC at the January meeting.
- 1.3 Agenda items from the January meeting deemed to be exempt under Schedule 12A of the Local Government Act 1972 are presented under agenda item 11 at today’s Pensions Committee meeting.

2. COVID-19 – Remote Working Arrangements

- 2.1 In response to the COVID-19 crisis, ACCESS officer meetings and meetings of the JC are held virtually. It is anticipated meetings will be held on a virtual basis for the

foreseeable future. The next virtual meeting of the JC is 8th March 2021.

3. Business Plan, Budget and Risk Summary

- 3.1 Updates on key activities contained in the 2020-21 business plan were given by way of separate items on the agenda. This included specific reports on:
- Environmental, Social Governance (ESG)/Responsible Investment (RI)
 - Alternative/illiquid assets
 - Sub-fund implementation
 - Contract Management
 - Scheduled Business as Usual Evaluation
- 3.2 The Committee received an update on the 2020/21 Business Plan. This included work undertaken to review the size and scope of the ACCESS Support Unit (ASU). This review had been informed by discussions with officers at each Authority, followed by a collective dialogue with the ACCESS Officer Working Group and finally by ACCESS s151 Officers. The common themes of this dialogue were:
- recognition of the increased pressure on individual Authorities preventing them from committing additional resources to support the ASU;
 - acceptance that the ability to increase ASU Technical Lead capacity was unlikely;
 - recognition of the increased workload implication of the ACCESS business plan;
 - collective support for an expanded ASU.

As a consequence of this review, it was proposed that two new ASU posts be created; a Client Manager and an additional ACCESS Support Officer at an expected cost of £160k p.a. The proposal, supported by the s151 Officers, was incorporated within the proposed 2021/22 budget presented to the JC.

- 3.3 The JC noted a forecast 2020/21 spend of £0.969m against a budget of £1.078m, representing an underspend of £10k per authority.
- 3.4 The JC considered the proposed 2021/22 Business Plan and budget. The Business Plan identified many current themes including active asset migration from Authorities into the ACS, the commencement of pooling illiquid assets along with developments in the areas of governance, communications and Responsible Investment. To support this, a budget of £1.247m (including the £160k in respect of additional ASU staff) was recommended.
- 3.5 The individual contribution by each Authority in respect of the 2021/22 budget is £113k.

4. Financial and Other Resource Implications

- 4.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

5. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 5.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.
- 5.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.

6. Risk Implications/Assessment

- 6.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

7. Recommendations

- 7.1 The Pensions Committee notes the contents of this report.
- 7.2 The Committee notes that the next virtual meeting of the JC will be held on 8th March 2021.

8. Background Papers

- 8.1 A full set of restricted and unrestricted agenda papers relating to the 13th January JC meeting were previously circulated by email to members of this Committee and the Pensions Oversight Board for information.

Officer Contact

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