



Pensions Committee

Date: **Tuesday, 18 September 2018**

Time: **9:30am**

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

Membership

Members

Mr D Douglas
Mr T FitzPatrick
Ms J Oliver (Chairman)
Mr M Storey
Mr B Watkins

Co-opted Members

Mr J Fuller
Mr A Waters

Member Representative

Mr S Aspin

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

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

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 26 June 2018.

3. **Members to Declare any Interests**

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter.

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects:

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

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 15)

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

6. **Update from the Pensions Oversight Board** (Page 90)

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

- 7. Corporate Governance and Shareholder Engagement Report (Page 92)**
Joint Report by the Executive Director of Finance and Commercial Services and the head of the Norfolk Pension Fund
- 8. Exclusion of the Public (Items 9-15)**
The Committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds that they involve the likely disclosure of exempt information as defined by Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Act, and that the public interest in maintaining the exemptions outweighs the public interest in disclosing the information.
The Committee will be presented with the conclusion of the public interest test carried out by the report author and is recommended to confirm the exclusion.
- 9. Risk Register and Compliance with Breaches Policy- Update (Not yet available)**
Joint Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund
- 10. Pension Fund Review- A presentation by Hymans Robertson**
- 11. ACCESS Update**
Joint Report by the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund **(Page 109)**
- 12. Investment Performance update by Hymans Robertson**
Colour copies of the booklet will be available for Members of the Committee on the day of the meeting. **(Page 119)**
- 13. Fund Manager Report and Presentation**
 - **UBS** **(Not yet available)**Copies of the presentation will be available for Members of the Committee on the day of the meeting.
- 14. Investment Strategies - Update (Page 143)**
Joint Report by the Executive Director of Finance & Commercial Services, Head of Pensions and Hymans Robertson (Hymans)

15. Exempt Minutes

To confirm the exempt minutes of the meeting held on 26 June 2018.

(Page 147)

Chris Walton
Head of Democratic Services

County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 10 September 2018



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Pensions Committee

Minutes of the meeting held on Tuesday, 26 June 2018 commencing at 9:30 am at County Hall, Norwich

Present:

Mr S Aspin
Mr D Douglas
Mr T FitzPatrick
Ms J Oliver (Elected Chairman during the meeting)
Mr M Storey
Mr A Waters
Mr B Watkins

Officers Present:

Simon George	Executive Director of Finance and Commercial Services
Nicola Mark	Head of the Norfolk Pension Fund
Glenn Cossey	Chief Investment Manager
Alex Younger	Investment and Actuarial Services Manager
Tim Shaw	Committee Officer
Adrian Thompson	

Others Present:

William Marshall	Investment Adviser, Hymans Robertson
John Wright	Hymans Robertson
Olav Konig	HarbourVest
Kathleen Bacon	HarbourVest
Rachel Farmer	Pensions Oversight Board
Brian Wigg	Pensions Oversight Board

1A The late Cliff Jordan

1A.1 The Committee stood in silent tribute to the memory of the late Cliff Jordan, the previous Chairman of the Pensions Committee and Leader of Norfolk County Council whom had recently passed away.

1B Apologies

1B.1 Apologies for absence were received from Mr John Fuller.

- 1B.2** Apologies were also received from Jo Quarterman, Norfolk Pension Fund Project and Development Manager.

2 Election of Chairman

- 2.1** Ms Judy Oliver was elected as Chairman of the Pensions Committee for the ensuing year.

(Ms Judy Oliver in the chair)

3 Election of Vice-Chairman

Mr. A. Waters was elected as Vice-Chairman of the Pensions Committee for the ensuing year.

4 Minutes

- 4.1** The minutes of the previous meeting held on 20 February 2018 were confirmed as a correct record and signed by the Chairman.

5 Declarations of Interest

- 5.1** The following declarations of interest were received:

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

6. Matter of Urgent Business

- 6.1** There were no matters of urgent business. The Committee did, however, receive on the table a presentation about the Norfolk Pension Fund Annual Report and Accounts from the Chief Investment Manager for the Norfolk Pension Fund, the Ernst and Young ISA260 report and the draft letter of representation (at item 10 on the agenda). In addition, the Committee received (as exempt information) a booklet from HarbourVest about their presentation (at item 16 on the agenda) and booklets (containing exempt information) from Hymans Robertson about progress with ACCESS (item 13 on the agenda), Investment Managers’ performance for the first quarter of 2018 (item 15 on the agenda) and “Investment strategies implementation -Review of Long-Term Enhanced Yield Portfolio Opportunities” (item 17 on the agenda).

7 Administration Report

- 7.1** The annexed report (7) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.
- 7.2** The report that the Committee received was a quarterly update on all operational and administration matters relating to the Fund. The report included updates on the Background, Summary of Highlights and Recommendations, Norfolk Pension Fund Governance Review, Communications, Year End, Pensions Administration Strategy, Guaranteed Minimum Pension (GMP) Reconciliation, Fire Administration, Service Planning, General Data Protection Regulation (GDPR), Collaborative Working / Value for Money, Knowledge and Skills, East Norfolk Sixth Form College – conversion to academy status, Repayment of Surplus to Employer when an Admission Agreement Ends, Admission Agreements, Freedom of information Act (FoIA), Update on Bulk Transfer Values in Progress, Representation on behalf of the Pension Fund, Norfolk Pension Fund – Pensions Committee Forward Plan, Other Implications, Equality Impact Assessment (EqIA), Any other Implications, Section 17 – Crime and Disorder Act and Recommendations.
- 7.3** Members' were informed about the work that the Norfolk Pension Fund had commissioned of Hymans Robertson to undertake a review of Fund governance, including the requirement for a governance structure that took account of the quadrupling in scheme employers in recent years and the churn on an unprecedented scale in scheme membership. Members were informed that the review was addressing the requirement to continue to have a resilient organisational structure that took account of significant changes in the wider public sector (for example, Academies and the growth in multi-academy trusts) and changes to service delivery models (for example, outsourcing, social enterprises, etc). In addition, the review was about putting in place clearly defined personal and team objectives that supported the NPF's stated objectives and could withstand changes in key personnel and succession planning as the Head of the Pensions planned her retirement. It was intended to involve a wide range of stakeholder groups in the review, including Norfolk Pension Fund staff, employers and Members of the Pensions Oversight Board, and to report back to the Pensions Committee on progress at the September meeting. Pensions Committee members were invited to contribute to the project.
- 7.4** Members' attention was drawn to the comments set out in paragraph 6 of the report about how the Norfolk Pension Fund worked very closely with all employers to help them understand and meet their LGPS administrative responsibilities as they completed their annual returns. Officers were working through the processing of the year-end returns so that data would be ready for the production of the Annual Benefit Statement by the end of August 2018 and thereby meet the statutory

reporting obligations as required by the Pensions Regulator. It was, however, noted that Officers were having to continue to work with one of the large employers in the scheme who had problems getting accurate data to the Norfolk Pension Fund. The small number of employers who did not provide their returns on time, or did not respond promptly to Norfolk Pension Fund requests for clarification or correction of data, had a significant impact upon workloads of key individuals within the Norfolk Pension Fund at a time when resourcing was already stretched and at a time when the Scheme Advisory Board and the Pensions Regulator were focusing on data quality and regulatory obligations and could be expected to continue to do so. It was agreed that the Head of Pension Fund would keep the Chair of Committee informed of progress in resolving the data submission issues with specific employers and any potential breaches.

- 7.5** Members were informed about this year's LGPS Trustees' training programme 'Fundamentals' (organised by the Local Government Pensions Committee LGPC), and the Annual LGPS Governance Conference (formerly known as the 'Trustees' Conference) organised by the LGA. It was pointed out that Members of Pensions Committee would shortly be sent an email that invited them to register an interest with Norfolk Pension Fund staff in attending this year's events and to identify any specific areas of training that they as Members would find it helpful to focus on as part of the training programme.

7.6 RESOLVED

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

- 1. Approve entering into a deed with East Norfolk Sixth Form College (the college) and East Norfolk Sixth Form College Multi Academy Trust (the academy) to transfer the pension assets and liabilities of the college to the academy, noting that the deed will avoid the crystallisation of a pension Deficit (paragraph 14 of the report).**
- 2. Note the application for an admission agreement by Change, Grow, Live (paragraph 16 of the report).**
- 3. Note the application for an admission agreement by Compass T/A Chartwells (paragraph 17 of the report).**
- 4. Note the application for admission agreements by Edwards & Blake (paragraph 18 of the report).**
- 5. Note the application for an admission agreement by Churchill Services (paragraph 19 of the report).**

8 Update from the Pensions Oversight Board

- 8.1** The annexed report (6) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.
- 8.2** The Committee received feedback from Brian Wigg about the Retired

Members Forum events that were held throughout the county in mid May 2018. As in previous years these events were highly successful, well attended and generously supported by donations from investment managers, actuaries and other service providers.

8.3 RESOLVED

That the Committee:

- 1. Note the contents of the update report from the Pensions Oversight Board.**
- 2. Note the Pensions Oversight Board Annual Report for 2017/18.**

9 Norfolk Audit Services Annual Internal Audit Report 2017-18 for the Norfolk Pension Fund

- 9.1** The annexed report (9) by the Executive Director of Finance and Commercial Services was received.

9.2 RESOLVED

That the Committee approve the Pension Fund Annual Internal Audit Report for 2017-18 (Appendix A to the report) and the key messages that:

- 1. Based on an analysis of the audit work carried out and reports issued, the Executive Director of Finance and Commercial Services could assure the Committee that the adequacy and effectiveness of the systems of internal control including the arrangements for the management of risk during 2017-18 was acceptable and was therefore considered sound.**
- 2. Internal audit was adequate and effective during 2017-18 for the purpose of the latest regulations and standards.**
- 3. The work of NAS for the year and the assurance provided assisted the Committee to reasonably assess the risk that the Financial Statements were not materially misstated due to fraud. The risks of Fraud and Corruption had been reviewed and planning and resources were considered adequate.**
- 4. The internal audit function continues to comply with the Accounts and Audit Regulations 2015.**

10 Draft Pension Fund Annual Report and Accounts

- 10.1** The annexed report (10) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received together with the Ernst and Young ISA260 report and letter of representation that were laid on the table.

- 10.2** The Committee also received a presentation by Glenn Cossey, Chief Investment Manager for Norfolk Pension Fund, on the work to complete the annual report and accounts for the Norfolk Pension Fund for 2017-18 and the key messages it contained, in accordance with relevant regulations.
- 10.3** Members were informed that the production period for the annual accounts had reduced by 2 months from 30th September to 31st July and that the faster timescale had placed additional pressures on Norfolk Pension Fund staff.
- 10.4 RESOLVED**
- 1. That the Pensions Committee notes the 2017-18 Annual Report and Accounts of the Norfolk Pension Fund (at Appendix A to the report).**
 - 2. Notes the Ernst and Young ISA260 report and endorses the letter of representation (which due to the faster close timeline were laid on the table) and ask that the Chair of the Pension Committee and Executive Director of Finance and Commercial Services sign the letter on behalf of the Pension Fund.**
 - 3. That the Pension Fund financial statements are presented to the Audit Committee at their meeting on 31st July 2018 for approval as part of the Norfolk County Council Statement of Accounts.**
 - 4. That the Annual Report and Accounts be published on the Fund's website prior to 1st December 2018 as required by the LGPS regulations.**
 - 5. Notes the National LGPS Procurement Frameworks 2017-18 Outturn.**
- 11 Risk Register Report and Compliance with Breaches Policy**
- 11.1** The annexed report (11) by the Executive Director of Finance and Commercial Services and the Head of Pensions was received.
- 11.2** In reply to questions, officers said that the Risk Register was regularly reviewed by the Management Team and appropriate action taken. As regards the reporting of breaches, no breaches were of "material significance" and required reporting to the Regulator.
- 11.3 RESOLVED**
- That the Pensions Committee note the contents of the Risk Register and summary of breaches.**
- 12 Exclusion of the Public (Agenda Items 13-18 only)**
- 12.1** 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.

- 12.2** 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:-

12.3 Item 13- ACCESS Pool Update

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

12.4 Item 14- Securities Fraud Class Action

The consideration of this item involved the discussion of business and commercial information including details about third party company operations, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

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

12.5 Item 15 – Investment Performance Update – Hymans Robertson

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.

12.6 Item 16 – Fund Managers Reports – HarbourVest

The 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.

12.7 Item 17 – Investment Strategies Implementation – Considerations for Long-Term Enhanced Yield Portfolio

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.

12.8 Item 14- 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.

12.9 RESOLVED

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

Public Summary of the Exempt Minutes (Agenda Items 13-18 only).

13 ACCESS Pool Update

- 13.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Head of Pensions about the ACCESS Pool. The report provided an update to the Pensions Committee on the work of the ACCESS Pool since the last update was given at the February 2018 Committee. The Committee also received a presentation by John Wright of Hymans Robertson on

progress to date with ACCESS.

- 13.2** A full set of agenda papers including both restricted and unrestricted items relating to recent ACCESS meetings were sent to Members of the Committee by email as background documents prior to the meeting.
Note: Kent County Council (as 'host' authority for the secretariat) published electronic copies of the agenda and unrestricted public items on their website (Kent CC - Access Joint Committee Page).

- 13.3** The presentation by Hymans Robertson included updates on the following:

How ACCESS planned to deliver net cost savings through scale, to maintain investment performance and to meet government requirements as investment pooling was implemented.

The role of the S101 Pensions Committee.

The role of the Authorised Contractual Scheme Operator.

The role of the Joint ACCESS Committee.

The role of the ACCESS Support Unit.

Some issues for local consideration.

13.4 RESOLVED

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

14 Securities Fraud Class Action

- 14.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Head of Pensions about a securities fraud class action case that contained privileged and confidential communication, reflecting United States Legal advice. The report provided details of the legal action in respect of the development of the case.

14.2 RESOLVED

That the Committee delegate to the Executive Director of Finance and Commercial Services, making reference to the advice of the Head of Pensions, the final decision to proceed with application for lead plaintiff status in the securities fraud case mentioned in the report and all procedural matters concerned with furthering the case if a successful application is made.

15 Investment Performance Update by Hymans Robertson

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

15.2 The Investment Advisor summarised the main issues.

15.3 RESOLVED

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

16 Fund Managers Report and Presentation

- **HarbourVest**

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

16.2 The Chairman thanked HarbourVest for their presentations.

16.3 RESOLVED

To note the presentations by the Fund Manager.

17 Investment Strategies Implementation – Considerations for Long-Term Enhanced Yield Portfolio

17.1 The Committee received a joint report (containing exempt information) by the Executive Director of Finance & Commercial Services, Head of Pensions and Hymans Robertson (Hymans) that accompanied a paper from Hymans (“Investment strategies implementation -Review of Long-Term Enhanced Yield Portfolio Opportunities”) that was included with the agenda.

17.2 Members carefully considered the developments in the implementation of investment strategies that had taken place since the previous meeting and the action report authors recommended should take place following this meeting.

17.3 RESOLVED

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

18 Exempt Minutes of the meeting held on 20 February 2018

18.1 The exempt minutes of the meeting held on 20 February 2018 were confirmed by the Committee and signed by the Chairman.

The meeting concluded at 2.45 pm

Chairman

Administration Report

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

<u>Item No.</u>	<u>Title</u>	<u>Appendices</u>
1.	Background	
2.	Summary of Highlights and Recommendations	
3.	Governance framework for the Norfolk Pension Fund	
4.	Norfolk Pension Fund Governance Review	
5.	Communications <ul style="list-style-type: none">• Active Member Sample Annual Benefit Statement• Deferred Member Sample Annual Benefit Statement• Employer Newsletter	Appendix A Appendix B Appendix C
6.	Year End	
7.	Guaranteed Minimum Pension (GMP) Reconciliation	
8.	Transfer of Fire Scheme Administration	
9.	General Data Protection Regulation (GDPR)	
10.	Collaborative Working / Value for Money	
11.	Knowledge and Skills	
12.	Policy on admission agreements and exit credits: Approach to funding new admitted employers	
13.	Freedom of information Act (FoIA)	
14.	Update on Bulk Transfer Values in Progress	Appendix D
15.	Representation on behalf of the Pension Fund	Appendix E
16.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix F
17.	Other Implications - Equality Impact Assessment (EqIA)	
18.	Any other Implications – Section 17 Crime and Disorder Act	
19.	Recommendations	

Appendix A - Active Member Sample Annual Benefit Statement 2018

Appendix B - Deferred Member Sample Annual Benefit Statement 2018

Appendix C - 'Summer Special' Employer Newsletter

Appendix D - Transfer Values in Progress

Appendix E - Representation on behalf of the Pension Fund

Appendix F – Pension Committee Forward Plan

1. Background

- 1.1 This report is a quarterly update for the Pension Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to pensions Committee in June 2017.

2. Summary of Highlights and Recommendations

- 2.1 Item 12 – Committee are asked to agree the policy on admission agreements and the treatment of Exit Credits.

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 Options for separation of host authority and pension fund

- 3.5 In 2015, the Board commissioned KPMG to undertake a project to examine the issues and challenges of potentially separating the pension's functions of LGPS administering authorities from their host authorities.
- 3.6 A copy of the report can be found here:

http://lgpsboard.org/images/PDF/KPMG_LGPS_SAB_Final_Report.pdf

- 3.7 The Scheme Advisory Board is now investigating how the potential options that emerged from the report might be made to work by inviting proposals to assist it in developing possible alternatives for change with regard to the separation of LGPS pension funds and their host authorities for consideration prior to potentially making recommendations to the Secretary of State.

4 Norfolk Pension Fund Governance Review

- 4.1 This is covered by agenda item 7 at this Committee meeting.

5 Communications

5.1 With active and deferred scheme members

- 5.2 Annual Benefit Statements (ABS) were made available on line to all scheme members (active and deferred) before the end of August, in line with the regulatory requirement.
- 5.3 Hard copies of this year's Annual Benefit Statements will be posted to the home addresses of all scheme members (both active and deferred) in mid-September (total cost of ABS design, production and postage is £32,643 – cost per member based on 48,850 members, this averages out at £0.67 per member).

5.4 In addition to the personal statement of benefits, the booklets also include:

- A summary of benefits in the LGPS
- Information about the implications of opting out
- Advice on options for increasing your pension, including Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs)
- The 50/50 option
- Freedom and Choice
- Information about tax limits (Lifetime Allowance and Annual Allowance)
- Information about our Pensions Clinics and the Annual General Meeting
- Information about pre-retirement courses
- Death grant nominations
- Information about the Fund, including Pensions Committee and the Pensions Oversight Board, and an Accounts and Investments overview
- Information about the State Pension, National Insurance Contributions and State Pension forecasts
- Legislative changes over the past year
- Information about the dispute process
- Signposts to our website and the pensions calculator

5.5 Examples of this year's mailing can be seen at the following appendices:

- Appendix A – Active Member Sample Annual Benefit Statement 2018
- Appendix B – Deferred Member Sample Annual Benefit Statement 2018

5.6 Pension Clinics and Annual Meeting

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

5.8 Although we offer this service all year, the annual statements act as a valuable prompt to members to follow up any questions or concerns they may have about their pensions.

5.9 Members have also been invited to attend the Fund's Annual Meeting at 6pm, Tuesday 30th October 2018 in our Norwich offices. Although we offer an annual meeting to Scheme Members every year as part of our commitment to accountability and transparency, interest has historically been very low. This is in contrast to the pension clinics which have been very well attended, with approximately 100 individual appointments made last year.

5.10 Annual Allowance and Lifetime Allowance

5.11 Pension Savings Statements will be issued to all scheme members who exceeded the Annual Allowance in 2017/18 by the end of September 2018 to meet the statutory obligation.

5.12 Revaluation of benefits

5.13 The revaluation of career average pension benefits for the LGPS (the inflationary uplift applied to members individual career average pensions) as at 31st March 2018 was 3%.

5.14 **With retired members**

5.15 Retired Members Forum

5.16 Invitations for the next Retired Members events (scheduled for May 2019) will be sent to all pensioners with their November payslips.

5.17 As in previous years we will be seeking donations from our Custodian, Investment Advisor and Fund Managers to fund these events.

5.18 **With employers**

5.19 Employer Forum

5.20 The latest Employer Forum was held on 4th July, at the Norwich Professional Development Centre.

5.21 Rob Bilton (Hymans Robertson) provided an 'Update from the Actuary', including

- 5.22
 - Pay strain monitoring and recovery (how the pension cost of higher than expected salary awards are managed)
 - Scheme cost management review
 - Looking forward to the 2019 Valuation
 - Refunds in cessation of admission agreements – how recent changes in regulation allow refund of surplus in certain specific circumstances

5.23 Mark Alexander, Norfolk Pension Funds' Pensions Manager and Debra Keeling, our Pension Member Services Manager updated Employers on the latest administration developments, including focussing on key areas Employers had asked us to in feedback from previous Forums.

5.24 Employers were also invited to feed into the Governance Review in a session led by Laura Andrikopoulos, Hymans Robertson.

5.25 The next Employer Forum is scheduled for 13th December 2018.

5.26 Employer Newsletter

5.27 Following the regular May edition of the Employer newsletter, a 'Summer Special' edition was published in July, with the main aim of encouraging employers to let staff know that Annual Benefit Statements would be available on line by the end of August, and encouraging employers to contribute to the current review.

5.28 A copy of the Newsletter is at Appendix C.

6 Year End

6.1 **Scheme Administration Year End**

6.1 Thanks to the hard work of the administration team and efforts of our employers, year end was completed in time to publish Annual Benefit Statements in August, in compliance with the regulatory requirement.

- 6.2 As in previous years, the administration team worked very closely with employers to facilitate an efficient close down. There were issues with a very few employers and these are being addressed to try to pre-empt problems next year.

6.3 Financial Year End

- 6.4 Following the presentation of the draft Annual Report and Accounts to Committee in June, our external auditors (E&Y) have completed their audit of accounts and issued a 'clean' audit opinion.
- 6.5 The Pension Fund Accounts were presented at Audit Committee on 31st July 2018.
- 6.6 The Annual Report and Accounts 2017/18 have been published on the Norfolk Pension Fund website.

7 Guaranteed Minimum Pension (GMP) Reconciliation

- 7.1 The exercise is starting to draw to a close. HMRC have set a final deadline for submitting queries as 31 October 2018. We have submitted all the queries we are aware of and have approximately 1000 outstanding with HMRC. HMRC expect to respond to all these by early 2019 at the latest.
- 7.2 We will be requesting a refresh of our reconciliation data from HMRC in the middle of September and will load the results into active scheme members' Altair records using Heywood's GMP Interface Tool, which we have purchased.
- 7.3 We anticipate having all relevant records updated with up-to-date GMP values by the time we submit data to the Actuary for the 31 March 2019 Valuation.

8 Transfer of Fire Scheme Administration

- 8.1 The transfer of the administration of the Norfolk Fire Pension Schemes to the West Yorkshire Pension Fund has been completed, with just a final few outstanding costs to be recovered.

9 General Data Protection Regulation (GDPR)

- 9.1 GDPR variations have been agreed with Heywoods for administration software and for inclusion in the hosting agreement.
- 9.2 We continue to work with NPLaw and Norfolk procurement to ensure compliance.

10 Collaborative Working/Value for Money

10.1 National LGPS Procurement Frameworks

- 10.2 National LGPS Frameworks is a national initiative hosted by the Norfolk Pension Fund, supported by NPLaw and Norfolk Procurement, operating on behalf of and accountable to the Local Government Pension Schemes (LGPS) across the UK. Its services are also increasingly being used by the wider public sector pension schemes beyond the LGPS.

- 10.3 In addition to providing individual Funds with an effective, efficient procurement service, the frameworks are an important tool in support of the governments pooling agenda.
- 10.4 National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities.
- 10.5 A new framework has been developed for Member Data Services covering mortality screening, address tracing and overseas mortality screening and address tracing. This has been a collaboration between Bedfordshire Pension Fund, London Borough of Hackney, Lothian Pension Fund, Norfolk Pension Fund, Merseyside Pension Fund and West Midlands Pension Fund. The contracts have been awarded and service commencement is planned for later in September.
- 10.6 The current framework for Legal Services is due to expire in Jan 2019 and a re-let for this framework is underway. A number of funds and pools are drafting the specification which will enable legal services to be procured in England, Scotland, Wales and Northern Ireland.
- 10.7 Because of the increasingly high profile, high value, high volume and complex demands on the National LGPS Frameworks team, an intern from the UEA internship programme has joined the Frameworks team to help with the increased workload.

11 Knowledge and Skills

- 11.1 Due to operational and diary commitments, it has not been possible to find consecutive dates in the autumn for the regular Pensions Committee training. Therefore we have been looking at alternative proposals to ensure that Pension Committee are supported in their strategic decision making. Looking at the forward agenda we would propose:
- 11.2
 - Friday November 16th : training day in Norwich with specific focus on the forthcoming valuation and identification of wider training needs (Training Need Analysis)
- 11.3
 - 2 days be identified in early 2019 for Knowledge and Skills development, aligned with training needs identified

12 Policy on admission agreements and exit credits: Approach to funding new admitted employers

- 12.1 As reported previously to the Committee, the LGPS (Amendment) Regulations 2018 created the new ability for admitted body employers to receive any surplus on cessation in the Fund (“an exit credit”). The regulations allowing the repayment of surplus to LGPS employers came into effect on 14 May 2018.
- 12.2 Previously the nature of an employer’s participation in the Fund has not been a concern for the Fund (due to guarantees and other forms of risk mitigation). However, the implementation of the new regulations changes the profile of risk to the Fund, as employers may not always be able to repay a deficit but the Fund will always be able to repay a surplus. This is also important where surpluses arising are often a matter of chance based on changes in financial conditions between the date of joining and leaving the fund, particularly for assets and liabilities assumed by the contractor for the pre-contract service of the staff transferred to them.

- 12.3 Nearly all new admitted bodies now arise due to the award/let of a contract by an awarding authority. These employers typically have a short participation period in the Fund and therefore cessation events occur frequently. Officers have worked with the Fund Actuary to consider and construct a funding model for new contractor admissions that will manage the change in the risk profile following implementation of the new regulations in a way that is “fair” to both the employer and the Fund.
- 12.4 The proposed new approach is to formalise a “pass-through” arrangement for all new contractors going forward. Under this approach the contractor pays an appropriate fixed employer contribution rate specified by the Fund Actuary during their participation in the Fund. At the end of their participation no cessation deficit or surplus is payable and any funding surplus or deficit falls back to the awarding authority at the end of the contract (who will ultimately have funded the pension contributions via the cost of the contract). This approach mirrors many of the arrangements that our awarding employers are currently entering into with contractors outside of admission agreements, as contractors’ demand to be protected from pension funding risk.
- 12.5 Any cessation deficit/surplus reverting to the awarding authority will be absorbed into the existing assets and liabilities of that authority and be considered as part of the funding evaluation at the next triennial valuation.
- 12.6 Under the proposed approach an individual funding position is still allocated to the admitted body as in addition to the pass-through rate they still retain responsibility for admitted body controlled risks e.g. excessive salary growth, early payment of benefit on unreduced terms, augmentation of benefit etc.
- 12.7 It is not proposed to apply the changes retrospectively to existing admission agreements.
- 12.8 Committee are asked to agree the proposed change in funding strategy for new admission agreements - specifically the move to a “pass-through” arrangement for new employers, with a fixed contribution rate, no surplus or deficit on cessation, additional payments only required for employer controlled risks. The Funding Strategy Statement to be updated to reflect the change in funding approach.

13. Freedom of Information Act (FoIA)

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

Date Received	Requestor	Details	Status
04/07/2018	Proxy Insight	Proxy voting records	Responded
05/07/2018	S P Global	Investment information	Responded
31/07/2018	Prequin	Investment information	Responded
01/08/2018	Acuris	Investment Information	Responded
02/08/2018	Citywire	CETV Figures	Responded
15/08/2018	Pitchbook	Q1 2018 private equity & real estate	Responded

		investment information	
03/09/2018	Prequin	Investment Information	Responded

14. Update on Bulk Transfer Values in Progress

14.1 Please see Appendix D for Bulk Transfer Values in Progress.

15. Representation on behalf of the Pension Fund

15.1 Please see Appendix E for meetings and events which have taken place since the last Pension Committee and ones which may be of interest to trustees or officers of the Fund.

16. Norfolk Pension Fund – Pensions Committee Forward Plan

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

17. Other Implications - Equality Impact Assessment (EqIA)

17.1 There are no issues relevant to equality in this report.

18. Any Other Implications - Section 17 – Crime and Disorder Act

18.1 There are no implications under the Crime and Disorder Act.

19. Recommendations

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

Item 12 - agree the proposed change in funding strategy for new admission agreements - specifically the move to a “pass-through” arrangement for new employers, with a fixed contribution rate, no surplus or deficit on cessation, additional payments only required for employer controlled risks. The Funding Strategy Statement to be updated to reflect the change in funding approach.

Background Papers

Appendix A - Active Member Sample Annual Benefit Statement 2018
Appendix B - Deferred Member Sample Annual Benefit Statement 2018
Appendix C - ‘Summer Special’ Employer Newsletter
Appendix D - Transfer Values in Progress
Appendix E - Representation on behalf of the Pension Fund
Appendix F - Pension Committee Forward Plan

Officer Contact

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

Nicola Mark
Tel 01603 222171
email nicola.s.mark@norfolk.gov.uk



If you need this document in large print, audio, Braille, alternative format or in a different language, please contact Customer Services on 0344 800 8020 or Text Relay on 18001 0344 800 8020 (textphone) and we will do our best to help.



Norfolk Pension Fund

Delivering the Local Government
Pension Scheme

This booklet
contains important
information about
your pension

Please read it
carefully and keep it
in a safe place

Your Personal Annual Benefit Statement

A B SAMPLE

August 2018



**Active scheme
member statement**



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Welcome to your personal benefit statement for 2018

Your name **Mr A B SAMPLE**

Date of birth **13th March 1953**

National Insurance number **XX999999X**

Your current employer **NORFOLK COUNTY COUNCIL**

Employer payroll reference **99999-9**

This booklet is **your personal benefit statement** from the Norfolk Pension Fund and is based on your service up to 31 March 2018. If you think any of the details in this statement are wrong, please let us know.

We have also included all the latest news about the Local Government Pension Scheme (LGPS); from how you can pay more or less into the scheme, to tax limits and legislation changes. We hope you find it a useful and interesting read.

As always, if you have any questions or would like to talk to us about your pension, we are happy to hear from you.

We would also love to hear any feedback you have on your statement. You can complete our online survey at **www.smartsurvey.co.uk/s/statements**. It only takes a few minutes and will help us provide you with the service you need.

The LGPS (Local Government Pension Scheme)

Your LGPS provides more than you might think

The LGPS is one of the main public sector pension schemes and is considered to be one of the best in the country. Membership provides you with a **secure, regular income in retirement** which is linked to inflation, along with other valuable benefits:

- A **pension for life** when you retire, based on your membership and pay – no need to worry about what happens in the ‘financial markets’
- The option to take a **lump sum** when you retire
- A **pension for your dependants** after you die
- Valuable **‘peace of mind’ life cover** at no extra charge – if you die while paying into the scheme a lump sum death grant of 3 x your salary is payable. So, if you earn £20,000 a year we would pay out £60,000 if you died
- You may qualify for an **early pension** if you have to retire through ill health at any age or are made redundant after age 55

The above is just a summary of the main scheme benefits. You can find out more in our **Brief Guide to the LGPS**, available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet.



**Guaranteed income
in retirement –
unaffected by the
ups and downs of the
financial markets**



**Your pension
is linked to
the cost of
living**

Thinking of opting out?

Money might be tight at the moment but opting out may not save you as much as you think

We know finances continue to be stretched for many scheme members, with pension contributions competing against other monthly bills and outgoings for a slice of pay packets.

Understandably this may make you think about opting out of the scheme; however things aren't always as straightforward as they seem...

Did you know, as a member of the LGPS:

- **Your employer pays more**

Your employer pays in to your pension too – **typically twice as much as you contribute!**

- **You pay less**

You pay less tax as your pension contributions are taken out of your pay before tax. So for example, if you pay £100 a month to your pension, this reduces your tax bill by £20 a month (if you are paying tax at the basic 20% rate).



There is another option


You could think about joining the 50/50 section of the scheme, where you pay half of your normal contributions to build up half of your normal pension. See page 19 for more details.

The LGPS

A reminder of the scheme

The scheme changed in 2014 from a **Final Salary** scheme to a **Career Average** one. This means the pension you build up from 1 April 2014 is based on the **pay you earn each year**, rather than your **Final Salary** when you leave.

- All benefits earned up to April 2014 remain protected as **Final Salary**
- We will add pension equal to **1/49th of your pay** into your pension account for each year you are in the career average LGPS scheme from April 2014 (or **1/98th of your pay** for any period spent in the **50/50 section**)
- This is then **re-valued** each year in line with inflation

A woman with dark, curly hair is smiling and looking at a laptop. She is resting her chin on her hand. The laptop is open in front of her.

If you were
in the scheme before
1 April 2014 your final
pension benefits will
be a combination
of final salary
and career
average

Your **Normal Pension Date** – where you can retire and take your benefits in full – is linked to your **State Pension Age**. As a result it may change in line with any future increases to the **State Pension Age**.

You can choose to retire and draw your pension any time from age 55; however your benefits will be **reduced** if you choose to retire before your **Normal Pension Date** or **increased** if you retire later.

How much does it cost to be in the scheme?

The cost to you is based on a series of **contribution bands**.

These bands are reviewed each year in line with inflation.

The employee contribution bands from 1 April 2018 are:

Band	If your actual pensionable pay is:	You pay a contribution rate of:
1	£0 to £14,100	5.5%
2	£14,101 to £22,000	5.8%
3	£22,001 to £35,700	6.5%
4	£35,701 to £45,200	6.8%
5	£45,201 to £63,100	8.5%
6	£63,101 to £89,400	9.9%
7	£89,401 to £105,200	10.5%
8	£105,201 to £157,800	11.4%
9	£157,801 or more	12.5%

Your contribution is based on your actual pay

All your earnings, including pay for non-contractual overtime or additional hours worked, count towards your pension from April 2014.

There is more information about the scheme on our website at **www.norfolkpensionfund.org** or on the national **www.lgpsmember.org** site.

Your personal benefit statement

If you think any of these details are wrong, please let us know...

This is your personal benefit statement from the Norfolk Pension Fund. It is based on the following pay information given to us by your employer.

Date you joined the Norfolk Pension Fund
Section of the Scheme you were in at 31 March 2018

01/04/2016
MAIN

Pensionable Pay for the Year Ending 31 March 2018 £10,636.04

This is the actual pay you received for 2017/18, including pay for non-contractual overtime or additional hours worked. It is used to calculate the Career Average Pension you built up in 2017/18.

If you have received reduced or no pay at any time during the year – either due to sickness or injury, relevant child related leave or reserve forces leave – your pay for these periods is based on your Assumed Pensionable Pay (an average of your Pensionable Pay for the 3 months, or 12 weeks if weekly paid, prior to the period of reduced or no pay).

Important – if you think the Pensionable Pay figure shown above is wrong please let us, or your employer, know as soon as possible. Most queries are easily solved; however if you still disagree with the figure you have the right to appeal via our official Dispute Procedure. You can find a guide about this on our website at www.norfolkpensionfund.org or contact us and we will send you a copy.

Over the next few pages we will show you the benefits you have built up so far and an indication of what you might get when you retire.

Current value of your benefits	page 10
The value of your death benefits	page 12
What might you get when you retire?	page 14
Details of your final salary membership	page 16

If you have an Additional Voluntary Contributions (AVC) plan with Clerical Medical, Equitable Life or Prudential, details are not included in this statement. Separate annual statements are sent out at different times of the year for these. However, if you are buying additional membership or pension within the scheme then these details are included in this statement.

The figures and projections in this statement are based on the information held on our records and the relevant scheme regulations. While we have taken every care with the figures, they should not be seen as a definitive statement of the benefits payable and they may not take into account the maximum level of benefits allowed by HM Revenue & Customs.

Before making any decision about your pension or retirement, please **contact us** for a personal quotation of the benefits payable.

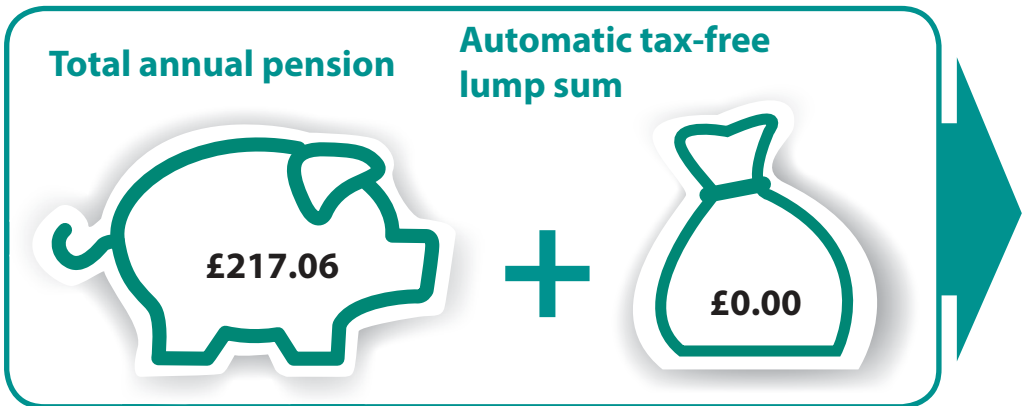
Financial advice

We are very happy to help you understand your LGPS pension and options; however we are not able to offer financial advice. If you need financial advice you should contact an Independent Financial Advisor (IFA) who is regulated by the Financial Conduct Authority (FCA). You can find a list of regulated IFAs in your area at **www.unbiased.co.uk**.

Current value of your benefits

We have shown your retirement benefits built up to 31 March 2018 **assuming you retire at your Normal Pension Date** (see page 14). You can choose to retire earlier and take your benefits **from age 55** but they may be reduced for early payment.

Total benefits built up to 31 March 2018



Your options

The **automatic tax-free lump sum** only applies to pre-2008 benefits. However, when you retire you could choose to give up part of your pension for extra tax-free lump sum – a **smaller annual pension** and a **bigger tax-free lump sum**.

You get £12 extra tax-free lump sum for every £1 of pension you give up; although there are limits on the size of the tax-free lump sum you can take.

Your **Career Average** pension is **re-valued on 1 April** each year, in line with the cost of living.

This statement shows the value of your benefits up to **31 March 2018**.

How your benefits are calculated

Here's how we have worked out your total benefits...

Value of Career Average Benefits at 31 March 2018

Pensionable Pay in Main Section (2017/18)	£10,636.04
Pensionable Pay in 50/50 Section (2017/18)	£0.00
Pension at 31/03/2016 (if any)	£0.00
Adjustment for Cost of Living	£0.00
<u>Amount of Pension Build up in 2017/18:</u>	
Main Section (£10,636.04 / 49)	£217.06
50/50 Section (£0.00 / 98)	£0.00
Additional Pension Bought	£0.00
Transfers in	£0.00
Total Annual Career Average Pension	£217.06

The figures on these pages don't take into account any pension sharing on divorce



The value of your death benefits

If you die ‘in service’ the value of your death benefits at 31 March 2018 are:

One-off lump sum life cover

£31,908.12



Annual partner’s pension

£129.49

The figure shown above is an indication of the amount of pension we would pay to one of the following:

Your
husband
or wife

or

Your civil
partner

or

Your
cohabiting
partner

Cohabiting partner

A ‘cohabiting partner’ is someone you are living with but are not married to or in a civil partnership with – some people call this a ‘common law’ marriage or partnership. If you and your partner have been living together for at least 2 years, are free to marry or enter into a civil partnership and are financially interdependent, then your partner may be eligible to receive a pension in the event of your death.

Since 1 April 2014 you no longer have to nominate a cohabiting partner to be eligible for a cohabiting partner’s pension. We would require your partner to provide proof of eligibility before any cohabiting partner’s pension would be paid. However, if you have nominated a cohabiting partner in the past, their details are shown here:



Register at www.norfolkpensionfund.org to use your own personal pension calculator and see the different options you might have

Expression of Wish details for payment of lump sum life cover

Name	Percentage
Mrs A B Sample	100%

Want to set up or change your **Expression of Wish** details?
You can download a form at www.norfolkpensionfund.org
or contact us (see back of this booklet)

Any eligible children under the age of 18, or in full-time education and under the age of 23, would be entitled to a child's pension in addition to the amounts shown on page 12



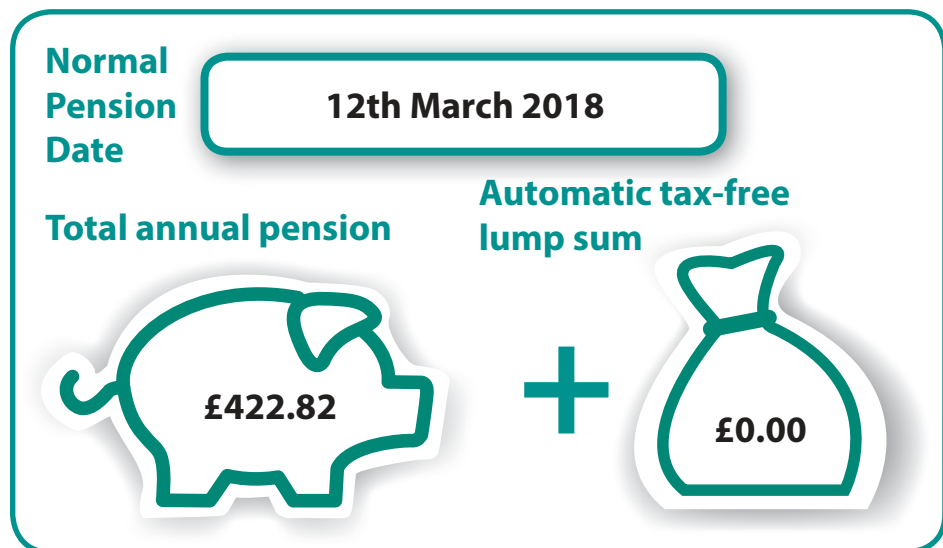
The figures on these pages don't take into account any pension sharing on divorce



Please see page 25 for more on death benefits

What might you get when you retire?

This is an indication of the value of your benefits should you **continue paying into the scheme as now** and retire at your **Normal Pension Date**. It is based on the section of the scheme you were in at 31 March 2018.



Your **Normal Pension Date** is the date you can retire and take your benefits in full. It is linked to your **State Pension Age** for the pension you build up from 1 April 2014. As a result it may change in line with any future increases to the **State Pension Age**. You can find out your State Pension Age at www.gov.uk/calculate-state-pension.

You can choose to retire at any time between **age 55-75**; however if you take your benefits before your **Normal Pension Date** they may be **reduced** for early payment. Your benefits will be **increased** should you retire after your **Normal Pension Date**.

If your **Normal Pension Date** in the current scheme is later than it was in the old pre-2014 scheme, we have added projected **Actuarial Increases** to your **Final Salary** benefits to cover the period between the two **Normal Pension Dates**.

The figures on these pages don't take into account any pension sharing on divorce



Here's how we have worked out your total projected benefits...

Projected Career Average Benefits

Annual Career Average Pension	£422.82
-------------------------------	---------

Projected Partners Annual Pension

This is an indication of the annual pension payable to your partner should you die after retirement. For the purpose of this statement we have assumed that you are married or in a civil partnership. If you would like to know about the benefits payable to a cohabiting partner in the event of your death, please contact us.

These projections are based on your current **Pensionable pay** and/or your **Final Salary pay** (see page 8). We have assumed these pay figures will remain the same until your **Normal Pension Date** and haven't allowed for any future inflation. This means the figures shown are in '**today's money**' terms which should make it easier to see if you are saving enough.

Your Final Salary membership up to 31 March 2014

If you were in the scheme before 1 April 2014 your membership is shown here. If you were paying into the scheme before and after April 2014, your total benefits will be a combination of Final Salary (pre April 2014) and Career Average (after April 2014). For more details see pages 10-11.

If you had a break in membership for any reason your period of membership has been reduced accordingly.

If you work in a school the **percentage of whole time** is averaged out over the year.

Employer or scheme	Membership from	Membership to
You don't have any Final Salary Benefits built		

Only the most recent details of your membership are shown,

If you think that any of these details are wrong, please let us know.

If you have transferred membership into the LGPS from another public sector scheme, this is shown below (up to 31 March 2015). Other transfers received that have been used to buy **Career Average** benefits during the year are shown on page 11, under **Transfers in**.

Additional membership / pension purchased

If you have paid or are paying additional contributions to buy extra membership and / or extra pension then the extra membership and / or pension you have bought to date has been included in the figures shown in your statement.

Calendar length	Percentage of whole time	Period of membership
up in the scheme, so no service details are shown here.		

although all periods are used when we work out your benefits.

Your choices

Want to save more?

There may be times when you consider adding to your pension, perhaps if you joined later in your career or have had a career break.

There are a couple of ways to do this in the LGPS.

Additional Pension Contributions (APCs)

You can buy extra LGPS pension for your retirement by paying APCs, either as a regular monthly amount or a one-off lump sum. This buys you a set amount of extra annual LGPS pension, up to a current maximum of £6,822.

You can find out more about APCs and get a quote by either using the online calculator at **www.lgpsmember.org** or contacting us using the details on the back of this booklet.

Remember!
You get tax relief on all your pension contributions, which can make it a very tax-efficient way to save

Additional Voluntary Contributions (AVCs)

You can build up extra savings for retirement by paying separate contributions into our 'in-house' AVC schemes with Clerical Medical or Prudential.

You can choose how much to pay in and how your contributions are invested. The money comes straight out of your pay and goes to Clerical Medical or Prudential who invest it for you.

Your AVC fund is designed to grow as it is invested. You can use it to either take a cash lump sum and / or additional pension from the Norfolk Pension Fund when you retire, or you can buy an annuity.

If you are interested in paying APCs or AVCs, please contact us using the details on the back of this booklet.



50/50 option

Need to pay less for a while?

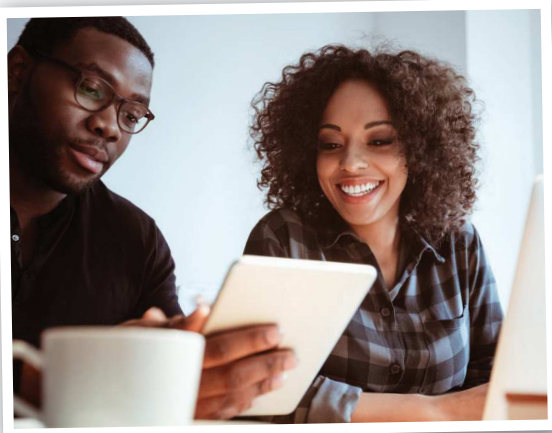
If money is a bit tight, you may think about joining the **50/50 section**.

For any period you spend in the 50/50 section you will pay **half of your normal monthly contributions** and build up **half of your normal pension** in return. You will still get the **same level of life and ill-health cover** as you do in the main section of the scheme.



You can choose to move to the 50/50 section at any time and can switch between the main and 50/50 sections as many times as you like – you just need to send an **Option to switch between sections of the Scheme** form to your employer (available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet).

The 50/50 section is designed to be a short-term solution, so your employer will always bring you back into the main section when:



- you choose to move back into the main section of the scheme
- it is your employer's automatic enrolment anniversary date
- you get nil pay due to sickness or injury

Freedom and Choice

From 6 April 2015, people in **defined contribution pension schemes** have far more choice about how they access their pension pots.

Does this affect my Local Government Pension?

The **Freedom and Choice** changes affect people in **defined contribution schemes**. The LGPS is a different type of scheme, known as a **defined benefit scheme**.

As a member of a **defined benefit scheme** you pay in a set amount to build up a **defined** range of benefits, based on your pay and length of service. This provides you with a **guaranteed income in retirement** – unaffected by the ups and downs of the financial markets – so there is no need to buy an **annuity**.

Also, there is already a feature built into your benefits package allowing you to give up some of your pension in exchange for **tax-free cash**.

So what is a defined contribution scheme?

In a **defined contribution scheme** members pay in a set amount – a defined contribution – which is invested in the financial markets to provide a pension pot. Until now members have had to use this pension pot to buy an **annuity** – an annual income paid to them for the rest of their life.

The **Freedom and Choice** changes remove the requirement to buy an **annuity**.

People in these types of scheme will still be able to buy an **annuity** if they wish, but if they prefer they will be able to draw all their pension savings as **one 'cash' amount**.

That sounds great but only the first 25% will be tax-free, with the rest being taxed. There is also the risk that some people may take all their

pension savings in one go and spend them all, leaving themselves with no money to live on in retirement.

Could I join a defined contribution scheme instead?

Yes, it's not compulsory to be in the LGPS. There is nothing to stop you opting out of the scheme and joining a **defined contribution scheme**, then using the **Freedom and Choice** rules to access the new pot with more freedom. However:

- Most of our employers will only contribute to the LGPS, so you would **miss out** on what they currently pay in (typically twice as much as you do).
- You would be swapping your **secure, guaranteed defined benefits** for a pension pot that relies on the ups and downs of the investment markets.

Given that people opting out of the LGPS could also transfer the value of their current benefits into a **defined contribution scheme**, there is the risk that the benefits they have built up could be adversely affected by a fall in the stock market.

Getting the right advice

Where people are considering transferring benefits from a **defined benefit scheme** like the LGPS to a **defined contribution scheme**, they will have to take independent financial advice if the transfer value is £30,000 or more.

The Government has set up a service called **Pension Wise**, which offers online help at **www.pensionwise.gov.uk**. There is also one to one information available from bodies like **Citizens Advice**. They won't advise people what to do but they will offer guidance by helping them weigh up their options.

Tax limits and your pension

There are two different limits which could affect some scheme members - the **Lifetime Allowance** and the **Annual Allowance**.

Most members won't be affected by these limits; however if you do exceed either or both of these you may have to pay a tax charge.

The **Lifetime Allowance** is the maximum value of tax relieved pension savings an individual can build up over their lifetime before any additional tax is due. The standard rate for 2017-18 tax year was £1.0m and for 2018-19 tax year it has been increased to £1.03m. It is set to change in line with the increase in the consumer prices index for the tax year 2018-19 onwards.

The **Annual Allowance** is the amount that the value of your pension savings can increase in any one year before any additional tax is due. The standard allowance is currently £40K a year (although this may be reduced for those with "Threshold Income" of more than £110K or those that have already started taking some pension from their fund).

Members that have exceeded the **Annual Allowance** for 2017-18 in respect of their Norfolk Pension Fund pension rights will be sent a Pensions Savings Statement with more details later in the year.

You can find out more from HMRC's website at www.gov.uk/tax-on-your-private-pension/overview.

Your pension online

Keep in touch with your pension **online**...

www.norfolkpensionfund.org

Visit the Norfolk Pension Fund website for all the latest news and information about the Local Government Pension Scheme.

Register online with us to:

- Use your own pension calculator
- See your personal pension details
- Update your personal details

If you would like some help to register please call us on 01603 222132 or email pensions.systems@norfolk.gov.uk



Tip
Have your
National Insurance
number handy
when you
register for
the first time

13,500
scheme members
have signed up
so far!



Want to know more about your pension?



Please come and talk to us...

We are holding our very popular annual Pension Clinics in October 2018.

You can book an appointment to speak with one of our LGPS experts about your pension, either at our offices in the centre of Norwich or the offices of Great Yarmouth or King's Lynn and West Norfolk Borough Councils.



Norwich

23, 24 and 30 October 2018

Great Yarmouth

25 October 2018

King's Lynn

26 and 29 October 2018

To book a place at any of our Clinics or to attend our Annual Meeting please call us on **01603 495923**. Don't worry if you can't make the dates above – please let us know and we will arrange an appointment for a more convenient time at our Norwich office.

Financial advice

We are very happy to help you understand your LGPS pension and pension options; however we are not able to offer financial advice. If you need financial advice you should contact an Independent Financial Advisor (IFA) who is regulated by the Financial Conduct Authority (FCA). You can find a list of regulated IFAs in your area at **www.unbiased.co.uk**.

Are you preparing for retirement?



We run regular **pre-retirement courses** to help our scheme members prepare for retirement. The course is aimed at people who will be, or are considering, retiring in the next 18 months to two years.

The course covers:

- Creating a new future and managing change
- Making the most of your retirement, leisure and learning opportunities
- Information about the Local Government Pension Scheme
- Investment options and where to get financial advice
- Opportunities in the voluntary sector

To find out more, including course dates and how to book a place, please contact **HR Direct at Norfolk County Council** on **01603 222212** or **HRDirect@norfolk.gov.uk**.

Courses
are open to
**all scheme
members**

Who do you want to benefit when you die?

A lump sum death grant of **three times your pay** is payable if you die in service. Even if you die in retirement or as a deferred member, a death grant may still be payable.

You can nominate who you want this money paid to in the event of your death by completing an **Expression of Wish** form. If you have done this already the details are shown on page 13 of this booklet.

If you wish to complete or update your **Expression of Wish** you can download a form from our website at **www.norfolkpensionfund.org** or contact us.

Looking
after your
loved ones



The Fund

Pensions Committee

Pensions Committee is responsible for the Norfolk Pension Fund. The Committee meets four times a year and meetings are open to the public. You can find **Pensions Committee** dates, agendas and reports on the Norfolk County Council website at www.norfolk.gov.uk under **What we do and how we work**.

Pensions Oversight Board

In Norfolk our local pension board is called the **Norfolk Pension Fund Pensions Oversight Board**.

Its role is to assist **Pensions Committee** in complying with all legislative requirements, making sure the scheme is being effectively and efficiently governed and managed.

The Board has an **equal number of scheme member and employer representatives**, along with an **interim independent chairman** to oversee its smooth running.

You can find out more about the Pensions Oversight Board on our website at www.norfolkpensionfund.org under **About us** then **Local Pension Board**.

Disputes

If you think the details in your benefit statement are wrong (for example your pay details) please let us, or your employer, know as soon as possible. Most queries are easily sorted out this way. However if you disagree with any decision about your membership of the Local Government Pension Scheme, you're entitled to put your complaint through the official dispute procedure. You can find a guide to the dispute procedure on our website at www.norfolkpensionfund.org. Alternatively please contact us and we will send you a copy.

The State Pension

A new **State Pension Scheme** has been introduced for people who reach **State Pension Age** on or after 6 April 2016. You will be able to claim the new State Pension if you are:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

If you reached State Pension Age **before 6 April 2016**, you will get your State Pension under the old scheme instead.

You can find out your State Pension Age at **www.gov.uk/state-pension-age**.



Department
for Work &
Pensions

National Insurance Contributions

The LGPS was a contracted-out scheme until 5 April 2016. This meant members who paid National Insurance Contributions paid them at a lower rate, as they were contracted-out of the Additional State Pension.

From 6 April 2016 as part of the changes to the State Pension contracting-out was abolished and so you may have been paying more National Insurance Contributions since that date.

For more information about the State Pension see **www.gov.uk/new-state-pension**.

Your State Pension Forecast

You can get an estimate of your State Pension by contacting the Department of Work and Pensions on **0345 3000 168** or at **www.gov.uk/check-state-pension**.

Changes to the LGPS since September 2017

The Local Government Pension Scheme (Amendment) Regulations 2018 (SI 2018/493) made many technical corrections as well as changes relating to new government policy.

The changes affecting scheme members include

- Members who left the scheme before 1 April 1998 can now draw their deferred benefits at age 55
- Members who left the scheme between 1 April 1998 and 31 March 2014 can now draw their deferred benefits from age 55
- Extending the “underpin” (introduced to protect the benefits of members within 10 years of retirement when the scheme changed on 1 April 2014) so that members with benefits transferred from other public-sector pension schemes are protected in the same way as existing LGPS members
- Alignment of options for taking benefits from an AVC scheme no matter when the member started or ceased paying AVCs.

If you require any further detail about the changes, please contact us when you start planning your retirement.

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Norfolk County Council (as administrator of the Norfolk Pension Fund) on behalf of Norfolk Pension Fund is a Data Controller under the General Data Protection Regulations.

This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services.

To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances.

For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit **www.norfolkpensionfund.org**.



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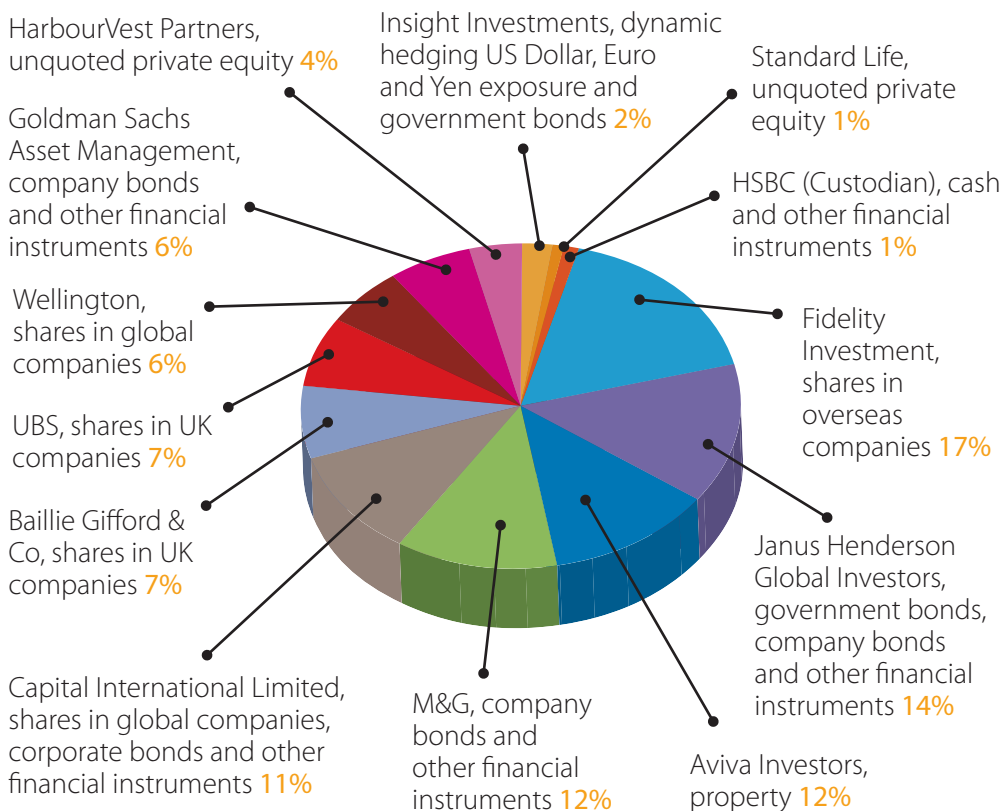
Accounts and investments

Accounts and investments

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Opening net assets of the scheme	2,904,798	3,429,247
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Transfers out and other payments to leavers	-4,576	-7,706
Advisor fees and general administration costs	-17,183	-17,992
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The Funds diversified investment portfolio has performed well contributing to an increase in Fund assets of more than £174m over the year.



We always have a mix of investment approaches and asset types as we aim to get the best return on investment we can, whilst at the same time managing risk.

As at 31 March 2018 our assets were managed by 13 Investment managers and our Custodian.

We are working with 10 other like-minded LGPS Funds to bring the management of our investments together in a pooled arrangement, in order to reduce costs whilst maintaining investment performance. This will not change Pensions Committee's overall responsibility for the Norfolk Pension Fund.

www.norfolkpensionfund.org
The Norfolk Pension Fund
 4/5th Floor, Lawrence House
 5 St Andrews Hill, Norwich
Email pensions@norfolk.gov.uk
Telephone 01603 495 923
Fax 01603 495 795
 NR2 1AD



If you need this booklet in large print, audio, Braille, alternative format or in a different language, please contact 01603 495923 or email pensions@norfolk.gov.uk and we will do our best to help.



01/0000001/A/999
 Mr A B Sample
 2 Sample Road
 Anywhere
 Any Town
 Any County
 AB1 1BA



Norfolk Pension Fund

Delivering the Local Government
Pension Scheme

Appendix B

This booklet
contains important
information about
your pension

Please read it
carefully and keep it
in a safe place

Your Personal Annual Benefit Statement

A B SAMPLE

August 2018



**Deferred scheme
member statement**



Contents

4 The LGPS (Local Government Pension Scheme)

5 Your pension online

6 Your personal benefit statement

12 Freedom and Choice

14 Want to know more about your pension?

15 Are you preparing for retirement?

15 Who do you want to benefit when you die?

16 The Fund

16 Queries

17 Changes to the LGPS since September 2017

18 Have you re-joined the LGPS?

19 The State Pension

20 Accounts and investments

22 Data protection information

23 Moving house?

Back cover Contact details



Welcome to your personal benefit statement for 2018

Your name **Mr A B SAMPLE**

Date of birth **6th February 1955**

National Insurance number **XX999999X**

Your employer **COLLEGE OF SAMPLE**

Employer payroll reference **9999**

Date of leaving scheme **13th July 2007**

This booklet includes your annual personal benefit statement and the latest information about the **Local Government Pension Scheme** (LGPS).

For members paying into the scheme in April 2014 the LGPS changed from a **Final Salary** scheme to a **Career Average** scheme, called LGPS 2014. **If you left the scheme before 1 April 2014 this won't have affected you.**

If you left the scheme **from** April 2014 onwards you may have built up some **Career Average** benefits in the scheme, alongside any **Final Salary** benefits up to April 2014.

Benefits you have built up in the scheme are included in this statement.

You will receive a separate statement at different times of the year if you have an Additional Voluntary Contribution (AVC) plan with Clerical Medical, Equitable Life or Prudential.

As always, if you have any questions or would like to talk to us about your pension, we are happy to hear from you.

We would also love to hear any feedback you have on your statement. You can complete our online survey at **www.smartsurvey.co.uk/s/statements**. It only takes a few minutes and will help us provide you with the service you need.

The LGPS (Local Government Pension Scheme)

Your LGPS provides more than you might think

The LGPS is one of the main public sector pension schemes and is considered to be one of the best in the country. Membership provides you with a **secure, regular income in retirement** which is linked to inflation, along with other valuable benefits:

- A **pension for life** when you retire, based on your membership and pay – no need to worry about what happens in the ‘financial markets’
- The option to take a **lump sum** when you retire
- A **pension for your dependants** after you die
- Valuable ‘**peace of mind**’ **life cover** if you die before retirement, at no extra charge (and if you die in retirement we will still pay out a small lump sum if you haven’t drawn a minimum amount of pension)
- You may qualify for an **early pension** if you have to retire through ill health

The above is just a summary of the main scheme benefits. You can find out more in our **Brief Guide to the LGPS**, available on our website at **www.norfolkpensionfund.org** or by contacting us using the details on the back of this booklet.



Guaranteed income in retirement – unaffected by the ups and downs of the financial markets



Your pension is linked to the cost of living

Your pension online

Keep in touch with your pension **online...**

www.norfolkpensionfund.org

Visit the Norfolk Pension Fund website for all the latest news and information about the Local Government Pension Scheme.

Register online with us to:

- See your personal pension details
- Update your personal details

If you would like some help to register please call us on 01603 222132 or email pensions.systems@norfolk.gov.uk



Tip
Have your
National Insurance
number handy
when you
register for
the first time

13,500
scheme members
have signed up
so far!



Your personal benefit statement

Over the next few pages we will show you the benefits you have built up and an indication of what you might get when you retire.

Details of your membership	page 7
Current value of your benefits	page 8
The value of your death benefits	page 10

If you have an Additional Voluntary Contributions (AVC) plan with Clerical Medical, Equitable Life or Prudential, details are not included in this statement. Separate annual statements are sent out at different times of the year for these. However, if you were buying additional membership or pension within the scheme then these details are included in this statement.

The figures and projections in this statement are based on the information held on our records and the relevant scheme regulations. While we have taken every care with the figures, they should not be seen as a definitive statement of the benefits payable and they may not take into account the maximum level of benefits allowed by HM Revenue & Customs.

Before making any decision about your pension or retirement, please **contact us** for a personal quotation of the benefits payable.

Financial advice

We are very happy to help you understand your LGPS pension and options; however we are not able to offer financial advice. If you need financial advice you should contact an Independent Financial Advisor (IFA) who is regulated by the Financial Conduct Authority (FCA). You can find a list of regulated IFAs in your area at **www.unbiased.co.uk**.

Details of your membership

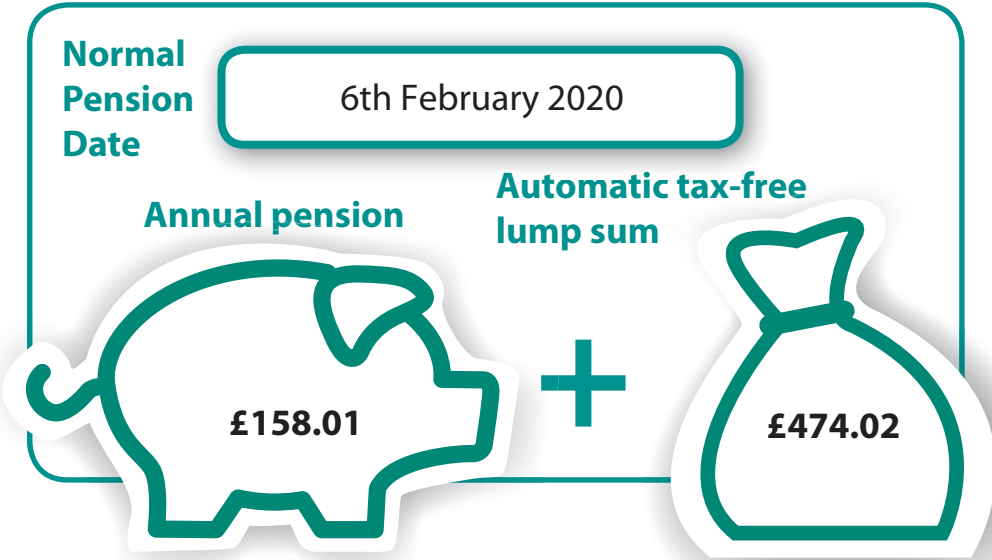
This is the record of your membership we hold. We received the information from your employer. If you have transferred membership into the LGPS from another scheme this is also shown.

If you think that any of these details are wrong, please let us know.

Employer or scheme	From	To
COLLEGE OF SAMPLE	12/10/2006	13/07/2007

Only the most recent details of your membership are shown, although all periods are used when we work out your benefits.

Current value of your benefits



The above is an indication of the current value of your benefits, assuming you retire at your **Normal Pension Date**. This is the date you can retire and take your benefits without any early payment reductions.

If you left the scheme prior to 1 April 1998 your **Normal Pension Date** is fixed at the date shown above. However, you may be able to voluntarily retire and take your benefits at age 55, subject to an early payment reduction.

If you left the scheme after 31 March 1998 and before 1 April 2014 your **Normal Pension Date** is fixed at the date shown above. However, you may be able to voluntarily retire and take your benefits at any time from age 55 onwards, subject to an early payment reduction.

The figures on these pages don't take into account any pension sharing on divorce



If you left the scheme after 31 March 2014 your **Normal Pension Date** is linked to the **State Pension Age**, for any pension built up from 1 April 2014. It would change in line with any future increases to the **State Pension Age**. However, you may be able to voluntarily retire and take your benefits at any time from age 55 onwards, subject to an early payment reduction. You can find out your **State Pension Age** at www.gov.uk/state-pension-age.

Inflation-proofing

Pensions increase applied	25.7541%
Date of latest increase	7th June 10007

Your benefits are reviewed each year from the date you left the scheme so they keep pace with inflation. This is called **pensions increase** and applies to your **annual pension** and any **automatic tax-free lump sum**.

Your options

The **automatic tax-free lump sum** shown on page 8 only applies to pre-2008 benefits. However, when you retire you could choose to give up part of your pension for extra tax-free lump sum – a **smaller annual pension** and a **bigger lump sum**.

You get £12 extra lump sum for every £1 of pension you give up; although there are limits on the size of the tax-free lump sum you can take.

The value of your death benefits

If you die before you retire, the current value of your death benefits is:

One-off lump sum life cover

£474.02



Annual partner's pension

£78.99

The figure shown above is an indication of the amount of pension we would pay to one of the following:

Your
husband
or wife

or

Your civil
partner

or

Your
cohabiting
partner

Cohabiting partner

A 'cohabiting partner' is someone you are living with but are not married to or in a civil partnership with – some people call this a 'common law' marriage or partnership. **The LGPS does not provide a cohabiting partner benefit if you left before April 2008.**

If you were contributing to the LGPS from April 2008 to March 2014, you were allowed to nominate your cohabiting partner providing you had lived with them for at least 2 years, were free to marry or enter into a civil partnership and were financially interdependent.

If you have nominated a cohabiting partner their details are shown here:

From April 2014 you no longer need to make a nomination. We would require your partner to provide proof of eligibility before any cohabiting partner's pension would be paid.

Want to set up or change your Expression of Wish details?
You can download a form at www.norfolkpensionfund.org
or contact us (see back of this booklet)

Expression of Wish details for payment of lump sum life cover

If you have re-joined the LGPS in England and Wales, or do so in the future, the one-off lump sum life cover payable would be the greater of 5 x your deferred pension or 3 x your pay in your new job.

The partner's pension shown is an indication of the amount payable to the person you were married to, in a civil partnership with at the date you left the scheme, or have nominated to receive a partner's pension in the event of your death. If you have married or entered into a civil partnership since leaving then different amounts may be payable. Please contact us if you would like more details.



Any eligible children under the age of 18, or in full-time education and under the age of 23, would be entitled to a child's pension in addition to the amounts shown on page 10.

Freedom and Choice

From 6 April 2015, people in **defined contribution pension schemes** have far more choice about how they access their pension pots.

Does this affect my Local Government Pension?

The **Freedom and Choice** changes affect people in **defined contribution schemes**. The LGPS is a different type of scheme, known as a **defined benefit scheme**.

As a member of a **defined benefit scheme** you paid in a set amount to build up a **defined** range of benefits, based on your pay and length of service. This provides you with a **guaranteed income in retirement** – unaffected by the ups and downs of the financial markets – so there is no need to buy an **annuity**.

Also, there is already a feature built into your benefits package allowing you to give up some of your pension in exchange for **tax-free cash**.

So what is a defined contribution scheme?

In a **defined contribution scheme** members pay in a set amount – a defined contribution – which is invested in the financial markets to provide a pension pot. Until now members have had to use this pension pot to buy an **annuity** – an annual income is paid to them for the rest of their life.

The **Freedom and Choice** changes remove the requirement to buy an **annuity**.

People in these types of scheme will still be able to buy an **annuity** if they wish, but if they prefer they will be able to draw all their pension savings as **one 'cash' amount**.

That sounds great but only the first 25% will be tax-free, with the rest being taxed. There is also the risk that some people may take all their pension savings in one go and spend them all, leaving themselves with no money to live on in retirement.

Could I transfer to a defined contribution scheme instead?

There is nothing to stop you joining a **defined contribution scheme**, then using the **Freedom and Choice** rules to access the new pot with more freedom.

However, you would be swapping your **secure, guaranteed defined benefits** for a pension pot that relies on the ups and downs of the investment markets.

Given that people could also transfer the value of their current benefits into the new **defined contribution scheme**, there is the risk that all the benefits they have ever built up could be adversely affected by a fall in the stock market.

Getting the right advice

Where people are considering transferring benefits from a **defined benefit scheme** like the LGPS to a **defined contribution scheme**, they will have to take independent financial advice if the transfer value is £30,000 or more.

The Government has set up a service called **Pension Wise**, which offers online help at **www.pensionwise.gov.uk**. There is also one to one information available from bodies like **Citizens Advice**. They won't advise people what to do but they will offer guidance by helping them weigh up their options.

Want to know more about your pension?



Please come and talk to us...

We are holding our very popular annual Pension Clinics in October 2018.

You can book an appointment to speak with one of our LGPS experts about your pension, either at our offices in the centre of Norwich or the offices of Great Yarmouth or King's Lynn and West Norfolk Borough Councils.



Norwich

23, 24 and 30 October 2018

Great Yarmouth

25 October 2018

King's Lynn

26 and 29 October 2018

To book a place at any of our Clinics or to attend our Annual Meeting please call us on **01603 495923**. Don't worry if you can't make the dates above – please let us know and we will arrange an appointment for a more convenient time at our Norwich office.

Financial advice

We are very happy to help you understand your LGPS pension and pension options; however we are not able to offer financial advice. If you need financial advice you should contact an Independent Financial Advisor (IFA) who is regulated by the Financial Conduct Authority (FCA). You can find a list of regulated IFAs in your area at **www.unbiased.co.uk**.

Are you preparing for retirement?



We run regular **pre-retirement courses** to help our scheme members prepare for retirement. The course is aimed at people who will be, or are considering, retiring in the next 18 months to two years.

The course covers:

- Creating a new future and managing change
- Making the most of your retirement, leisure and learning opportunities
- Information about the Local Government Pension Scheme
- Investment options and where to get financial advice
- Opportunities in the voluntary sector

To find out more, including course dates and how to book a place, please contact **HR Direct at Norfolk County Council** on **01603 222212** or **HRDirect@norfolk.gov.uk**.

Courses
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However if you disagree with any decision about your membership of the Local Government Pension Scheme, you're entitled to put your complaint through the official dispute procedure.

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- Alignment of options for taking benefits from an AVC scheme no matter when the member started or ceased paying AVCs.

If you require any further detail about the changes, please contact us when you start planning your retirement.

Have you re-joined the Local Government Pension Scheme?

If you have re-joined the LGPS with another Fund in England and Wales, or if you do so in the future, there are a few things you need to do:

- Please let your new LGPS Fund know you have a deferred benefit in the Norfolk Pension Fund (and any other LGPS Funds you may have deferred benefits with)
- You will also need to let them know of any intervening service you may have had in any other public service pension scheme (even if you received a refund of contributions for that service)
- Let us know you are an active member of another LGPS Fund in England and Wales

This will help make sure you are given the appropriate options regarding aggregation of your benefits and certain statutory rights are applied.

Norfolk Pension Fund Dispute Procedure

Please check the information in this statement carefully and let us know if you think any of the details are wrong.

Most queries are easily sorted out this way; however if you still disagree with our decision you have the right to appeal via our official dispute procedure.

You can find a guide to the dispute procedure on our website at **www.norfolkpensionfund.org**. Alternatively, please contact us and we will send you a copy.

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A new **State Pension Scheme** has been introduced for people who reach **State Pension Age** on or after 6 April 2016. You will be able to claim the new State Pension if you are:

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Department
for Work &
Pensions

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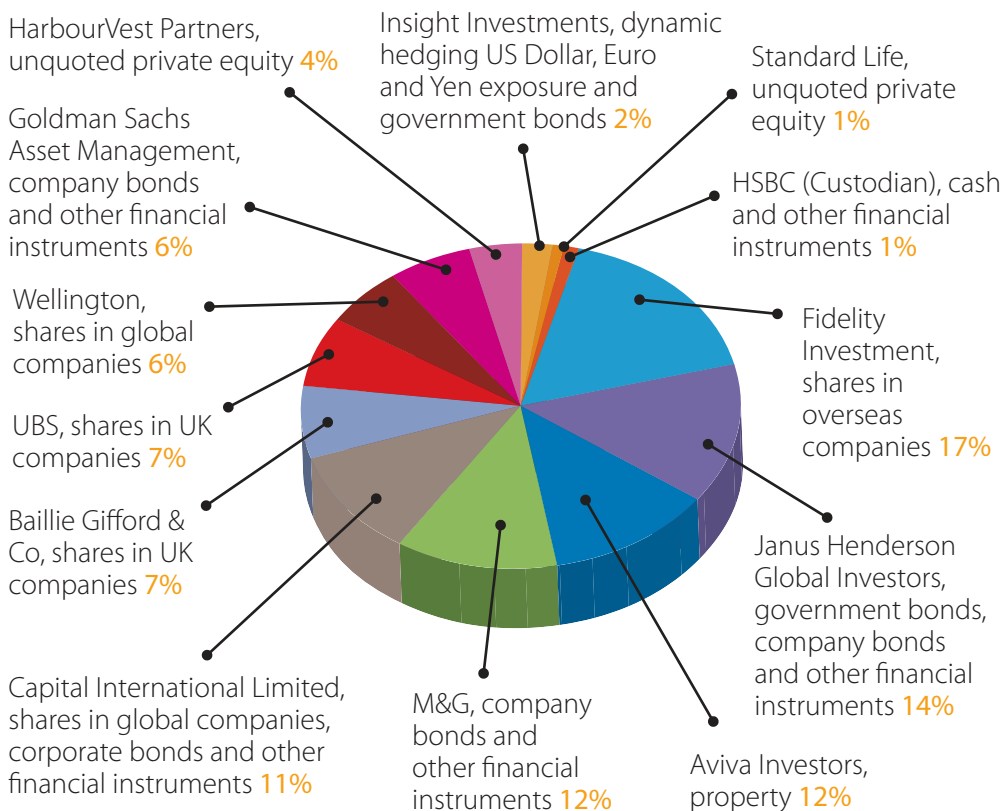
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Please remember to keep us in the picture if you move house, or if this booklet didn't come to the right address.

- You can fill in and post the form below to us if your address details are not correct or up to date. Our address is on the back page of this booklet.
- If you have registered to use our online service, you can update your address details online (see page 5) at **www.norfolkpensionfund.org**.

Please use block capitals

Name

National Insurance number

Please update my address details as follows:

.....

.....

.....

.....

Postcode.....

Signed Date



www.norfolkpensionfund.org
The Norfolk Pension Fund
4/5th Floor, Lawrence House
5 St Andrews Hill, Norwich NR2 1AD
Email pensions@norfolk.gov.uk
Telephone 01603 495 795
Fax 01603 495 923



**If you need this booklet in large print,
audio, Braille, alternative format or in a
different language, please contact 01603
495923 or email pensions@norfolk.gov.uk
and we will do our best to help.**



01/0000001/A/999
Mr A B Sample
2 Sample Road
Anywhere
Any Town
Any County
AB1 1BA



Employer Newsletter Summer 2018 Special

Welcome to our Summer Special Newsletter.

The **Annual Benefit Statement**, which gives a scheme member an estimated forecast of their pension, will be available online by the end of August. Please could you let your employees know that they can view their Annual Benefit Statement by registering on our secure website at www.norfolkpensionfund.org.uk

Those who were able to join us at the last Employer Forum will know that the Norfolk Pension Fund is conducting a **Governance Review**. The aim of the Review is to ensure we have a robust set-up that supports employers with their duties in the Local Government Pension Scheme. We'd be grateful for your input to help us shape our plans by completing our short survey at <https://www.smartsurvey.co.uk/s/norfolkpensionfund/>

Although it's only July, please make a date in your diary for our next **Employer Forum** which will be held on **Wednesday 12th December 2018**. Please note that on this occasion it will be held at **The Space, Roundtree Way, Norwich, NR7 8SQ**. A reminder email, with an Agenda, will be sent nearer the time.

On a more seasonal note, I hope you have a lovely Summer and manage to take a well earned break.

Best wishes,

Nicola

Nicola Mark MBE
Head of Norfolk Pension Fund



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- Diary Date - Employer Forum
- Employer Forum and Survey
- Annual Benefit Statement
- Outsourcing? Keep us up to date
- Accounts and Investments
- Employer Pension Policy and Internal Disputes
- Pensions Committee News
- Pre-Retirement Courses
- Norfolk Pension Fund contact details

Joiner Pack

Can we remind you that as an employer you should give any new staff member a copy of the Norfolk Pension Fund joiner pack as soon as they commence employment. To place an order, please call **01603 495923** or email pensions@norfolk.gov.uk



Diary Date - Employer Forum



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

The Space, Roundtree Way, Norwich NR7 8SQ

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

The Forum will finish at **approximately 12.30pm**,
followed by lunch

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

**Please
note
change of
venue!**

Employer Forum and Survey

We had an informative morning at the Norfolk Pension Fund Employer Forum held on Wednesday 4th July.

Presentations included '**An Update from the Fund Actuary**' and '**Pensions Administration**', both of which can be viewed on our website at:

<http://www.norfolkpensionfund.org/employers/events/>

Laura Andrikopoulos from Hymans Robertson also gave a presentation covering the '**Norfolk Pension Fund Governance Review**'. The Review is being conducted to ensure the Fund has a robust set-up which is 'fit for purpose'. That's because we want to support you in your decision making and fulfilment

of your responsibilities as an employer within the Local Government Pension Scheme.

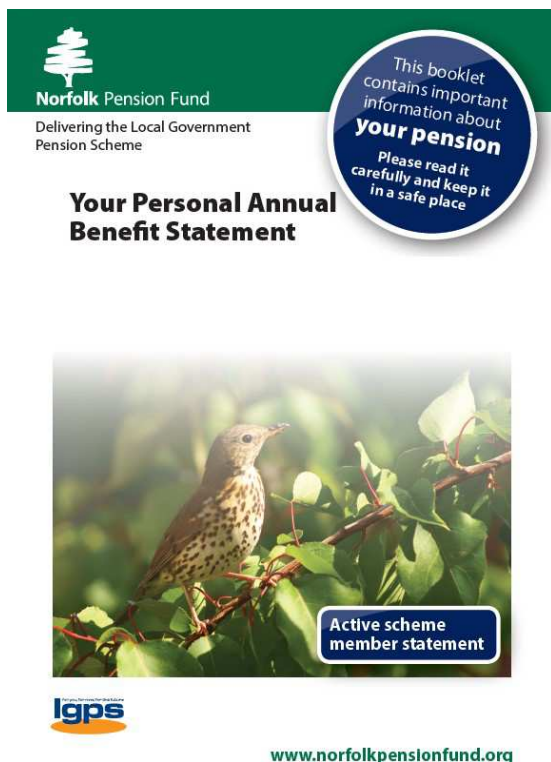
Key to the review is gathering feedback from employers to help us understand how the Fund can best meet its strategic objectives in terms of the service we provide to you and scheme members. Have you any views on what works well, or are there any areas where you think we could improve? If so, please complete our **short online survey** by logging onto:

<https://www.smartsurvey.co.uk/s/norfolkpensionfund/>

The survey only takes a few minutes and the results will help us help you to deliver the service you need.

Annual Benefit Statement

The **Annual Benefit Statement** we send to scheme members gives them an estimated forecast of their pension at retirement age, based on the data you have given us and we hold.



It's a really important document to help them in their planning and decision making for their future.

By law Annual Benefit Statements should be ready for members by the end of August.

Assuming all goes to plan, our Annual Benefit Statements will be online for all scheme members by the end of August.

The booklet will then be sent to members addresses in September.

Please let your employees know they can view their Annual Benefit Statement online by the end of August by registering on our secure members website at www.norfolkpensionfund.org.uk

Outsourcing? Keep us up to date

If you are considering options for reshaping and/or reorganising your service delivery (e.g. outsourcing) please let us know at the earliest stage of your thinking.

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

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



If you are considering making any changes to your service delivery, please contact **Alex Younger** on **01603 222995** or alexander.younger@norfolk.gov.uk

Accounts and Investments

The **Norfolk Pension Fund** Annual Report and Accounts for 2017-18 is due to be published soon and will be available online at our website

www.norfolkpensionfund.org from the beginning of August. The document will give an update on the financial and investment position of the Fund.

In the meantime, the table below gives a summary of our accounts and investments.

We have a mix of investment approaches and asset types to get the best return on investment we can, whilst at the same time managing risk. As at 31 March 2018 our assets were managed by 13 investment managers and our Custodian bank, HSBC.

The Norfolk Pension Fund's investment portfolio has performed well, contributing to an increase in Fund assets of more than £174m over the course of 2017-18.

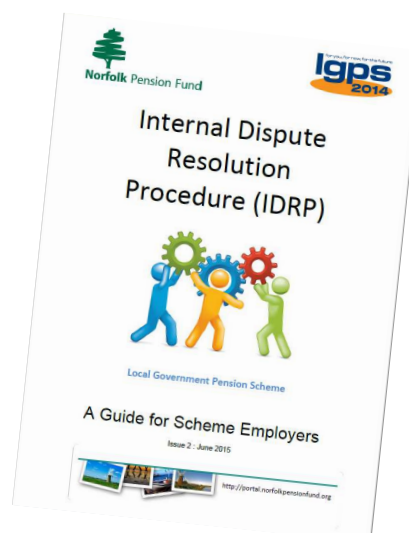
	2016-17 £000s	2017-18 £000s
Opening net assets of the scheme	2,904,798	3,429,247
Employees' contribution to the Fund	27,983	28,786
Employers' contribution to the Fund	101,936	118,361
Transfer values received	7,961	11,637
Payments to pensioners and dependants	-127,124	-134,314
Transfers out and other payments to leavers	-4,576	-7,706
Advisor fees and general administration costs	-17,183	-17,992
Net investment return – including income and the change in value of investments	535,452	175,351
Closing net assets of the scheme	3,429,247	3,603,370

Employer Pension Policy and Internal Disputes

Just a reminder of the importance of keeping your Employer Pension Policy up to date. This will usually specify 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 IDRPs Guide (G070)**' by visiting www.norfolkpensionfund.org/employers/forms-and-documents under the '**Guides**' tab.

There is also a '**Scheme Member Guide to disputes**' available at: www.norfolkpensionfund.org/about-us/complaints-and-disputes



Pensions Committee News

The Pensions Committee met on 26 June 2018, electing Judy Oliver as Chairman and Alan Waters as Vice-Chairman. Tom FitzPatrick was welcomed as a new Committee Member.

The changes follow the resignation, and sad passing away, of Cliff Jordan who had been serving as Committee Chairman alongside his role as Leader of Norfolk County Council. The Committee stood in silent tribute to the memory of Cliff at the beginning of the meeting.

Pensions Committee
Norfolk County Councillors
 Judy Oliver (Chairman)
 Danny Douglas
 Tom FitzPatrick
 Martin Storey
 Brian Watkins
District County Councillors
 Alan Waters (Vice-Chairman)
 John Fuller
Staff representative
 Steve Aspin



Cliff Jordan

Alongside its regular oversight of investment and administration performance, and progress reports on the ACCESS investment pool, the Committee received a presentation about the Norfolk Pension Fund Annual Report and Accounts from the Chief Investment Manager for the Norfolk Pension Fund.

Pensions Committee next meets on 18 September 2018. Committee papers are published on the [Norfolk County Council](http://www.norfolk.gov.uk) website.

Pre-Retirement Courses



Pre-Retirement courses are run regularly at County Hall to help scheme members prepare for their retirement.

The course is aimed at people who will be, or who are considering, retiring in the next 18 months to two years.

2018 Dates

- Thursday 26 July 2018
- Thursday 27 September 2018
- Tuesday 20 November 2018

The course includes:

- Creating a new future and managing change
- Leisure and learning
- Information about the LGPS
- Investment options/financial advice
- Estate planning and Wills

Norfolk County Council manage and run courses on our behalf, which are open to all LGPS scheme members.

For more information and to book a place please contact

HR Direct, Norfolk County Council
01603 222212
HRdirect@norfolk.gov.uk

Norfolk Pension Fund

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

Pensions Administration

**01603 495923
Fax 01603 495795
pensions@norfolk.gov.uk**

Investment, Accountancy and Actuarial Services

**01603 222139
Fax 01603 228898
pensions.finance@norfolk.gov.uk**

Website, Technical and Employer Queries

**01603 222132
pensions.systems@norfolk.gov.uk**

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

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	State of Play
Cambridgeshire County Council to Norwich City Council	April 2017	2018-19	Circa 100 staff transferred back to City Council as part of reorganisation of outsourcing agreement with LGSS. Terms have been received from the Cambridgeshire Fund Actuary and have been reviewed by our actuarial team. Following this review they asked for a revised basis from Cambridgeshire. The Cambridge Actuary has proposed further revised terms and these have been accepted. We are now working with the Cambridgeshire team to agree a payment date for the transfer.

In addition to this transfer we are also working on a number of outsourcing agreements that potentially involve the transfer of staff under TUPE with both employers being members of the Norfolk Pension Fund.

Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred:

Date	What	Who
Jul 2018		
4	Employer Forum	Pensions Team
6	ACCESS on-boarding sub-group meeting	Alex Younger
12-13	LGC Pension Fund Symposium	Alex Younger and National Frameworks Team
17-18	Strategic Investment Forum	Alex Younger
19	ACCESS Officer Working Group (OWG)	Nicola Mark
27	South Norfolk Council – Audit Committee	Alex Younger
31	Norfolk County Council – Audit Committee	Nicola Mark and Alex Younger
Aug 2018		
13	ACCESS phase 2 sub-fund workshop	Alex Younger
23	District Court (Norther District of California) re Symantec class action	Alex Younger
30	ACCESS Officer Working Group (OWG)	Alex Younger and Glenn Cossey (both via dial-in)
Sep 2018		
6-7	LGC Investment Summit	Nicola Mark, Alex Younger, Steve Aspin
13	PLSA Board	Nicola Mark
13	ACCESS on-boarding sub-group meeting	Alex Younger
15	Goldman Sachs – transition and futures (service review meeting)	Glenn Cossey and Alex Younger

In addition to these meetings we have held a number of meetings with managers with whom we do not have a current commercial relationship, meetings in respect of transition and mandate changes and with various fund employers on individual issues. The Fund has attended various other meetings associated with the development of the ACCESS Pool.

The following forthcoming meetings and events have been identified as of possible interest to trustees or officers of the fund:

Date	What
Oct 2018	
8	Pensions Oversight Board
10	Scheme Advisory Board
11	ACCESS OWG
17-19	PLSA Annual Conference
22	CIPFA Pension Panel
26	ACCESS Cross Pool Collaboration Group
30	Norfolk Pension Fund AGM
Nov 2018	
6	Meeting with the Minister for Local Government Access Investment Pool
20-21	LGPS Conference Torquay
22	ACCESS OWG
27	DB Council
29	ACCESS Cross Pool Collaboration Group
Dec 2018	
6	PLSA Board
10	ACCESS Joint Committee

CIPFA – Chartered Institute of Public Finance and Accountancy

DCLG – Department for Communities and Local Government

LAPF – Local Authority Pension Fund

LGA – Local Government Association

LGC – Local Government Chronicle

LGPS – Local Government Pensions Scheme

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

Pensions Committee forward programme – as at September 2018

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

Update from the Pensions Oversight Board

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

1. Background

- 1.1 This report updates the Pensions Committee on the work of the Pensions Oversight Board. A further verbal report may be given by members of the Pensions Oversight Board who will also attend committee. The last update was given at the June 2018 Committee Meeting.

2. Pensions Oversight Board meetings

- 2.1. The Pensions Oversight Board (POB) last met on 15 June 2018, and has not met since the last report to this committee.
- 2.2 The Pensions Oversight Board is due to meet on the following dates:
- 2.3 **October** 2018 meeting – Monday 8th October
January 2019 meeting – Tuesday 22nd January 2019
April 2019 meeting – Tuesday 2nd April 2019
- 2.4 In October the Board will be focussing on Responsible Investment arrangements, including corporate governance. William Marshall (Hymans Robertson), Investment Adviser to the Norfolk Pension Fund, has been invited to attend the meeting

3 Annual Report

- 3.1 The Board's annual report (included in the paper to committee in June 2018) has been published within the Norfolk Pension Fund's Annual Report and Accounts.

4 Resource Implications

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

5. Other Implications

Equality Impact Assessment (EqIA):

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

Any Other Implications:

- 5.2 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.

6. **Section 17 – Crime and Disorder Act**

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

7. **Recommendation**

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

Background Papers

[none]

Officer Contact

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

Nicola Mark Tel No: 01603 222171 email address: nicola.mark@norfolk.gov.uk



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Corporate Governance and Shareholder Engagement Report

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

1. Background

- 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 voting policy seeks to ensure that good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The 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. 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 their 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 Voting has been undertaken in accordance with the Pension Fund's policy by the Research Recommendations and Electronic Voting organisation (RREV). The Fund's investment managers have continued to engage with companies and markets to improve governance generally.

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 Norfolk Pension Fund does not vote in share blocked markets. Share blocking is a mechanism which provides for a cut-off date before shareholder meetings so that share transactions taking place after this date cannot lead to the transfer of the voting rights. This restricts the ability of managers to sell shares for a period around the time of company meetings and may impact on their ability to carry out timely transactions.
- 2.3 In Europe much progress has been made in this area over the last few years, particularly with the introduction and revision of the Shareholder Rights Directive. In Europe there are currently four countries that have some residual restrictions regarding share blocking (Norway, Switzerland, Luxemburg and Iceland).
- 2.4 During the first and second quarters of 2018 (01 January 2018 to 30 June 2018) there were 44 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 878 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.

Votes "For"	837
Votes "Against"	38
Votes Abstained from	3
Total Votes	878

- 2.5 Votes against the management of UK companies only are shown in Appendix 1.

3. **Engagement**

- 3.1 Norfolk Pension Fund expects the fund managers to engage with the companies in which we invest, with a particular emphasis on environmental issues. The fund managers have supplied us with highlights of their engagement, which is summarised in Appendix 2.

4. **Voting and Engagement - Pooled Funds**

- 4.1 Fidelity, L&G and UBS invest in pooled 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 agreed that Fidelity and L&G operate a high quality programme of corporate governance. UBS are presenting at this Committee meeting under item 13 details of their corporate governance and engagement programme. An update of their all managers activity is included in Appendix 2.

5. **Living Wage Campaign**

- 5.1 The UK Living Wage, as calculated by the Living Wage Foundation. The living wage is calculated according to the cost of living and is therefore different to the

Government's National Living Wage which is calculated with reference to median earnings. The UK Living Wage is currently £10.20 in London and £8.75 throughout the rest of the UK.

- 5.2 As part of engagement reviews with the Fund's equity managers, officers will specifically discuss manager engagement with companies on the UK Living Wage and more widely on employment rights; particularly in respect of overseas investments.

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 January, March and July 2018. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
30 January 2018	<ul style="list-style-type: none"> Financial literacy in asset management Board level employee representation UK Org. for Econ. Co-op & Dev. contact point & Sports Direct Disruptive technology scoping paper United Nations Sustainable Development Goals & incorporation in LAPFF's work
28 March 2018	<ul style="list-style-type: none"> Reliable account – update Regulatory reform Tesla engagement proposal LAPFF's largest holdings
19 July 2018	<ul style="list-style-type: none"> Reliable accounts & regulatory reform – the Kingman Review Asset managers & ESG update Plastics scoping paper Resource implication for SDG engagement

7. LGPS Pooling

- 7.1 The Funds 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 ACCESS Fund's current voting practice as well as from guidance issued by the investment association. Pensions Committee noted the ACCESS sub-fund voting guidelines at its June 2018 meeting.

8.0 **Investment Regulations**

- 8.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations were issued in September 2016. At the same time the secretary of state also issued guidance that Administering Authorities of LGPS Funds are required to follow when preparing their investment strategy. The guidance issued stated that LGPS Funds “should not pursue policies that are contrary to UK foreign policy of UK defence policy”.
- 8.2 The guidance has been subject to a judicial review with the applicants alleging that the secretary of state acted for an unauthorised purpose when issuing the guidance and that the guidance was contrary to the Public Service Pensions Act 2013 which was established to provide pensions to members. The lower courts found in favour of the applicants but the Court of Appeal disagreed and found that the secretary of state had broad discretion when issuing guidance.
- 8.3 The ruling leaves the door open for the government not only to issue prohibitive guidance setting out what LGPS Funds should not do, the government could also now consider issuing guidance directing investments in assets the government considers appropriate.
- 8.4 The Pension Fund will continue to monitor developments around the guidance and report to Committee as appropriate.

9.0 **Other Implications**

9.1 **Equality Impact Assessment (EqIA)**

There are no issues relevant to equality in this report.

9.2 **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. **Section 17 – Crime and Disorder Act**

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

11. **Recommendation**

- 11.1 The Pensions Committee notes the contents of this report.

Background Papers

Appendix 1 – 2018 Q1 & Q2 Voting and Results UK

Appendix 2 – Engagement 01 January 2018 to 30 June 2018

Officer Contact

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

Nicola Mark Tel no: 01603 222171 email address: nicola.mark@norfolk.gov.uk



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Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
5	Mitchells & Butlers plc	Re-elect Keith Browne as Director	Vote AGAINST non independent NED if at least half of the board is not independent	23/01/18	Management	Against	75%	22%	3%
8	Mitchells & Butlers plc	Re-elect Eddie Irwin as Director	Vote AGAINST any non-independent non-executive directors sitting on the Audit and Remuneration Committees and at least half of the board is not independent.	23/01/18	Management	Against	72%	25%	3%
9	Mitchells & Butlers plc	Re-elect Bob Ivell as Director	Vote AGAINST the board chairman who is not considered independent and sitting on the Remuneration committee and at least half of the board is not independent.	23/01/18	Management	Against	92.7%	6.7%	0.6%
11	Mitchells & Butlers plc	Re-elect Josh Levy as Director	Vote AGAINST any non-independent non-executive directors sitting on the Remuneration Committee and at least half of the board is not independent.	23/01/18	Management	Against	73%	24%	3%
12	Mitchells & Butlers plc	Re-elect Ron Robson as Director	Vote AGAINST any non-independent non-executive directors sitting on the Audit Committee and at least half of the board is not independent.	23/01/18	Management	Against	72%	25%	3%
2	Euromoney Institutional Investor PLC	Approve Remuneration Report	Vote AGAINST this resolution is warranted based on the following considerations:- FD Colin Jones received a substantial pay-out under the uncapped profit share scheme (c. 247% of salary), where the bonus is determined by the number of percentage points the Company's adjusted EPS exceeds just 11 pence and 20 pence.	01/02/18	Management	Against	83%	10%	7%
6	Euromoney Institutional Investor PLC	Re-elect David Pritchard as Director	Votes AGAINST the board chairman who chairs the Audit Committee	01/02/18	Management	Against	98.8%	0.7%	0.5%
7	Euromoney Institutional Investor PLC	Re-elect Sir Patrick Sergeant as Director	Vote AGAINST this nominee due to low meeting attendance without a suitable explanation.	01/02/18	Management	Against	85.34%	8.43%	6.23%
10	Euromoney Institutional Investor PLC	Elect Lorna Tilbian as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	01/02/18	Management	Against	95%	5%	0%
13	Euromoney Institutional Investor PLC	Elect Kevin Beatty as Director	Vote AGAINST any non-independent non-executive directors sitting on the Remuneration Committee.	01/02/18	Management	Against	91.2%	8.6%	0.2%
14	Euromoney Institutional Investor PLC	Elect Tim Collier as Director	Vote AGAINST any non-independent non-executive directors sitting on the Audit Committee.	01/02/18	Management	Against	91.2%	8.6%	0.2%
6	Carnival plc	Re-elect Richard Glasier as Director of Carnival Corporation and as a Director of Carnival plc	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors. Norfolk will vote against any Non independent non-executive directors sitting on the Audit & Remuneration Committee.	11/04/18	Management	Against	94.5%	5.3%	0.2%
8	Carnival plc	Re-elect Sir John Parker as Director of Carnival Corporation and as a Director of Carnival plc	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	11/04/18	Management	Against	95.17%	4.80%	0.03%

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
9	Carnival plc	Re-elect Stuart Subotnick as Director of Carnival Corporation and as a Director of Carnival plc	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors. Norfolk will vote against any Non independent non-executive directors sitting on the Audit Committee.	11/04/18	Management	Against	91.1%	8.8%	0.1%
10	Carnival plc	Re-elect Laura Weil as Director of Carnival Corporation and as a Director of Carnival plc	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors. Norfolk will vote against any Non independent non-executive directors sitting on the Audit & Remuneration Committee.	11/04/18	Management	Against	97.1%	2.8%	0.1%
4	Ultra Electronics Holdings plc	Re-elect Douglas Caster as Director	Vote AGAINST any individual that's serves as the joint chairman/chief executive.	27/04/18	Management	Against	94.67%	5.32%	0.01%
2	Jardine Lloyd Thompson Group plc	Approve Remuneration Report	Vote AGAINST as it is not clear how bonus entitlement is calculated when the target is missed or exceeded. On previous occasions, bonus has been paid out, at a reduced level, where the target has been missed. Therefore it would appear that discretion is used to determine the outcome.	01/05/18	Management	Against	86.33%	13.64%	0.03%
8	Jardine Lloyd Thompson Group plc	Re-elect Adam Keswick as Director	Vote AGAINST any non-independent non-executive directors sitting on the Remuneration Committee.	01/05/18	Management	Against	88.11%	11.44%	0.45%
13	Jardine Lloyd Thompson Group plc	Re-elect Lord Sassoon as Director	Vote AGAINST any non-independent non-executive directors sitting on the Audit & Remuneration Committee.	01/05/18	Management	Against	86.68%	12.87%	0.44%
3	Unilever PLC	Approve Remuneration Policy	Vote AGAINST while some positive improvements to the policy have been noted, concerns are raised regarding the impact of the change from base salary to a consolidated 'fixed pay' structure, particularly as a result of increases to both fixed pay and annual bonus potential.	02/05/18	Management	Against	61.43%	34.26%	4.31%
15	Unilever PLC	Re-elect Feike Sijbesma as Director	Vote AGAINST the chairman of the Nomination Committee when the company has not appointed a senior independent director.	02/05/18	Management	Against	99.62%	0.30%	0.08%
8	GKN plc	Re-elect Tufan Erginbilgic as Director	Vote AGAINST any directors with low attendance without a suitable explanation. (No voting results found, as Resolution was amended at the AGM to show of hands for current Directors re-election.)	03/05/18	Management	Against	#DIV/0!	#DIV/0!	#DIV/0!
7	James Fisher & Sons plc	Re-elect Malcolm Paul as Director	Vote AGAINST the chairman of the Nomination Committee when the company has not appointed a senior independent director.	03/05/18	Management	Against	92.64%	4.43%	2.93%
3	Jupiter Fund Management Plc	Approve Remuneration Policy	Vote AGAINST as the Company is moving away from its model of low fixed pay and uncapped incentive opportunities and the new proposals allow for a package that is simultaneously more guaranteed and potentially more generous than historical practice, support is not recommended.	16/05/18	Management	Against	77%	18%	5%

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
17	Jupiter Fund Management Plc	Approve Long Term Incentive Plan	Vote AGAINST as this plan forms part of the overall rebalancing of the pay package under the new Policy, consistent with the recommendation that shareholders vote against the proposed new policy.	16/05/18	Management	Against	79.11%	20.14%	0.75%
17	AstraZeneca plc	Approve Remuneration Report	Vote AGAINST as concerns around the level of disclosures and the outcomes under the Company's annual bonus framework.	18/05/18	Management	Against	63%	34%	3%
15	Hikma Pharmaceuticals PLC	Approve Remuneration Report	Vote AGAINST as 2 salaries stand out as relatively high against sector and index comparators in the FTSE. Plus additional awards of 150 percent of salary and a standard award opportunity of 400 percent of salary has been granted.	18/05/18	Management	Against	86%	14%	0.0%
16	Ensco plc	Approve Remuneration Report	Vote AGAINST as the Company is classified as a US domestic issuer and given that the focus of this proposal is on top executive pay, the recommendation for this proposal is aligned with the US say-on-pay analysis.	21/05/18	Management	Against	72%	27%	1%
17	Ensco plc	Advisory Vote to Ratify Named Executive Officers' Compensation	Vote AGAINST as NEOs are awarded two year cash based awards that are not tied to any performance criteria.	21/05/18	Management	Against	72%	27%	1%
2	Royal Dutch Shell plc	Approve Remuneration Report	Vote AGAINST as the operational excellence and sustainable development targets have been met at near-target levels and comprise 70% of the bonus scorecard, yet an outcome of 80% of maximum bonus has been delivered to the CEO.	22/05/18	Management	Against	74%	25%	1%
3	Coca-Cola European Partners Plc	Elect Francisco Crespo Benitez as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	31/05/18	Management	Against	98.51%	1.48%	0.01%
4	Coca-Cola European Partners Plc	Elect Alvaro Gomez-Trenor Aguilar as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	31/05/18	Management	Against	98.50%	1.48%	0.02%
5	Coca-Cola European Partners Plc	Re-elect Jose Ignacio Comenge Sanchez-Real as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	31/05/18	Management	Against	98.50%	1.48%	0.02%
6	Coca-Cola European Partners Plc	Re-elect Irial Finan as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors. Norfolk will vote against any Non independent non-executive directors sitting on the Remuneration Committee.	31/05/18	Management	Against	94.04%	5.92%	0.04%
7	Coca-Cola European Partners Plc	Re-elect Damian Gammell as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	31/05/18	Management	Against	99.08%	0.90%	0.02%
8	Coca-Cola European Partners Plc	Re-elect Alfonso Libano Daurella as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	31/05/18	Management	Against	98.50%	1.48%	0.02%

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
9	Coca-Cola European Partners Plc	Re-elect Mario Rotllant Sola as Director	Vote AGAINST as the Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors. Norfolk will vote against any Non independent non-executive directors sitting on the Remuneration Committee.	31/05/18	Management	Against	96.48%	3.47%	0.05%
14	Coca-Cola European Partners Plc	Approve Waiver on Tender-Bid Requirement	Vote AGAINST as all Rule 9 waivers are deemed contentious as institutional investors are concerned about the risk of creeping control.	31/05/18	Management	Against	50.39%	10.28%	39.33%

Engagement during the period 1 January 2018 to 30 June 2018

Baillie Gifford

Baillie Gifford reported direct engagement with the following companies in the first half of 2018:

Company	Discussion Topic
Bodycote	Corporate Governance
Rio Tinto	Environmental/Social
Rolls Royce	AGM/EGM Proposals
EnQuest	Executive Remuneration
Burberry	Corporate Governance
Jupiter Fund Management	AGM/EGM Proposals
John Wood Group	AGM/EGM Proposals
Royal Dutch Shell	AGM/EGM Proposals
Howdens Joinery	Corporate Governance

In quarter one, Baillie Gifford met the new Bodycote Chairman and then the executive team. The new Chairman appears well suited to the role given previous industry, geographic and boardroom experience. Discussions included initial impressions of the board and the business. There is already evidence of attention to governance matters; the issue of a director who is on too many boards has been addressed - a situation that has been of concern to investors for some time. Baillie Gifford encouraged efforts to improve executive remuneration arrangements and discussed capital allocation and the work of the board to identify new growth opportunities as technological development creates new product demand and applications. At a subsequent meeting with the CEO and CFO issues discussed included: labour cost inflation in different geographies, the approach to pricing, investment, company culture and wider industry dynamics.

Rio Tinto is a mining and metals company that operates worldwide. Baillie Gifford had a call with the Head of Environment to discuss the company's approach to climate risk and about its focus on the efficiency of existing assets and the adaptability of new assets for emerging energy technologies. The company's progress on environmental disclosure, which has improved in recent years, but still has room for improvement was also discussed. Baillie Gifford highlighted the importance of disclosure in this area and will continue to monitor it. The call provided confidence that Rio's management understand the importance of considering climate change in long-term strategy and are making good progress in this area.

In the second quarter, Baillie Gifford engaged with Royal Dutch Shell. A shareholder resolution was proposed at the 2018 AGM which aimed to require Shell to set and publish targets for reducing greenhouse gas emissions that would be aligned with the Paris Agreement. A similar resolution at the 2017 AGM had not been passed. However, the company is widely recognised as an industry leader in climate change. The 2018 resolution aimed to harden Shell's newly-adopted 'aims' and 'ambitions' by translating them into firm 'targets' with long-term (2050) and intermediate (undefined) objectives.

Having considered the company's response to the proposal, Baillie Gifford engaged with the proponents and then opposed the resolution. The voting decision reflected: the progress made by Shell, its industry-leader status in relation to the issue, the incorporation of emission management metrics into executive annual bonus determination, transparency and

disclosure standards based on the Task for Climate Change Disclosure recommendations and uncertainties including how the regulatory framework may evolve by 2050. The resolution received 5.54% support at the May AGM.

Baillie Gifford had a call with the chairman of the John Wood Group in quarter two. The company acquired AMEC Foster Wheeler in 2017. An update on the progress being made in integrating the acquired business and the board's priorities was received. Baillie Gifford encouraged progress in reducing debt and sought insight into potential disposals. An unexpected board change, certain aspects of executive remuneration and share price performance were also discussed.

Capital International Limited

Capital engaged with many companies to review a range of ESG issues in the first quarter of 2018. These included BNY Mellon, Norwegian Cruise Line, Iron Mountain, Transdigm Group and Broadcom.

Low-cost airlines have undergone dramatic changes in the past decade to win over new customers who were previously put off by the negative associations with budget travel. As investors, Capital have accompanied Ireland-based budget airline Ryanair in its development. It is recognised that the popularisation of cheap air travel has not necessarily been positive for the pay and working conditions of airline employees. Recently, Ryanair agreed to recognise pilot unions, despite non-unionisation being one its many competitive advantages previously. Even with higher incremental costs, Ryanair remains a formidable competitor in the sector. Over time the company management team has shown flexibility in adjusting to new market conditions. Capital expect them to continuously review the company's business model in order to build an even more sustainable business.

The world is on the cusp of a new revolution in manufacturing. As various new technologies converge, the next phase will include the creation of collaborative robots for use in factories by marrying automation with big data collection and artificial intelligence. A big positive for the environment is that automated factories can move closer to end demand, which will reduce costs as well as CO2 emissions. Robots will also increasingly take over many of the more difficult and repetitive assembly tasks in factories. Capital analysts recently toured Japanese manufacturing company Fanuc's factories and observed its new line of cooperative robots that work with humans to improve overall efficiency and reduce the strains on workers. Such strains include lifting and moving heavy objects, which can cause various types of injuries. Ultimately, automation will replace many manual jobs, but Fanuc believes this will make its employees available for higher value-added work.

In quarter two, Capital engaged with the several companies to review a range of ESG issues. These included Burberry, Harley Davidson, Halliburton, Entertainment One, Alphabet, Delta Air Lines and ServiceNow.

In March 2018, Japan introduced a revised Corporate Governance Code, which requires Japanese companies to revisit their cross-shareholdings and become more mindful about capital efficiency. Capital investment professionals have been actively engaged with companies in Japan, in order to influence management, improve corporate governance practices and enhance shareholder value.

For example, Capital have engaged with natural seasoning and flavourings producer, Ariake Japan, a company strategically positioned to benefit from a rising preference from consumers for healthy products. Capital raised governance concerns at the end of last year about the poison pill¹ technique and particularly the company's practice of renewing it at the discretion of the board and strongly encouraged the board to cancel this or put it for a shareholder vote. Management was informed that while Capital was supportive of the team given the company's strong operational performance, Capital would be forced to vote against future director reappointments if the poison pill remained." In May this year, Ariake announced its decision to abolish the poison pill, following heavy lobbying by Capital and other investors.

Fidelity

Fidelity engaged with the following companies between January and June 2018:

Company	Discussion Topic
Qualcomm	Takeover
Siix Corporation	Shareholder Rights
Kura	Board Structure
Kumo Petro Chemical Co	Board Structure
Softbank Group	Stock Option
Suzuki Motor	Board Structure
Wienerberger	Board Structure
WH Group	Combined Chair/CEO Role
Hualan Biological Engg	Internal Investment

In quarter one, Fidelity met with several representatives of Total. Among other topics, the company's strategy regarding climate change was discussed. The company's objective is to follow the IEA Sustainable Development Scenario. Whilst there is still important demand for oil, the company acknowledges that some assets will be stranded and is now focusing on low break-even projects and divesting from expensive projects such as tar sands in Canada. A CO₂ price of \$30 to \$40 per ton is incorporated into financial evaluations of its investments and Total estimates that a 'long-term CO₂ price of \$40/t applied worldwide would have a negative impact around 5% of the discounted present value of the group assets (upstream and downstream)'. Total expects gas to be an increasing part of its energy mix and is working on reducing methane emissions. The company has also made several acquisitions in renewable energies although it is still low in terms of Capex. Total will be publishing its next Climate Change report in September and Fidelity will continue to engage with the company on this topic.

Fidelity's European Equity Portfolio Manager and ESG Analyst met Investor Relations at Compagnie Financière Richemont. Topics discussed included the company's approach to traceability of raw materials used in their products, such as gold or diamonds, which have been associated with conflicts areas. Suppliers are expected to acknowledge Richemont's Supplier Code of Conduct and are encouraged to become certified members of the Responsible Jewellery Council (RJC), the international standard on responsible business practices for diamonds, gold and platinum group metals. RJC suppliers are audited every three years and about 200 additional third-party audits were performed across the Richemont group during the year. Richemont also uses recycled gold and will publish the proportion used in their products in the next Corporate Social Responsibility report.

During the quarter, Fidelity met with representatives of Siemens Gamesa Renewable Energy, a group resulting from the merger of Gamesa Corporacion Tecnologica and Siemens AG' turbines division. The company's antibribery and corruption policies, especially in emerging markets was discussed. Siemens Gamesa's General Counsel informed us that the Company draws its anti-bribery and corruption measures from Siemens AG and that they had been strengthened in the aftermath of the corruption scandal Siemens faced in the early 2000s. Siemens Gamesa uses a "Business Partner Compliance Tool" to make sure that business partners follow the same business ethics principles. Fidelity will continue to monitor the company's practices in this area.

In quarter two, Fidelity discussed Chevron's approach to climate change with the company's ESG Engagement representative. A shareholder proposal requesting Chevron to report on the company's actions to minimize methane emissions using quantitative indicators received 44.9% of votes in favour at its May AGM. Whilst Chevron committed last year to a set of guiding principles on reducing methane emissions, the proponents assert that Chevron was lacking on methane leak detection and emission reduction management-related disclosures. Chevron said that they were looking to introduce reduction targets soon. However, the company considers setting a reduction target on carbon emissions more challenging. Chevron published a 'climate change resilience' report in March where it tested the resilience of its portfolio against oil prices projected under the IEA's Sustainable Development Scenario in the short term (zero-ten years) and long term (over ten years) per business. The development of lower-cost, short-cycle capital investments would be favoured upstream while over the long term, refining margins would drop due to declining demand in hydrocarbon transport.

Fidelity's Corporate Governance Analyst held a meeting with Royal Bank of Scotland (RBS) to discuss the bank's sustainability initiatives. Among other things, the conversation touched on RBS' remuneration policy, which was approved by shareholders in 2017 and, in a departure from typical UK practice, places a strong emphasis on meeting goals related to customer satisfaction and employee engagement. Though RBS' equity plan does not completely eschew performance conditions like Weir Group's does, it is designed with the intention of delivering relatively stable, predictable pay-outs based on performance goals that are within management's control. To compensate for the greater assurance of reward, long-term equity grants are granted at a substantially lower quantum than was the case under the bank's previous LTIP. The performance goals are assessed on a holistic basis prior to grant and then once again prior to vesting, with the possibility of awards being reduced or cancelled prior to vesting if information comes to light which would warrant this.

Fidelity met with Amadeus IT Group's Sustainability Director to discuss their approach to data privacy and security, regarding GDPR coming into force in May, and their approach to energy efficiency. The company proved to be responsive and appears to be tackling these issues proactively. They informed Fidelity of their plans to optimise their data centres, while maintaining the highest security standards, by keeping the most strategic data at the headquarters and by outsourcing the remainder through cloud-based applications. Carbon dioxide (CO₂) emissions and renewable energy are also key themes for Amadeus. The company is investing in renewable energy projects in India to offset their CO₂ emissions increase, derived by the increased scope of their operations.

L&G

In the first quarter of 2018, L&G responded to the consultation by the Financial Reporting Council (FRC) on proposed changes to the UK Corporate Governance and Stewardship Codes. L&G highlighted its support for the changes to the Corporate Governance Code which have been strengthened in key areas such as board diversity, director independence and consideration of the stakeholder voice. Furthermore, a key feature of the submission to the FRC included new recommendations to improve stewardship in the UK. L&G highlighted how several areas of the Stewardship Code, including those related to disclosure by signatories, assurance and oversight of the Code can be enhanced to reinforce good stewardship. L&G also submitted a response to the Monetary Authority of Singapore on their recommendations to improve the Corporate Governance Code. L&G highlighted a proposal to implement a two-tier voting regime to enhance the voice of minority shareholders where a controlling shareholder is present.

As L&G is developing its Future World strategy, they met various representatives in the pension industry in the US to present L&G's products, strategy and actions in the field of ESG and responsible investment. In addition, as part of the 7th annual World Pensions & Investment Forum held in Paris, L&G participated in a panel discussion on how institutional investors are filling the gap of ESG and sustainability after the Paris Agreement. L&G also took part in a panel discussion at the European Bank for Reconstruction and Development on the topic of the effective board, including the requirement to ensure an effective board and what needs to be done further.

A year ago, L&G launched the Climate Impact Pledge, a commitment to engage with 84 of the world's largest companies, which have been assessed rigorously for their preparedness to the transition to a low carbon economy. One year later, L&G are seeing many companies taking action such as:

- The board of Toyota has endorsed the 2°C target of the Paris Agreement on climate change. The company also plans to make all its cars available as either electric or hybrid models by 2025.
- Wells Fargo, the US bank, has committed to invest \$200 billion in climate action and sustainability by 2030.
- Australia's Commonwealth Bank has committed to phase out its lending to coal plants.

Several companies, however, either did not respond to requests for engagement or have only shown superficial signs of improvement, if any at all. Therefore, L&G have voted against several company Chairs, and divested out of eight companies from our Future World range of funds, including China Construction Bank, Dominion Energy, Japan Post Holdings, Loblaw Companies, Occidental Petroleum, Rosneft Oil, Subaru and Sysco Corp.

In May, L&G hosted the launch of the pilot report from ShareAction's Workforce Disclosure Initiative (WDI), an annual survey seeking comparable data from global listed companies on their workforce management. The launch was attended by over 100 stakeholders from government, NGO and investor bodies. L&G believe that poor labour standards present risks to companies and to the long-term interests of investors and therefore expect companies to play their part. However, information available from companies on workforce and social issues remains limited and inconsistent. L&G will continue to promote the initiative by

engaging directly with portfolio companies and through integrating the findings into investment processes.

UBS

During the first quarter UBS responded to the Financial Reporting Council (FRC) consultation on proposed amendments to the UK Corporate Governance Code, both directly and by providing feedback to the Investment Association who also sent a response.

The proposed amendments to the Code focus on the application of the Principles with the intention that company boards can:

- Establish a company's purpose, strategy and values and satisfy themselves that these and their culture are aligned;
- Undertake effective engagement with wider stakeholders, to improve trust and achieve mutual benefit, and to have regard to wider society;
- Gather views of the workforce;
- Ensure appointments to boards and succession plans are based on merit and objective criteria to avoid group think, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- Be more specific about actions when they encounter significant shareholder opposition on any resolution, including those on executive pay policies and awards; and
- Give remuneration committees broader responsibility and discretion for overseeing how remuneration and workforce policies align with strategic objectives.

The changes include moving sections of the Code from requirements to guidance creating a more focused Code but with a wider implementation guidance.

UBS are of the view that the UK Corporate Governance model remains among the strongest worldwide, has generally served investors well since its introduction and that it should remain principle-based and be focused on the relationship between UK corporations, their boards, and other stakeholders. At the same time, UBS appreciate that several companies have experienced governance failures that have undermined trust and confidence in business. It is crucial for the UK that steps are taken to strengthen public opinion and address concerns related to the alignment between executive pay, company performance and employees, the contribution of companies to wider society and lack of diversity at board and senior management level.

UBS support the shorter, more focused format of the UK Code and are pleased that the FRC has recognised and retained the key strengths of the UK's approach, in the unitary board, strong shareholder rights, and flexibility through a 'comply or explain' approach. UBS also agree with the view that to deliver sustainable long-term returns to shareholders, boards must also consider the impact of the Company's strategy on a wider audience of stakeholders. However, a concern UBS highlighted in their response is that the proposed amendments appear to be focused mainly on engagement with the workforce, which is just one of a range of stakeholders with whom corporations should give regard to.

During the second quarter UBS engaged with Brambles, an Australian-listed supply chain company which provides reusable platforms to consumer goods companies with operations in over 60 countries. The engagement was focused upon transparency and disclosure and was one of the company's first sustainability investor roadshows. The company historically has promoted its circular economy model and strong natural resource management

programme internally to protect and grow its business and to attract and retain customers and employees. As consumer goods companies are struggling to meet their own sustainability commitments, Brambles is capturing customers who want to minimise and manage their environmental risks in the supply chain through its share-and-reuse strategy.

In 2017 the company circulated 590 million reusable platforms through a system of 500,000 customer touch points. Despite positive progress, the company is facing talent retention and development issues and has listed developing talent as one of its strategic priorities after a high group-wide employee turnover in 2017 of 32%. UBS encouraged the company to make a stronger link between their financial and non-financial information and an integrated report would better demonstrate how their commitment to the circular economy has a positive impact on valuation.

UBS also engaged with the Responsible Sourcing Director at Tesco to get an update on the 'Little Helps Plan' launched by the company in October 2017. The company confirmed that investors should expect reporting against Tesco's thirty-two actions mapped to the plan - people, products and places - in October 2018. UBS's overall assessment is that the plan is helping Tesco become a leader in this area with a clearer strategy on how to manage the environmental and social aspects of the supply chain. The decision to focus their sustainability plan on the top twenty products with the largest volume and/or sustainability impact has led to changes including the decision to stop working with factories in Asia based on ethical grounds, as well as the delisting of specific brands. It is too early to link their efforts in the supply chain to positive impact on valuation but there are positive signs that the plan is helping to minimising risk, grow and maintaining trust in the brand and prepare for any regulatory changes. UBS encouraged Tesco to continue to expand upon their communications around sustainability, particularly in stores and not only to focus upon digital marketing efforts.

Wellington

In the first quarter of 2018, Wellington engaged with an information technology company about recent developments at the board and management, as well as labour management. The board is adding three new directors in 2018. One is the company's first non-Korean director. He is an American who brings technology, engineering, and operating expertise. Another is a highly qualified woman with legal expertise, and the third is a man who brings expertise in semiconductor technology and electrical engineering. The board also plans to replace two directors in 2019 and is seeking to attract another international director and another woman. Notably, the company also recently separated the roles of chair and CEO.

The company explained that part of the challenge in attracting foreign directors to the board is that the board meets over ten times per year and director compensation is lower than in other countries. In response, the new chair is considering changes to the format of board meetings, specifically holding fewer, more concentrated board meetings with additional time for discussion of strategy rather than simply administrative voting on various issues.

Wellington asked about the employment status of a key executive who is in significant legal jeopardy as his bribery conviction remains under appeal. The company said that if he is convicted again, it will likely fill his role by promoting from within, and not replace him with another family member.

Unlike others in its country of operations, this company does not have unionised employees; rather, it uses its competitive compensation to ensure employees are content without needing union negotiations. The company does not believe that the negative press about bribery allegations has affected its ability to attract talent.

Wellington are pleased that, after years of engagement, the company is making significant improvements to the composition of its board. Governance concerns remain regarding the company's convoluted ownership structure and family control. The legal trouble of a top executive is less than ideal; Wellington plan to monitor these developments closely and will engage again if the appeals process ultimately goes against him. Nevertheless, the notion that he would be replaced with existing talent — and not another family member — signals a marked shift in succession planning and a potential willingness to impart checks on family control.

In quarter two, Wellington engaged with an emerging market energy company to learn more about its progress related to climate change, employee safety, and recent improvements in governance practices. The company explained the company's proactive management of climate risks, including how it is seeking to align its long-term strategy with a low-carbon energy transition. The company follows the Task Force on Climate-related Financial Disclosures (TCFD) framework for climate disclosure and plans to publish a full report in the future. Wellington believes this business seems well on its way to adopting and disclosing scenario analysis for carbon risks, the most challenging aspect of the framework.

The company's risk exposure to a carbon tax is relatively low. Since the country's forestry sector contributes more to carbon emissions than its fossil fuel production, management thinks government action to meet commitments made under the Paris Agreement is likely to focus on deforestation rather than on the oil and gas sector, at least in the near term.

The company has put in place what is considered an elaborate safety protocol to guide behaviour in daily operations, including extensive training and other practices. Fatalities have dropped, and the recordable injury rate has halved in the last two years. Despite recent fines, the company has made progress on environmental spills as well.

The company was awarded an upgraded corporate governance status by the stock exchange on which it is traded, a formal recognition of better governance practices. The improvements, outlined in the bylaws, included raising the minimum independent director threshold from 30% to 40%, requiring full independence for all key committees, mandating ongoing board refreshment, and giving more power to minority shareholders in strategic decisions.

Wellington were encouraged by the positive momentum behind the company's various responsible operating practices, and we believe that its climate risk strategy rivals its most advanced peers. The company will be monitored to see if progress in health and safety, as well as environmental management metrics, persists. Wellington believe that stronger governance measures will help the company move beyond past corruption allegations.