

# Audit Committee

Item No.....

<b>Report title:</b>	<b>Norfolk Pension Fund Governance Arrangements 2018-19</b>
<b>Date of meeting:</b>	<b>18<sup>th</sup> April 2019</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director of Finance and Commercial Services and the Head of Pensions</b>
<b>Strategic impact</b>  The Audit Committee requested that the Head of Pensions report to Committee outlining the ongoing governance arrangements of the Norfolk Pension Fund.  The Norfolk Pension Fund's governance arrangements are detailed in the Fund's Governance Statement. The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.	

## Executive summary

### Recommendation:

The Audit Committee is requested to consider and agree this report which details to the Committee, Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

## 1. Proposal (or options)

1.1 The recommendation is set out in the Executive Summary.

## 2. Evidence

2.1 The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

## Pensions Committee

- 2.2 As Administering Authority for the LGPS in Norfolk and in accordance with legislation, the Council has delegated LGPS pensions' matters to Pensions Committee who have 'quasi trustee' status. The 'quasi' status reflects the fact that individual trustees do not have the same legal status as their private sector counterparts. However, like trustees of private sector pensions schemes, their overriding duty is to ensure the best outcomes for the Pension Fund, its scheme members/beneficiaries and participating employers.
- 2.3 Pensions Committee membership includes representatives of other employers and scheme members, alongside the Council's elected members. This is in compliance with statutory guidelines for LGPS Governance.
- 2.4 The Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of reference for the Committee, as detailed in Part 4.1 of the Council's Constitution, is as follow:
- 2.5 To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the Scheme alongside all other contributing employers, and on behalf of all scheme members/beneficiaries including:-
- (a) Functions relating to local government pensions etc under regulations made under Sections 7, 12 or 24 of the Superannuation Act 1972.
- (b) To receive and consider the draft Financial Statements for the Norfolk Pension Fund.
- (c) To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved.

## Governance Statement and Governance Compliance Statement

- 2.6 Under Regulations 55 of The Local Government Pension Scheme regulations 2013, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by DCLG.
- 2.7 In accordance with this legislation, the Norfolk Pension Fund prepares and publishes each year a Governance Statement and Governance Compliance Statement. Both statements are approved by the Pensions Committee.
- 2.8 The Pension Funds Governance Statement details roles and responsibilities in relation to the Fund and is attached at Appendix A. The Statement is published on the pension fund website, [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org)

- 2.9 The Fund's Governance Compliance Statement (which measures compliance against best practise guidelines) is attached at Appendix B. The Fund's Governance Compliance Statement is incorporated in the published Annual Report and Statement of Accounts. Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

#### Pensions Oversight Board

- 2.10 The Public Service Pensions Act 2013, includes several key provisions relating to the administration and governance of public service pension schemes including the LGPS. Under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), LGPS funds must set up and operate local pension boards.
- 2.11 In Norfolk the local pension board is referred to as the Norfolk Pension Fund Pensions Oversight Board. The role of the board is to assist the Norfolk Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed. The Board's recent programme of work has included:
- Triennial valuation – planning and approach
  - Investment pooling
  - Corporate governance and shareholder engagement
  - LGPS reform and consultations
  - Experiences of a small employer, and a member approaching retirement
- 2.12 The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board and minutes of meetings can be found at [Pensions Oversight Board ToFR and Minutes](#).
- 2.13 The Pensions Oversight Board has an equal number of employer representatives and scheme member representatives. In addition, an independent chairman has been appointed to oversee the smooth running of the board.

#### Other Governance Arrangements

- 2.14 The governance arrangements of the Norfolk Pension Fund are further supported by:
- Norfolk Audit Services undertaking internal audits in accordance with an annual internal audit plan agreed by Pension Committee, which provide assurances on the adequacy and effectiveness of internal controls and risk management for the Pensions Committee.
  - The work undertaken by External Audit (Ernst and Young) and detailed in the annual external audit plan noted by Pensions Committee, to provide an audit opinion on whether the financial statements of the Norfolk Pension Fund provide a true and fair view of the fund's financial position at year end.

- 2.15 Upon completion of the audit of financial statements, the External Auditor will produce a report (ISA 260 – Communication with those charged with Governance), which may include any specific matters of governance which have come to his attention in performing the audit. The Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services, will draft a letter of representation to the External Auditor highlighting any matters material to the financial statements and possible non-compliance with laws and regulations. External Audit requires that the Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services countersigns the letter on behalf of “those charged with governance”.
- 2.16 The appointment of Ernst and Young to the Pension Fund is separate from their appointment to the County Council.

#### LGPS Pooling of Investment Assets

- 2.17 The Government requires regional LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.
- 2.18 Since December 2016 the Norfolk Pension Fund has been working with 10 other ‘like-minded’ Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. Together the 11 Funds have investment assets of approximately £45 billion.
- 2.19 Investment pooling is intended to create the scale that will enable access to lower investment manager fees and deliver cost savings to the LGPS. In a pooled investment structure individual funds, like Norfolk, are still responsible for their own investment strategy and asset allocation.
- 2.20 To facilitate pooling, the ACCESS funds jointly drafted a legally binding Inter Authority Agreement (IAA) setting out the governance arrangements for the pooling of investments. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by County Council on the 20<sup>th</sup> February 2017.
- 2.21 The ACCESS Pool is governed by a Joint Committee (JC) constituted under s101 of the Local Government Act 1972 and made up of the Chairs from the 11 Pension Committees.
- 2.22 The ACCESS authorities have appointed LINK Fund Solutions Ltd as the pool’s Financial Conduct Authority (FCA) authorised Operator. The Operator is responsible for selecting and contracting with investment managers on behalf of the authorities participating in the pool.
- 2.23 To date ACCESS Funds have collectively pooled over £18bn of investments assets, with Norfolk having pooled just over £1bn. Over the course of the next 12 to 18 months further equity and bond sub-funds will be added by the Operator to provide Norfolk and the other ACCESS Funds with a diversified range of investment sub-funds.

- 2.24 A key element of ACCESS's governance arrangements focus on the robust management of the Operator contract. The ACCESS authorities hold the Operator to account via the JC which is supported by an ACCESS Support Unit hosted by Essex County Council.
- 2.25 An overview of ACCESS's governance structure is attached at Appendix C

### **3. Financial Implications**

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Pensions Committee.

### **4. Issues, risks and innovation**

- 4.1 Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

- 4.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

4.3 **Other resource implications**

There were no other resource implications arising from this report.

4.4 **Legal implications**

There were no legal implications arising from this report

4.5 **Risk implications**

This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.6 **Equality implications**

There were no equality implications arising from this report

4.7 **Human rights implications**

There were no human rights implications arising from this report.

#### 4.8 **Environmental implications**

There were no environmental implications arising from this report.

#### 4.9 **Health and safety**

There were no health and safety issues arising from this report.

### 5. **Background**

- 5.1 The Local Government Pension Scheme (LGPS) is a national scheme, which is governed by statute to meet the pension requirements of Local Government and other associated employers. Although the LGPS is a national scheme, it is administered locally (through 89 Funds across England and Wales which have local accountability). The scheme has its own Regulator, the Ministry of Housing, Communities and Local Government Department (MHCLG).
- 5.2 In Norfolk the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has over 400 participating employers.
- 5.3 The Norfolk Pension Fund is maintained separately from NCC. It has a separate bank account, ring fenced assets, a separate budget funded from its own resources and produces its own Statement of Accounts and Annual Report. The Pension Fund accounts are in addition to the statutory disclosures made in NCC's Statement of Accounts.

### **Officer Contact**

If you have any questions about matters contained or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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

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