

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

