

## **Pensions Committee**

### **Minutes of the meeting held on Tuesday 1 March 2022 commencing at 9:30 am and held at County Hall, Norwich**

#### **Present:**

Mr S Aspin	
Cllr W Richmond	
Cllr D Roper	
Cllr J Oliver	(Chair)
Cllr J Fuller	
Cllr A Waters	

#### **Officers Present:**

Simon George	Executive Director of Finance and Commercial Services
Glenn Cossey	Director of the Norfolk Pension Fund
Alex Younger	Head of Funding & Investment
Jo Quarterman	Head of Governance/Director, National LGPS Frameworks
Debra Keeling	Pension Member Services Manager
Eunice Walcott	LGPS Governance Manager
Tim Shaw	Committee Officer

#### **Others Present:**

Bob Bilton	Hymans Robertson
David Walker	Hymans Robertson
Edward Harrold	Capital Group (participating via Microsoft Teams)
Richard Carlyle	Capital Group (participating via Microsoft Teams)
Josh Conran	Capital Group (participating via Microsoft Teams)
Brian Wigg	Pensions Oversight Board

### **1 Apologies for Absence**

- 1.1** Apologies for absence were received from Cllr A Birmingham and Cllr M Storey.

### **2 Minutes**

- 2.1** The minutes of the previous meeting held on 7 December 2021 were confirmed as a correct record and signed by the Chair.

### **3 Declaration of Interests**

The following declarations of interest was received:

- Steve Aspin declared an “other interest” because he had investments with Aberdeen and Baillie Gifford and personal membership of the scheme as an employee of a scheme employer.
- Cllr Dan Roper declared an “other interest” because his wife was a deferred member of the scheme.

#### **4 Matters of Urgent Business**

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

#### **5 Administration Report**

- 5.1** The annexed report (5) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received.
- 5.2** The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This followed the last full quarterly report to Pensions Committee in December 2021.
- 5.3** The Committee’s attention was drawn to the following:

##### **National picture**

- Consultations expected Summer 2022 on Taskforce on Climate Related Disclosures (TCFD), LGPS asset pooling and guidance stopping public sector pensions schemes pursuing politically motivated boycotts and disinvestment policies
- Levelling Up White Paper published in February refers to potential for the LGPS to explore increasing local (UK) investment in infrastructure, housing, and regeneration.  
McCloud: Regs and guidance anticipated to be published in 2022; and in force October 2023
- Department for Levelling up, Housing and Communities to progress the drafting of statutory guidance to implement the Scheme Advisory Board’s Good Governance recommendations
- Government remains committed to Exit Pay reform, consultation expected later this year.
- The Pensions Regulator’s Combined Code is expected to be laid before Parliament in the Summer.

##### **Risk Management**

- Risk movement (Heat Map Appendix C, page 36)
- That risks are reducing in the Governance area following the implementation of a new structure.
- Three remaining high risks (reduced from 6):
  - Governance: Cyber Security
  - Funding and Investment: lack of skilled resource
  - Benefits Administration: lack of skilled resource

- The lack of skilled resource is being addressed through the Strategic Review programme

### **Data protection**

- Minor data protection breach reported in accordance with breaches policy

### **Membership Data**

- Scheme Membership continues to increase (97,000+)
- Average pension in payment £4,949 ('own right')
- Growth in scheme employer (425 at the 31<sup>st</sup> March 2021), in the main attributed to the academisation of schools and outsourcing of local functions

### **Performance data**

- Strong performance against all benefits administration KPI's listed in Appendix D (page 37)
- The Fund's Annual Data report (page 38) shows a consistently high level of data quality.

### **Service plan and projects**

- Medium-terms projects (2022–25 include the valuation, completion of the Strategic Review programme and responding to on-going LGPS Reforms.

### **Communication and Engagement**

- Spring edition of the retired member newsletter, Prime Time, is currently in production.
- The latest Employer Newsletter will be circulated shortly, and planning is underway for the next Employer Forum (30 June 2022)

### **Accounts and Financial reporting**

- The statutory deadline for production of the draft accounts for the current year 2021-22 has again been extended to the 31<sup>st</sup> July 2022.
- The Fund will shortly be co-ordinating the production of employer pension related financial disclosures as at 31st March 2022.

### **Cash Management Strategy**

- The Committee were asked to approve the Fund's cash management strategy for 2022-23 for cash held in the Fund's local bank account and by the Custodian, together with the strategy for the Fund's currency programme relating to counterparty and collateral management arrangements.

### **Norfolk Audit Services Internal Audit Plan 2022-23**

- The Committee considered the 2022-23 Internal Audit Plan which delivers 84 audit days across governance, administration, and investments.

## **Two Admission Agreements**

- The Committee were asked to note two admission agreements:
  - Aspen Services Ltd (Diocese of Ely Multi Academy Trust Contract) (paragraph 15.2)
  - TIAA Ltd (South Norfolk Council contract) (paragraph 15.9)

**5.4** In reply to questions, it was noted that scheme members and employers would be kept updated on developments regarding McCloud through the usual forms of communication.

## **5.5 RESOLVED**

**That the Committee note the contents of the report including:**

- **the approval of the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (paragraphs 9 and 10)**
- **Norfolk Audit Services 2022-23 Audit Plan for the Norfolk Pension Fund (paragraph 12)**
- **The admission agreements in respect of:**
  - **Aspen Services Ltd (Diocese of Ely Multi Academy Trust Contract) (paragraph 15.2)**
  - **TIAA Ltd (South Norfolk Council contract) (paragraph 15.9)**

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

**6.1** The annexed report (6) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board (POB) which had last met virtually on 9 February 2022.

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

- An update on current operational issues and regulatory reform
- Presentation on 2022 triennial valuation process and planning.

Next Meeting 24 May 2022 would further consider Cybersecurity—this remains an area of high risk and therefore continues as an important area of oversight for the POB.

POB Membership update

- New appt: Frances Crum (Active and Deferred Member)
- New appt: Sally Albrow (Norfolk County Council Employer)
- Stepping down: Rachel Farmer (UNISON)

**6.3** The Committee placed on record thanks to Rachel Farmer who was retiring and therefore stepping down from her role on the Pensions Oversight Board. The Chair said that she would be writing to her to thank her for all her hard work.

- 6.4 The Committee stressed the importance of the work that POB was doing in reviewing cyber security.

6.5 **RESOLVED**

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

7 **Pension Fund Budget 2022-23**

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

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

**Background and Purpose**

- The Norfolk Pension Fund Budget was set separately from NCC's budget
- The Norfolk Pension Fund Budget incorporated the Fund's statutory responsibilities and service plan objectives
- The proposed budget for 2022-23 was £4.034m a 6% increase on the 2021-22 budget including budget relating to the Strategic Review pre-approved by Pensions Committee on 2nd March 2021.

**The 2022-23 budget included:**

- Norfolk's share of the ACCESS Support Unit (ASU) costs
- Uplifted Staff salary budgets for two pay awards (2021-22 and 2022-23) and the increased Employer National Insurance contributions from 1st April.
- Administration software contract savings of £30k.
- Provision within the projects budget for:
  - 2022 Triennial Valuation
  - Completion of the Strategic Review
  - McCloud admin software enhancements
  - Cyber Security
  - Implementation of Taskforce on Climate-Related Financial Disclosures
  - A separate additional budget allowance for 2022-23 in respect of future service delivery and accommodation will be considered as part of item 13 (page 119) of today's agenda.

- 7.3 Members drew attention to the final regulations on McCloud that were expected in Summer 2022 (with guidance in Autumn/Winter 2022 and a remedy in Autumn 2023) and the hard work that implementing the changes would mean for staff at a time when they were also having to deal with many other changes in the national picture.

7.4 **RESOLVED**

**That the Committee approves the Pension Fund 2022-2023 budget.**

## **8 Corporate Governance and Shareholder Engagement Report**

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

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

- The six-monthly update on voting and engagement activity by equity managers
- Voting performed via the ACCESS pool
- Responsible Investment (RI) workshop held in February covered:
  - ACCESS Pool RI Guidelines
  - Taskforce on Climate-related Financial Disclosures
  - Draft statement on Disinvestment / Exclusions (page 103)
- Public summary of Climate Risk Reporting

**8.3** In reply to questions about the implications for financial markets of the war in the Ukraine (which began after the publication of the agenda papers) it was noted that the Pension Fund had only a small exposure to Russian assets but that the impact on global markets had been significant. The funding strategy stress testing work completed as part of the 2022 Valuation was highlighted. The developing regulatory situation concerning Russia assets was being carefully monitored. The Norfolk Pension Fund had started to receive enquires from scheme members about this matter. The Chair added that the National Scheme Advisory Board (SAB) had in the last few days issued a brief statement and further statements were expected from them shortly.

## **8.4 RESOLVED**

**That the Committee notes the contents of the report and approves the Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment for publication.**

## **9 ACCESS Update – Unrestricted Items**

**9.1** The annexed report (9) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Committee on the work of the ACCESS Pool. The agenda and supporting papers for the meeting on 7 March 2022 were circulated to Pensions Committee and Pensions Board Members prior to this meeting of the Pensions Committee.

**9.2** The Director of the Norfolk Pension Fund explained the issues considered by the ACCESS Pool which operated via a Joint Committee (JC) that met four times a year and included Cllr Judy Oliver as the Norfolk Pension Fund representative.

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

**Joint Committee meetings**

- 6 December 2021
- Next meeting 7 March 2022

**Communications**

- Engine MHP appointed January 2021
- Over the last 12 months Engine MHP have assisted with the development and implementation of ACCESS communications strategy, including press engagement, website refresh, annual report

**Forecast Outturn & New Year Budget**

- Forecast 2021/22 outturn for the ACCESS Support Unit (ASU) is estimated to be (£1.049m)
- The forecast underspend of £198K results from:
  - Part-year only costs of new Client Manager/other staff expenses £50K
  - Reduced overhead charge by Host Authority (Essex County Council) and Secretariat £39K
  - Fewer procurements undertaken £33K
  - Savings on External Professional advice £76K
- The ASU's estimated 2022/23 budget is £1.366m

**Observer Status on JC**

Proposals for Local Pension Board members to observe ACCESS Joint Committee meetings will be considered at the March meeting of the JC. Norfolk continues to support observer status.

**9.4 RESOLVED**

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

**10 Exclusion of the Public Items 11-18 only**

**10.1** The Committee was asked to consider excluding the public from the meeting under Section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involved the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of the Schedule 12A to the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**10.2** Paragraph 3 stated "information relating to the financial or business affairs of any particular person" (including the Authority holding the information).

Having applied the "Public Interest Test" it was recommended the Pensions Committee confirm the exclusions listed below:-

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

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

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

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

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

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

#### **10.5 Item 13 – Service Delivery & ‘smarter working’ post pandemic**

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

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

#### **10.6 Item 14 – 2022 Valuation – Review of Funding & Investment Strategy (Results of COMPASS modelling)**

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

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

#### **10.7 Item 15 – Quarterly Performance Report by Hymans Robertson**

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



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

**10.8 Item 16 – Investment Update including full climate risk monitoring report**

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

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

**10.9 Item 17- Investment Manager Presentation - Performance update including ESG reporting**

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

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

**10.10 Item 18– Exempt Minutes**

These minutes contained commercially sensitive information related to the performance of third-party individual fund management companies which if in the public domain could have a detrimental impact on the companies' commercial revenue and consequently adverse impact on Pension Fund Performance.

**10.11 RESOLVED**

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

**11 ACCESS Update- restricted items**

**11.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund updating Members on investment and

governance matters pertaining to the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires).

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

**11.3 RESOLVED**

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

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

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

**12.2 RESOLVED**

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

**13 Service Delivery and 'Smarter Working' post pandemic**

- 13.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of Norfolk Pension Fund that updated the Pensions Committee on findings to date on Service Delivery and 'Smarter Working' post pandemic and made recommendations on the next steps.

**13.2 RESOLVED**

**The Pensions Committee note the contents of the report and agree to the next steps to be taken by the NPF contained in the report.**

**14 2022 Valuation – Review of Funding & Investment Strategy (Results of COMPASS modelling)**

- 14.1** The Committee received a report and a presentation (containing exempt information) by Hymans Robertson about preparations for the 2022 triennial valuation which was a key risk management exercise for the Fund. The report set out the results of the asset and liability modelling carried out by the Fund Actuary (Hymans Robertson (Hymans)). It summarised the conclusions and recommendations arising from that work including the practical implications for investment and contribution strategy.

**14.2 RESOLVED**

**That the Committee note the contents of the report and agree the advice from the Fund Actuary.**

**15 Investment Performance Update by Hymans.**

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

**15.2** The Investment Advisor summarised the investment performance for the fourth quarter of 2021 which was set out in the report.

**15.3 RESOLVED**

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

**16 Investment Update**

**16.1** The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with the investment strategy and assets of the Fund. It included details about the onboarding of assets to the ACCESS Pool, an update on class actions, and a full climate risk monitoring report.

**16.2 RESOLVED**

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

**17 Fund Manager Report and Presentation**

- **Capital Group**

**17.1** Three representatives from Capital Group (who participated in the meeting remotely via Microsoft Teams) presented a detailed booklet, summarised the main issues, and responded to detailed questions by the Members.

**17.2** The Chair thanked Capital Group for their presentations.

**17.3 RESOLVED**

**To note the presentations by the Fund Manager.**

**18 Exempt Minutes of the meeting held on 7 December 2021**

**18.1** The exempt minutes of the meeting held on 7 December 2021 were confirmed by the Committee and signed by the Chair.

**The meeting concluded at 1.30 pm**

**Chair**