

Pensions Committee

Minutes of the meeting held on Tuesday 9 July 2019 commencing at 9:30 am at County Hall, Norwich

Present:

Cllr Judy Oliver	Chairman
Steve Aspin	
Cllr Danny Douglas	
Cllr Tom FitzPatrick	
Cllr John Fuller	
Cllr Alan Waters	Vice-Chairman
Cllr Brian 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
Jo Quarterman	Norfolk Pension Fund Project and Development Manager

Others Present:

William Marshall	Investment Consultant, Hymans Robertson
Gemma Sefton	Fund Actuary, Hymans Robertson
Alexandra Morrison	Trainee Actuary, Hymans Robertson
Brian Wigg	Pensions Oversight Board

(For ease of reference, items appear in these minutes in the order in which they appear on the agenda. This was not necessarily the order in which these items were considered at the meeting).

1 Apologies

- 1.1 An apology for absence was received from Cllr Martin Storey. Cllr John Fuller apologised to the Chairman for his late arrival.

2 Minutes

- 2.1 The minutes of the Pensions Committee meeting held on 19 February 2019 were confirmed as a correct record and signed by the Chairman.

3 Declaration of Interest

3.1 The following declarations of interest were received:

- Cllr Waters declared an “other interest” because his wife was a member of the scheme.
- Cllr Douglas declared an “other interest” because he was a member of the scheme.
- Mr S Aspin declared an “other interest” because he was a member of the scheme and had investments with Fidelity and Standard Life who were fund managers.
- Cllr Oliver declared an “other interest” in agenda item 12 (Investment Mandate Review) as her son, Cllr Rhodri Oliver worked at Goldman Sachs.

4.1 To receive any items of business which the Chairman decides should be considered as a matter of urgency.

4.1.1 The Committee was asked to note an additional recommendation under item 15 (Administration Report) regarding a Late Admissions Agreement from Harrisons Catering who had been awarded a school catering contract.

4.1.2 The revised recommendations for item 5 (Norwich City Council Motion – Local Investment) and item 13 (Investment Strategy Update – Funding of Enhanced Yield) were circulated. The Committee would be asked to consider the revised recommendations when they discussed the reports.

5 Norwich City Council Motion – Local Investment

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund.

5.2 Norwich City Council had asked the Norfolk Pensions Committee to consider the following motion regarding local housing investment, passed by the City Council on 19 March 2019. The Pensions Committee was asked to respond regarding the viability of the actions called for in point 2.

“Council **RESOLVED** to:

1. Recognise the importance of the Norfolk Pension Fund as a potential source of investment in the local economy; particularly for encouraging house building, when bringing forward derelict brown field sites for development in Norwich; giving emphasis to the positive impact of local house building on employment and training opportunities, creating local jobs and providing work for local companies in Norwich.
2. Ask Councillor Waters, as Vice-Chair of the Pensions Committee of the Norfolk Pension Fund, to call on the fund to work up a business

case for using its investments to benefit the local community through local housing building, stressing that as well as benefiting the local community, this could provide a significant financial benefit to the fund”.

- 5.3 The Head of the Norfolk Pension Fund advised that the revised recommendation, as set out below, reflected the fact that one Council could not amend or reject another Council’s motion recommendation.

“The Norfolk Pension Committee notes the motion passed by Norwich City Council, including the specific request made of Cllr Waters, as Vice-Chair of Pensions Committee, and after careful consideration of the report, rejects the request for the Fund to develop ‘business cases’ for specific local investment opportunities”.

- 5.4 Cllr Alan Waters, in introducing the report, advised that the proposal mainly related to housing through the Homes and Communities Agency (HCA) Homes for England scheme. He added that there were a number of ways to build housing locally which could be delivered through Government Policy. Therefore, rather than opposing the motion, he had asked for it to be circulated to the Pensions Committee for consideration. He added that other Pension Funds, such as Greater Manchester, had invested heavily in local developments and therefore there may be opportunities which could make investment in housing a possibility for Pension Funds.

- 5.5 The Chief Investment Manager drew the Committee’s attention to the Governance Framework set out in the report, particularly how the Investment Strategy was set and the decision-making process. He added that the Pension Fund did not develop business cases for specific opportunities and therefore the recommendation was to refuse the request.

- 5.5.1 Cllr Waters advised that he supported the amended recommendation to reject the request to develop ‘business cases’ for specific local investment opportunities.

- 5.5.2 The Chief Investment Manager advised that the Greater Manchester Pension Fund had a long and established track record of local property investment which was mainly due to the scale and size of its Pension Fund and the specific nature of its local economy.

- 5.5.3 The Head of the Norfolk Pension Fund added that Manchester was part of the Northern Powerhouse which had attracted significant funding to develop the region. Although she understood the reasons for the motion, this case was unlikely to be a viable proposition.

- 5.6 Cllr Douglas and Cllr Watkins considered that whilst still recognising their fiduciary responsibilities, they felt that LGPS Funds may be able to consider opportunities such as local housing investment in the future. They acknowledged that pension funds must continue to target an appropriate level of return, with an acceptable level of risk, in order to pay

pensions. It was agreed that the investment returns must be sufficient to pay scheme members' pensions and to protect local taxpayers and employers from high pension costs.

- 5.7 The Chairman advised that the draft Pooling Guidance should be published soon which may address the issue. She considered that the Committee wait until the guidance had been published in order to ensure the Fund remained lawful and compliant with its obligations. This view was supported.
- 5.8 Cllr Douglas proposed an amendment to the recommendation – to ask the Membership for their views on how they felt about investing in the local economy.
- 5.8.1 The Head of Norfolk Pension Fund advised that this was something more pertinent to Defined Contribution pension schemes whereby individuals can often make a choice about where their individual investment pots were invested. This was very different to the LGPS which was a scheme where benefits were guaranteed by statute and contributions were treated as deferred pay.
- 5.8.2 The Chairman reiterated the need to await the publication of the Statutory Guidance. It was expected that the guidance would be published before Christmas 2019.
- 5.9 Cllr Douglas proposed adding an additional sentence to the recommendation that “Norfolk Pension Fund would review its position regarding local investment once the new Statutory Guidance was available. This amendment was agreed.
- 5.10 **RESOLVED** that
- The Norfolk Pension Committee notes the motion passed by Norwich City Council including the specific request made by Cllr Waters, as Vice-Chair of Pensions Committee and after careful consideration of the report, reject the request for the Fund to develop “business cases” for specific local investment opportunities.
 - The Norfolk Pension Fund would review its position regarding local investment once the new Statutory Guidance was available.

6 Exclusion of the Public Items 6-14

- 6.1 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 paragraphs 3 and 5 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.

- 6.2** 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:-

6.3 **Item 7- Valuation Planning – Assumptions plus national issues/consultations affecting the valuation – Hyman Robertson.**

The report contained financial, business and commercial information including details about third party company operations which could significantly weaken their position in a competitive environment by revealing the 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.

6.4 **Item 8 – Class Actions – Latest Filing**

The 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.

6.5 **Item 9 - ACCESS Update**

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

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

6.6 **Item 10 - Norfolk Pension Fund Governance Review - Update**

The consideration of this item involved the discussion of 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.

6.7 Item 11 – Investment Performance Update by Hymans Robertson inc. recap on performance benchmarks.

The consideration of this item involved the discussion of 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 might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

6.8 Item 12 – Investment Mandate Review – Hymans Robertson

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 might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

6.9 Item 13 – Investment Strategy Update – Funding of Enhanced Yield

The 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 might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

6.10 Item 14 - Exempt Minutes

The 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.

6.11 RESOLVED

That the above items be excluded from public disclosure by virtue of paragraphs 3 and 5 of Part 1 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.

7. Valuation Planning – Assumptions plus national issues/ consultations affecting the valuation.

7.1 The Committee received a report (containing exempt information) by the Executive Director of Finance & Commercial Services and Head of Pensions presenting a proposal of the Fund Actuary for setting assumptions to be used in the completion of the statutory valuation of the Fund at 31 March 2019.

7.2 The Committee considered the report, and

7.3 RESOLVED to

Approve the adoption of the assumptions proposed by the Fund actuary (Hymans Robertson) for the 2019 Valuation.

The meeting adjourned at 11.10am and reconvened at 11.20 am.

8 Class Actions – Latest Filing

8.1 The Committee received the report, containing confidential information by the Executive Director of Finance & Commercial Services and the Head of Norfolk Pension Fund.

8.2 RESOLVED to

Note the report.

9 ACCESS Update

9.1 The Committee received the report, containing confidential information by the Executive Director of Finance & Commercial Services and the Head of Norfolk Pension Fund

9.2 RESOLVED

To note the contents of the report.

10 Norfolk Pension Fund Governance Review - Update

10.1 The Committee received the presentation from the Head of Norfolk Pension Fund.

10.2 RESOLVED

To note the presentation.

Cllr John Fuller joined the meeting at 12.30pm.

The Committee adjourned at 12.25pm and reconvened at 1pm.

11 Investment Performance Update by Hymans Robertson inc. recap on performance benchmarks.

11.1 The Committee received the report, containing exempt information, setting out the Review of Investment Managers' Performance for the first quarter of 2019.

11.2 RESOLVED

To note the report.

12 Investment Mandate Review

12.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund, containing confidential information about the review of a Funds holding.

12.2 RESOLVED

To agree the recommendation in the report.

13 Investment Strategy Update

13.1 The Committee received an update report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Head of Pensions about the Investment Strategy.

13.2 RESOLVED

That the Committee approve and note the recommendations contained in the report.

14 Exempt Minutes of the meeting held on 19 February 2019

14.1 The exempt minutes of the meeting held on 19 February 2019 were confirmed by the Committee and signed by the Chairman.

The meeting returned to public session.

15 Administration Report

15.1 The Committee received the report by the Executive Director of Finance

& Commercial Services and the Head of the Norfolk Pension Fund providing a quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.

15.2 In introducing the report, the Head of the Norfolk Pension Fund highlighted the following:

- The Scheme Advisory Board's Annual Report which highlighted that the total membership of the LGPS continued to grow, which was partially due to auto-enrolment.
- The Public Sector Exit Cap proposal to set a £95,000 limit on anyone leaving Local Government (to include pension strain costs as well as any other compensation) closed on 3 July 2019. The LGA had responded to the Government proposal. A copy of the link to the response document would be circulated to the Committee
- The Norfolk Pension Fund had responded to The Pensions Regulator's annual governance survey in December 2018.
- The Pensions Regulators 'Public service governance and administration survey results and commentary' (Appendix D of the agenda), highlight the continued focus on governance and administration in the LGPS by the Regulator.
- The Norfolk Pension Fund's Communication and Customer Care Strategy had been updated. It was a regulatory requirement for all LGPS Funds to maintain and publish a Communication Strategy.
- The next Employer Forum would be held at the Space, Roundtree Way on Wednesday 10 July 2019.

15.3 The Committee discussed the Public Sector Exit Cap proposal from Government and felt that it probably should be included on the corporate risk registers of the administering authority and other employers as it may impact individual staff members decision making. The risk to workforce planning was also recognised.

15.4 The Committee discussed the potential for reducing number of paper copies of future Pensions Committee agendas and supporting documents. There was a variety of views, due to the volume and complexity of the papers. Given these comments it was agreed that the Head of the Norfolk Pension Fund would consider options for reducing the number of paper copies including whether it would be acceptable for Members of the Committee to receive paper copies of the pink papers only, with the remaining papers sent via email, or downloading them from the Committee pages of the website.

15.5 The Investment and Actuarial Services Manager advised that a late request for a new admission agreement had been received by Harrisons Catering in respect of a catering contract let by Dussindale School (Yare Academy Trust). The Committee would be asked to note this admission application alongside that of Edwards & Black in respect of a contract at Redcastle Family School.

15.6 RESOLVED

That the Committee:

- 1. Note the contents of the update report, and.**
- 2. Specifically the noting of the applications from Edwards & Black (Redcastle Family School Contract) and Harrison's Catering (Yare Academy Trust).**

16 Update from the Pensions Oversight Board

- 16.1** The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund updating it on the work of the Pensions Oversight Board.
- 16.2** The Chairman welcomed Mr Brian Wigg, Retired Member Representative on the Pensions Oversight Board who advised that working together with the Section 101 Committee and the sharing of all information and Pensions Committee papers was appreciated by the Pensions Oversight Board.
- 16.3** The Chairman advised that Mr Wigg had attended all the recent Retired Member Forums in King's Lynn, Great Yarmouth and Norwich and had met many of the 800 retired pension fund members, exhibitors and speakers who attended.

16.4 RESOLVED

That the Committee note the contents of the report.

17 Norfolk Audit Services Annual Internal Audit Report 2018-19

- 17.1** The Committee received the report by the Executive Director of Finance & Commercial Services introducing and summarising the Chief Internal Auditor's Annual Internal Audit Report for 2018-19 and the key messages it contained.
- 17.2** The Committee welcomed Ms Caron Bye, Principal Client Manager who presented the report, during which the following points were noted:
- All 6 audits carried out in 2018-19 had been "acceptable".
 - All audits were delivered within the number of budget days allocated.
 - All the planned audits for 2018-19 had been completed.
 - There were 7 planned audits included in the 2019-20 audit plan.
- 17.3** The Head of the Norfolk Pension Fund confirmed that threat of fraud was identified as a high risk in the Fund's Risk Register and fraud prevention

work was identified as a key priority which was included in the Fund's forward work plan. The work would be completed without adding significantly to the team's workload.

17.4 The Committee thanked the Principal Client Manager, Norfolk Audit Services for her work and for attending the meeting to present the report.

17.5 The Committee considered the report and RESOLVED to

- **Agree the key messages featured in Appendix A of Norfolk Audit Service's Annual Audit Report 2018/19 in respect of the Norfolk Pension Fund.**

18 Draft Annual Report and Accounts 2018-19

18.1 The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund presenting the draft Annual Report and Accounts of the Norfolk Pension Fund for the year ended 31 March 2019 based on the agreed service plan. The accounts section in particular should be noted by the Pensions Committee before it was presented to the County Council's Audit Committee for approval.

18.2 The Chief Investment Manager introduced the draft accounts for 2018-19, during which the following points were noted:

- Appendix B set out the Ernst & Young ISA 260 Audit Results Report.
- The Auditors had completed their audit field work of the Norfolk Pension Fund Accounts and subject to final review, would issue an unqualified audit opinion
- The Norfolk Pension Fund Accounts would be considered and approved by the Audit Committee at its meeting on Monday 29 July 2019.
- If the Committee approved the recommendations, the Chairman and Executive Director of Finance & Commercial Services would sign the Draft Letter of Representation which would be considered at the Audit Committee meeting on Monday 29 July 2019.

18.3 RESOLVED

That the Committee:

- 1. Note the draft 2018-19 Annual Report and Accounts of the Norfolk Pension Fund.**
- 2. Note the Ernst & Young (EY) ISA 260 Report.**
- 3. Endorse the letter of representation and agree that the Chair of the Pension Committee and the Executive Director of Finance & Commercial Services sign the letter on behalf of the Pension Fund.**

4. Note the National LGPS Procurement Framework 2018-19 Outturn.

19 Risk Register and Compliance with Breaches Policy

- 19.1** The Committee received the report by the Executive Director of Finance & Commercial Services and the Head of the Norfolk Pension Fund updating it on the Norfolk Pension Fund's Risk Register and Breaches Policy, last report in December 2018.
- 19.2** The Chief Investment Manager introduced the report, including highlighting the increased risk of cyber-crime. He also highlighted the Breaches Policy, adding that a daily monitoring process was in place to ensure late payments were chased. The Committee was reassured that the breaches set out in the summary description of breaches were not material breaches and therefore were not reported to the Regulator.
- 19.3 RESOLVED to**
- **Note the contents of the Risk Register and the summary of breaches.**

The meeting closed at 3.10 pm.

Chairman