



Pensions Committee

Date: **Tuesday 1 March 2022**

Time: **9:30am**

Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership

Members

Cllr Judy Oliver – Chair

Cllr Alison Birmingham
Cllr Will Richmond
Cllr Dan Roper
Cllr Martin Storey

Co-opted Members

Cllr John Fuller
Cllr Alan Waters

Member Representative

Steve Aspin

Advice for members of the public:

This meeting will be held in public and in person.

It will be live streamed on YouTube and, in view of Covid-19 guidelines, we would encourage members of the public to watch remotely by clicking on the following link:

https://www.youtube.com/channel/UCdyUrFjYNPFPq5psa-LFIJA/videos?view=2&live_view=502

However, if you wish to attend in person it would be most helpful if, on this occasion, you could indicate in advance that it is your intention to do so. This can be done by emailing committees@norfolk.gov.uk where we will ask you to provide your name, address and details of how we can contact you (in the event of a Covid-19 outbreak). Please note that public seating will be limited.

Councillors and Officers attending the meeting will be taking a lateral flow test in advance. They will also be required to wear face masks when they are moving around the room but may remove them once seated. We would like to request that anyone attending the meeting does the same to help make the event safe for all those attending. Information about symptom-free testing is available [here](#).

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 meeting held on 7 December 2022

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 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, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
 - Exercising functions of a public nature.
 - Directed to charitable purposes; or
 - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

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 14)**

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

6	Update from the Pensions Oversight Board	(Page 61)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
7	Pension Fund Budget 2022-23	(Page 73)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
8	Corporate Governance and Shareholder Engagement Report	(Page 90)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
9	ACCESS Update- unrestricted items	(Page 106)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
10	Exclusion of the Public (Items 11-18 only)	
	<p>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 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 the public interest in maintaining the exemptions outweighs the public interest in disclosing the information.</p> <p>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.</p> <p>Comfort break</p>	
11	ACCESS Update- restricted items	(Page 109)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
12	NPF Strategic Review Programme: Status Report	Page 114)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
13	Service delivery and ‘smarter working’ post pandemic	(Page 119)
	Joint Report by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund	
14	2022 Valuation – Review of Funding & Investment Strategy	(Page 125)

(Results of COMPASS modelling)

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

15 Hymans Quarterly Performance Report (Page 159)

16 Investment Update (Page 184)

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

17 Investment manager presentation – performance update including ESG reporting (Page 202)

Presentation by Fund Manager

18 Exempt Minutes (Page 250)

To confirm the exempt minutes of the meeting held on 7 December 2021

**Tom McCabe
Head of Paid Service
County Hall
Martineau Lane
Norwich
NR1 2DH**

Date Agenda Published: 21 February 2022



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Pensions Committee

Minutes of the meeting held on Tuesday 7 December 2021 commencing at 9:30 am and held at County Hall, Norwich

Present:

Mr S Aspin	
Cllr A Birmingham	
Cllr J Fuller	
Cllr W Richmond	
Cllr D Roper	
Cllr J Oliver	(Chair)
Cllr M Storey	
Cllr A Waters	(Present from item 10 only)

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	Norfolk Pension Fund Project and Development Manager
Debra Keeling	Pension Member Services Manager
Eunice Walcott	Norfolk Pension Fund Governance Manager
Tim Shaw	Committee Officer

Others Present:

David Walker	Investment Adviser, Hymans Robertson
Gemma Sefton	Hymans Robertson
Emily Archer	HarbourVest
Alex Wolf	HarbourVest
Brian Wigg	Chairman of the Pensions Oversight Board

1 Apologies for Absence

- 1.1** There were no apologies for absence from Members of the Committee although Cllr M Storey and Cllr A Waters had both indicated that they would be late attending the meeting. An apology was received from Rob Bilton of Hymans Robertson (with Gemma Sefton attending in his place).

2 Minutes

- 2.1** The minutes of the previous meeting held on 5 October 2021 were

confirmed as a correct record and signed by the Chair.

3 Declaration of Interests

The following declarations of interest was received:

- Cllr Alison Birmingham declared an “other interest” because she was a member of the scheme.
- Cllr Dan Roper declared an “other interest” because his wife was a deferred member of the scheme.

4 Matters of Urgent Business

- 4.1** The Chair agreed that the Committee should receive as urgent business a note regarding an Admission Agreement (circulated prior to the meeting) about Freedom Leisure (Great Yarmouth Borough Council Contract). This Admission Agreement had arisen after the publication of the agenda. The Chair agreed to consider this matter as an addition to the recommendations contained in the Administration Report at item 5 on the agenda.

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 together with a note regarding an Admission Agreement (circulated prior to the meeting) about Freedom Leisure (Great Yarmouth Borough Council Contract).
- 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 October 2021.
- 5.3** The Committee’s attention was drawn to the following:

Government Changes

- The new Minister with responsibility for the LGPS at the renamed Department for Levelling Up, Housing and Communities was confirmed as Kemi Badenoch MP

Current Issues

- The consultation on the implementation on the Taskforce on Climate Related Disclosures (TCFD) in the LGPS had not yet been received although it was anticipated imminently
- The Pensions Regulator’s new Combined Code was unlikely to be brought in before Summer 2022 at the earliest
- The Scheme Advisory Board (SAB) confirmed that they did not recommend benefit changes as a result of the 2016 Cost Cap process
- A number of significant reforms, including the McCloud remedy, the reform of the Exit Cap, and statutory guidance to implement the

Good Governance recommendations were anticipated

Future Ways of Working

- Evidence gathering to inform the shaping of future service delivery was underway

Communication and Engagement with:

Scheme members

- Annual and Lifetime allowance statements were issued
- The latest edition of 'Prime Time' was published

Employers

- The latest Employer Newsletter was published
- An Employer Forum is scheduled for 9th December

Team

- We maintain a Weekly Newssheet and an end of year team meeting was scheduled for 15th December

Accounts and Financial reporting

- The draft Annual Report and Accounts were published and would be confirmed as final once Norfolk County Council's accounts were signed off.
- The latest Employer Financial Reports was produced and published

National LGPS Frameworks

- The Annual Founders Meeting took place, where the latest details of business plan were discussed and agreed
- New Frameworks for Stewardship, Third-Party Administration and Investment Consultancy frameworks were in progress

Knowledge & Skills

- Details of future training events and conferences were circulated regularly, and Pensions Committee members were reminded to let the Fund know of training completed and events attended so that training records could be maintained.

5.4 RESOLVED

That the Committee note the contents of this report including the following 3 Admission Agreements:

Compass Group –T/A Chartwells (Heart Education Trust)

Spire Cleaning (Fred Nicholson School)

**Freedom Leisure (Great Yarmouth Borough Council Contract)
(circulated by email prior to this meeting).**

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 September 2021 and 11 November 2021.
- 6.2** Brian Wigg, the Chairman of the POB, updated Pensions Committee on the work of the Board, which included receiving regular updates on current operational performance and issues, and regulatory reform.

- 6.3** The Board had considered the approach to future ways of working and contributed to the evidence gathering; and would receive and update on this work at their next Meeting 9 February 2022 , alongside an overview of the valuation process and plans.
- 6.4** Jo Quarterman, Norfolk Pension Fund Project and Development Manager, provided the Committee with an update regarding Pensions Board membership and the steps that were being taken to fill vacancies.
- 6.5** The Chair placed on record the Committee's thanks to John Harries and Debbie Beck who were retiring from the Pensions Oversight Board after having completed their terms of office. The Chair said that she would be writing to them to thank them for all their hard work. Arrangements were in hand for the appointment of replacements and induction training in advance of the next meeting of the Board in February 2021.

6.6 RESOLVED

That the Committee note the contents of the report.

7 ACCESS Update – Unrestricted Items

- 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. The report updated the Committee on the work of the ACCESS Pool.
- 7.2** The ACCESS Joint Committee (JC) had last met on 6th December 2021 and was due to next meet on 7 March 2022. The agenda and supporting papers for the meeting on 6 December 2021 were circulated to Pensions Committee and Pensions Board Members prior to this meeting of the Pensions Committee.
- 7.3** Items considered at the JC meeting on 6 December 2021 had included the business plan and forecast outturn. The Committee noted the reasons for the forecast variances in the approved budget for the delivery of the 2021/22 ACCESS Business Plan which were set out in paragraph 2.2 of the report. It was agreed that in future the sums attributed to each of the variances should appear in the report to the Pensions Committee (as they appeared in the JC agenda papers previously circulated).
- 7.4** It was noted that the ACCESS JC were updated on the cross-pool commissioned research into overseas pooling. This concluded that the benefits of pooling were of meaningful scale and that whilst there was no 'best way' to pool there were characteristic of successful model and benefits realisation. This learning would be considered by ACCESS in future business planning and risk management.

7.5 RESOLVED

That the Committee note the content of the report.

8 Exclusion of the Public Items 9-16 only

8.1 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.

8.2 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:-

8.3 Item 9 – 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.

8.4 Item 10 – 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.

8.5 Item 11 –Risk Register 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.

8.6 Item 12 – Planning for the 2022 Valuation

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.

8.7 Item 13 – 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.

8.8 Item 14 – Investment Update

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.

8.9 Item 15 - Private Equity Update

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.

8.10 Item 16– 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.

8.11 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.

9 ACCESS Update- restricted items

9.1 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).

9.2 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.

9.3 RESOLVED

That the Committee note the contents of the report.

10 NPF Strategic Review Programme: Status Report

10.1 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.

10.2 RESOLVED

That the Committee note the contents of the report.

11 Risk Register Report

11.1 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 the Norfolk Pension Fund's Risk Register and Breaches Policy.

11.2 RESOLVED

The Pensions Committee note the contents of the Risk Register and summary of breaches.

12 Planning for the 2022 Valuation

- 12.1** The Committee received a report and a presentation (containing exempt information) by Hymans Robertson about preparations for the 2022 triennial valuation, which is a key risk management exercise for the Fund.

12.2 RESOLVED

That the Committee note the contents of the report and the presentation to the Committee by Hymans Robertson.

13 Investment Performance Update by Hymans.

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

- 13.2** The Investment Advisor summarised the investment performance for the second quarter of 2021 which was set out in the report.

13.3 RESOLVED

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

14 Investment Update

- 14.1** 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.

14.2 RESOLVED

That the Committee note the content of the report.

15 Private Equity Update

- 15.1** The Committee received a report and presentation by HarbourVest (containing exempt information).

- 15.2** The presentation to today's meeting provided a training overview on private equity and debt investments and a review and update on the private market portfolio managed by Harbourvest.

15.3 RESOLVED

That the Committee note the content of the report and the presentation by HarbourVest.

16 Exempt Minutes of the meeting held on 5 October 2021

- 16.1** The exempt minutes of the meeting held on 5 October 2021 were confirmed by the Committee and signed by the Chair.

The meeting concluded at 1. 10 pm

Chair

Pensions Committee

Item No: 5

Report title:	Administration Report
Date of meeting:	1 March 2022
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
<p>Executive Summary</p> <p>This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in December 2021.</p> <p>Recommendations</p> <p>The Committee is asked to consider and note the content of this report including;</p> <ul style="list-style-type: none"> the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 9 and 10); Norfolk Audit Services 2022-23 Audit Plan for the Norfolk Pension Fund (item 12) the admission agreements in respect of: <ul style="list-style-type: none"> Aspen Services Ltd (Diocese of Ely Multi Academy Trust Contract) (item 15.2) TIAA Ltd (South Norfolk Council contract) (item 15.9) 	

<u>Item No.</u>	<u>Title</u>	<u>Appendices</u>
1.	Background	
2.	Coronavirus	
3.	Governance framework for the Norfolk Pension Fund:	
3.1	Pensions Oversight Board	
3.3	National Scheme Advisory Board	
3.4	◦ SAB Summary note December 2021 virtual meeting	Appendix A
3.7	The Pensions Regulator	
3.9	Update on Current Issues	
3.12	◦ Hymans Robertson's 'Current issues in the LGPS' Feb edition	Appendix B
3.13	Risk Management	
	◦ Risk Heat Map (at February 2022)	Appendix C
4.	Norfolk Pension Fund Membership and Performance Data	
4.1	◦ Membership Data	
4.7	◦ Employer data	
4.12	◦ Key Performance Indicators	Appendix D
4.14	◦ Annual Data Quality Report	Appendix E
4.17	◦ Website Data	
5.	Service Plan	
	◦ A summary of the key projects for 2022 – 25	Appendix F
6.	Communication	
6.1	With Scheme Members	
6.2	◦ Annual Newsletter	
6.6	With Employers	
6.8	◦ Employer Forums	
6.12	◦ Employer Webinars	
6.14	◦ Employer Newsletters	

6.16	Norfolk Pension Fund Team	
7.	Accounts and Financial Reporting	
7.1	○ Financial Year End 2020-21	
7.3	○ Financial Year End 2021-22	
8.	Employer Financial Reporting Requirements	
9.	Cash Management Strategy for the Pension Fund – Management of Cash Balances	
9.1	○ Pension Fund Bank Account	
9.4	○ Cash held by the Custodian	
10.	Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme	
10.1	○ Insight Investment	
10.7	○ Berenberg Bank	
11.	Monitoring Custodian and Investment Managers Internal Control Reports	
12.	Norfolk Audit Services 2022-23 Audit Plan for the Norfolk Pension Fund	Appendix G
13.	Collaborative Working / Value for Money	
13.1	○ National LGPS Procurement Frameworks	
14.	Knowledge and Skills	
15.	Admission Agreements	
15.2	○ Aspen Services Ltd (Diocese of Ely Multi Academy Trust)	
15.9	○ TIAA Ltd (South Norfolk Council contract)	
16.	Update on Bulk Transfer Values in Progress	
17.	Freedom of Information Act (FoIA)	
18.	Representation on behalf of the Pension Fund	Appendix H
19.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix I
20.	Financial and Other Resource Implications	
21.	Other Implications (inc. Equality Impact Assessment (EqIA))	
21.3	○ Data Protection Impact Assessments (DPIA)	
22.	Risk Implications/Assessment	
23.	Recommendations	
24.	Background Papers	
24.1	Appendix A - SAB Summary note December 2021 virtual meeting	
	Appendix B - Hymans Robertson's 'Current issues in the LGPS' Feb edition	
	Appendix C – Risk Heat Map (at February 2022)	
	Appendix D - Key Performance Indicators	
	Appendix E - Annual Data Quality Report	
	Appendix F - A summary of the key projects for 2022 – 25	
	Appendix G - Norfolk Audit Services 2022-23 Audit Plan	
	Appendix H - Representation on behalf of the Norfolk Pension Fund	
	Appendix I - Pensions Committee Forward Plan	

1. Background

- 1.1 This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to Pensions Committee in December 2021

2. Coronavirus

- 2.1 The whole Norfolk Pension Fund team transitioned to home working on the 23 March 2020. A stable operational basis was established and has since been

maintained. The Pension Fund currently remains home based but is using County Hall facilities for team training and wellbeing.

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 The National Scheme Advisory Board (SAB) met in December 2021. A summary note of the (virtual) meeting can be found [here](#), and also at Appendix A.

3.5 The Board next meets on 7 March 2022; more information about the work of the Board is available on their [website](#).

3.6 The SAB, Secretariat and LGA continue to provide valuable support and resources to the LGPS through the coronavirus pandemic, including liaison with DLUHC, The Pensions Regulator (TPR) etc.

3.7 The Pensions Regulator

3.8 The Regulator has indicated that the new consolidated Single Code of Practice may be laid in Parliament this Summer and come into force later this year.

3.9 Update on current issues

3.10 McCloud update: likely regulation Summer 2022, final guidance winter 22/23; remedy in force October 2023.

3.11 On the horizon:

- Investments: TCFD, next steps on pooling and banning of boycotts of foreign nations and implications of the White Paper on levelling up
- Exit Pay reform: Government still committed, expect an LGPS consultation later in the year
- Good Governance: DLUHC team expanding to look at this area
- Other: Survivor benefit regulations (in light of recent legal challenges), Fair Deal and the 2019 consultations.

3.12 Hymans Robertson's 'Current issues in the LGPS' February edition (Appendix B) provides an overview of some of the latest issues.

3.13 Risk Management

3.14 The latest summary Risk Heat Map (at February 2022) is at Appendix C.

3.15 There has been some movement in Risks since the last full report to Committee in December 2021.

3.16 Risk movement by risk area:

3.17 Governance:

- Regulatory and performance requirements failure; Knowledge and Understanding (Committee); Lack of skilled resource; and National LGPS Frameworks have reduced; all other risks remain stable.
- Regulatory and performance failure, lack of skilled resource, National LGPS Frameworks all move out of the 'red' (high) risk category.

3.18 Funding and investment:

- risks remain stable

3.19 **Benefits Administration:**

- risks remain stable.

3.20 **Areas of high risk:**

3.21 The following areas are identified as high risk:

- 3.22 • Governance: cyber security
- 3.23 • Funding and Investment: lack of skilled resource
- 3.24 • Benefits Administration: lack of skilled resource

3.25 **Data Protection**

3.26 We have recorded a Data Protection breach since the last report to Committee.

3.27 Monthly Recharge Reports in respect of 2 people were sent to the wrong employer. The reports show surname, initials and pensions payroll number only.

3.28 The employer notified us of the breach and deleted the information.

3.29 We have reported it to Norfolk County Council's Information Management Team, and have recorded it on our record of breaches spreadsheet.

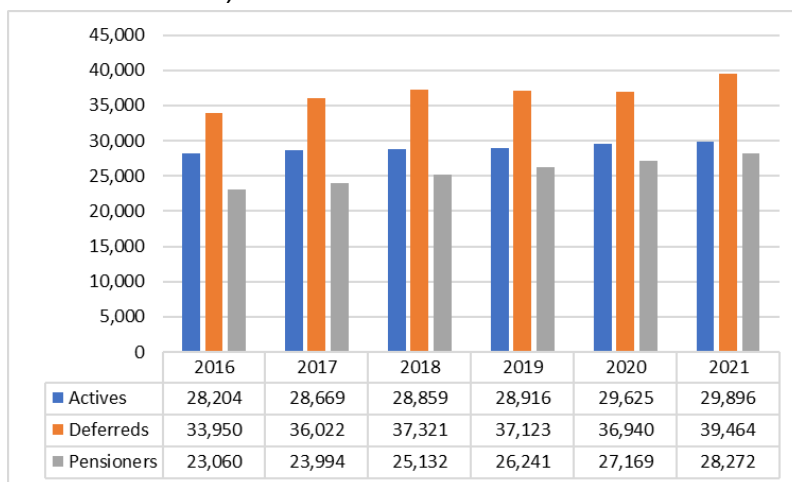
4. **Norfolk Pension Fund Membership and Performance Data**

4.1 **Membership Data**

4.2 As at 15 February 2022 there were 97,632 scheme members in the Norfolk Pension Fund.

4.3 Total Fund membership has increased by 4.16% in the last year.

4.4 A breakdown of membership and comparison with previous years (as at 31st December) is shown below.



4.5 The table below shows a comparison of the average pension in payment over the year from 2018 to 2022.

	Jan 2018	Jan 2019	Jan 2020	Jan 2021	Jan 2022
4.6 Pension in own right	£4,948.90 (£412 a month)	£5,003.56 (£417 a month)	£5,030.68 (£419 per month)	£5,020.39 (£418 per month)	£4,949.03 (£412 per month)
Dependant's pension	£2,771.27 (£231 per month)	£2,852.78 (£238 per month)	£2,882.94 (£240 per month)	£2,915.80 (£243 per month)	£2,924.70 (£244 per month)
Average pension	£4,685.10 (£390 per month)	£4,747.35 (£396 per month)	£4,776.73 (£398 per month)	£4,775.03 (£398 per month)	£4,715.27 (£393 per month)

4.7 **Employer Data**

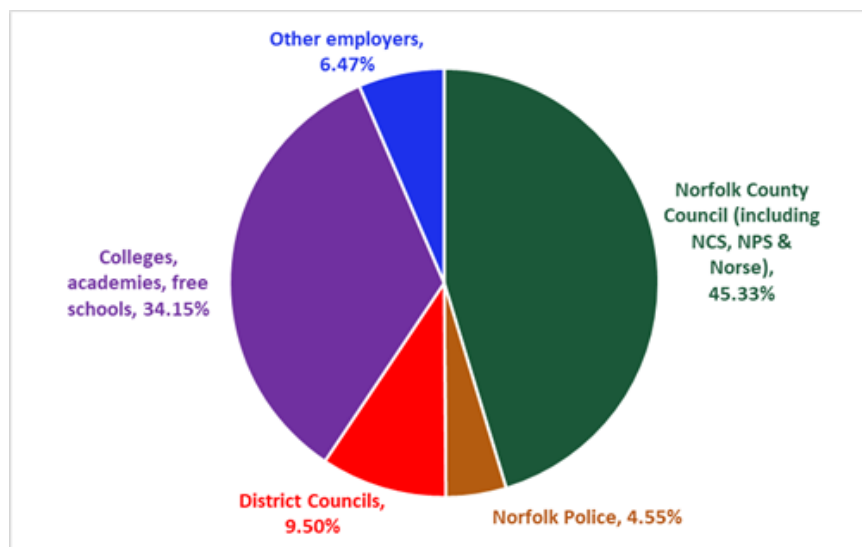
4.8 Employer numbers continue to increase steadily.

4.9 As at 31st March 2021 there were 425 active employers in the Fund.

4.10 The table below shows the change in employer numbers from 2013 to 2021:

As at 31 March	2013	2014	2015	2016	2017	2018	2019	2020	2021
Employers	152	181	233	262	322	369	400	414	425

4.11 The graph below shows the membership breakdown by employer as at 31 March 2021.



4.12 **Key Performance Indicators**

4.13 The latest Norfolk Pension Fund benefits administration Key Performance Indicators (KPI's) are at Appendix D.

4.14 **Annual Data Quality Report**

4.15 The latest Annual Data Quality Report by the Norfolk Pension Fund is at Appendix E.

4.16 The report includes scoring for “common data” and “conditional data” which is a requirement of The Pensions Regulator’s annual return.

4.17 **Website Data**

4.18 Our website (at www.norfolkpensionfund.org) is an essential element of our transparency and Communications and Customer Care Strategy.

4.19 The Norfolk Pension Fund transitioned to a new website in 2021 year, compliant with the latest accessibility guidelines for public sector websites.

4.20 Members and Employers also access our portals via the website.

4.21 The website is an important source of resources, information and signposting for scheme members and employers and other stakeholders.

4.22 Any member previously registered with the online service is required to re-register with the new member portal.

5. **Service Plan**

5.1 A summary of the key projects for 2022 – 25 (as currently identified) is at Appendix F. Where appropriate, provision for these is included in the budget paper for 2022-23 at Agenda Item 7.

6. Communication

6.1 With Scheme Members

6.2 Annual Newsletter

6.3 The regular newsletter for retired members, Primetime, will be published in March 2022.

6.4 The booklet will contain a mixture of articles of interest to retired members, including details of the annual pension increase and pay dates, what to do if you change your bank, latest tax news, how to access our online services, information about benefits for dependants, how to avoid scams, details of the Fund's governance arrangements and an update on responsible investment.

6.5 In place of the usual Forum a second Primetime will be published later in the year.

6.6 With Employers

6.7 We have increased our employer engagement since March 2020 so that we can provide the support our employers need as a result of the pandemic, changing operational scheme requirements and regulatory developments.

6.8 Employer Forums

6.9 A virtual Employer Forum was held on 9th December.

6.10 The Agenda included:

- An update from Rob Bilton (Fund Actuary, Hymans Robertson) as we approach the triennial evaluation
- Overview of developments in Norfolk Pension Fund employer services and administration, including i-connect rollout
- An update on climate risk monitoring
- Ask the Panel Q&A session

6.11 The event was recorded so that those who couldn't attend on the day could view it later.

6.12 Employer Webinars

6.13 We will continue to arrange Employer Webinars to support employers as necessary.

6.14 Employer Newsletters

6.15 Our next employer Newsletter will be published after this Committee meeting, and a copy will be circulated to Pensions Committee and members of the Pensions oversight Board.

6.16 Norfolk Pension Fund Team

6.17 A full team meeting was held just prior to Christmas, and the team appreciated video messages from the Chair of Pensions Committee, the Chair of the Pensions Oversight Board and the Executive Director of Finance and Commercial Services.

6.18 We are maintaining our weekly newssheet to help keep the team connected, supported, and informed through remote working, alongside regular team meetings and less formal connections.

6.19 We are also continuing our regular 'Spotlight' sessions, focussing in different areas of the team. The last session, In January, was an overview of the National LGPS Frameworks; and the next session will be an overview of the Annual Report and Accounts process.

7. Accounts and Financial Reporting

7.1 Financial Year End 2020-21

- 7.2 All Local Authorities and the LGPS are required to 'close' their financial accounts on the 31st March. For the last financial year 2020-21 some of the statutory deadlines were extended due to the COVID19 global pandemic. The Norfolk Pension Fund maintained its financial year-end timeline and was able to meet all deadlines set internally and statutory. The Annual Report and Accounts for 2020-21 were published on the Norfolk Pension Fund website on 13th December following receipt of the clean audit opinion from Ernst and Young (EY). In addition to the 2020-21 Audit Results schedule which was reported to Pensions Committee and Audit Committee in October, EY also publish for Norfolk County Council (NCC) and the Norfolk Pension Fund (NPF) an Auditor's Annual Report. The document for financial year 2020-21 is part of a suite of communications that EY must provide to the Audit Committee of the audited client. When they are completed the Annual Audit Letter and Certificate 2020-21 for NCC and NPF, will be available alongside the statement of accounts on the County Councils website. The Auditors Annual Report for 2020-21 was reported to Audit Committee on 3rd February 2022 and a link to the document is included in this report for information [Auditor's Annual Report Year ended 31 March 2021](#)

7.3 Financial Year End 2021-22

- 7.4 For this year's financial year-end, the 2021-22 statutory deadline to publish draft accounts has been extended to 31st July from the 31st May, due to the impact of the COVID19 global pandemic. The Corporate Authority has confirmed it will make use of the extended timeline and work to preparing draft accounts by 31st July. The Pension Fund has maintained its year-end planning to meet the original 31st May deadline however there are now options to extend the production of the draft accounts to 31st July if required. Timing of the draft accounts production is dependent on when the Fund's external Auditors (EY) can complete their planned audit and in previous years this has been conducted in late June.
- 7.5 Running alongside the normal financial year-end workload the Fund also needs to consider the potential impact of the implementation of the new Oracle system and a number of key operational changes including the change of Custodian bank in November 2021.
- 7.6 Discussions and planning with EY are ongoing and a further update can be provided to committee in June. As noted above, the Pension Fund draft annual report and accounts deadline is 31st July 2022. The statutory publication deadline remains 1st December 2022.
- 7.7 The Pension Fund will submit its draft financial accounts to the Executive Director of Finance and Commercial Services for sign off by 31st July 2022 at the latest. These draft accounts will be presented to Pension Committee in September 2022. The Fund are currently discussing with EY the external audit and audit opinion timelines. The Fund anticipates the external audit of the annual report and accounts will commence in late June 2022 with the audit opinion given in the autumn.
- 7.8 The Fund is subject to separate external audit engagement and for the past nine years EY have audited the Fund. As part of the engagement, EY review their approach to auditing the Fund on an annual basis. Following a review by the engagement Partner, EY have again decided it would be appropriate to approach the Chair of Pensions Committee to gain assurance on Fund governance arrangements rather than just approaching the Chair of Audit Committee. However, due to a backlog of other audits still to be finalised for 2020-21 the timetable for completing the assurance work by EY has slipped, and the draft

assurance letter from the Pension Committee will be presented to Committee in June rather than this Committee.

- 7.9 It is important to note, that there have been no changes to auditing standards and the questions included in the assurance letter do not reflect any particular concerns EY have regarding Fund governance. The Fund and Internal Audit will assist the Chair of Pensions Committee in completing an appropriate response that gives assurance to EY.

8. Employer Financial Reporting Requirements

- 8.1 Planning is underway to deliver the 31st March (Councils/Scheduled bodies) IAS19/FRS102 employer financial reporting requirements. The March exercise is the largest in terms of financial risk and is subject to additional audit work as part of the overall fund audit completed by EY.
- 8.2 In recent years, employer auditors have significantly higher audit requirements on the accounting disclosures, and this has created additional queries and work for the Fund.

9. Cash Management Strategy for the Pension Fund – Management of Cash Balances

9.1 Pension Fund Bank Account

- 9.2 The management of the Pension Fund's locally held cash balances is undertaken by the County Council's treasury team in accordance with the Council's Investment Strategy. The Investment Strategy is approved by Full Council and includes credit rating criteria and maximum exposure limits in terms of value and duration. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council (NCC).
- 9.3 The NCC team manage the cash using a range of overnight and term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC.

9.4 Cash held by the Custodian

- 9.5 On the first of November 2021 the Fund transitioned from HSBC to Northern Trust. There are three options for Sterling and US Dollar frictional cash held by the investment managers within the Northern Trust custody system:
- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis. No manager currently elects to use this option.
 - The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).
 - For all other US Dollar and Sterling denominated cash holdings within the Northern Trust custody system, an overnight sweep is undertaken by the custodian and deposited through its cash liquidity investment platform into AAA rated constant NAV (net asset value) money market funds (US Dollar and Sterling denominated).

- 9.6 The use of the money market fund avoids a large single exposure to the balance sheet of one institution (Northern Trust) for the cash balances of the Fund held within the custody system.
- 9.7 The approach used by the Fund for the management of Pension Fund cash balances is in accordance with the Management and Investment of Funds Regulations and meets the best practice guidance issued by the regulator.
- 9.8 With the approval of Committee, it is intended that the Fund follows the 2022-23 Investment and Treasury Strategy approved by Full Council on 21 February 2022.
- 10. Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme**
- 10.1 Insight Investment
- 10.2 The external fund manager Insight Investment are responsible for half of the Pension Fund's dynamic currency hedging programme.
- 10.3 Insight monitors the counterparties used to implement forward currency contracts required by the programme, but the relationship is between the Fund (Administering Authority) and the individual counterparty banks.
- 10.4 The Pension Fund Accountancy Team monitor the permitted counterparties against appropriate credit criteria included within the Administering Authority's approved Investment and Treasury Strategy, using credit ratings and other market material provided by Link Asset Services (treasury advisor to the County Council).
- 10.5 The forward contracts within the Insight programme have a quarterly settlement cycle (cash flow +/-).
- 10.6 The Pension Fund allocates non-cash collateral (Gilts), as part of its strategic allocation to protection asset, to cover the variation margin position (notional exchange loss prior to settlement) on foreign exchange currency transitions within the Insight hedging programme.
- 10.7 Berenberg Bank
- 10.8 The second half of the dynamic currency hedging programme is managed by Berenberg Bank.
- 10.9 Berenberg Bank are the Fund's counterparty on all trades within the programme it undertakes for the Fund. The Fund has agreed asymmetric credit lines of £15 million (the Fund owes Berenberg) and £1.5 million (Berenberg owes the Fund) in respect of any profits or losses on these activities. Both parties are required to post collateral to cover any balance sheet exposure above these limits but with a minimum transfer amount of £0.5 million i.e., as collateral movement would only be triggered when the actual exposure first reached £15.5 million or £2 million.
- 10.10 The process for the daily monitoring of collateral requirements and movement of collateral is undertaken by the Pension Fund Accountancy Team.
- 10.11 The forward contracts within the Berenberg programme have a monthly settlement cycle (cash flow +/-). This assists in diversifying the profile of the two managers employed to implement the dynamic currency hedging programme.
- 11. Monitoring Custodian and Investment Managers Internal Control Reports**
- 11.1 The Norfolk Pension Fund uses third-party investment managers to manage the Fund assets on its behalf and employs a custodian to ensure assets are held in safe custody. These organisations have internal control structures and

procedures in place to safeguard client assets against loss through error or fraud and to ensure that client reporting is accurate.

- 11.2 Best practice internal control reporting frameworks have been developed by the investment industry to provide 'reasonable assurance' to third parties that internal controls are working effectively. UK reports are referred to as AAF 01/06 reports, the US report is an SSAE16 (updated to SSAE18 for future reports) and the international reporting standard is ISAE3402. There is not a common reporting period between managers as this is determined by the requirements of each organisation.
- 11.3 Scrutiny of control procedures is undertaken by 'reporting accountants' (usually the service organisation's external auditors) and requires them to deliver an opinion on the control environment in order to give 'reasonable assurance' that the controls operated effectively.
- 11.4 A comparison between the UK AAF 01/06 and the internal ISAE3402 report is shown below:

Topic	AAF 01/06	ISAE 3402
Scope	AAF 01/06 covers internal controls within a service organisation – not necessarily just those concerning financial transactions	Report can be extended beyond financial reporting.
Opinion/ assertion	In addition to the auditor's opinion, the management of the service organisation provides a formal assertion affirming its responsibilities for the controls in the report.	In addition to the auditor's opinion, the management of the service organisation provides a formal assertion affirming its responsibilities for the controls in the report.
Disclosure requirement for use of internal audit	N/A	Work performed by the organisations internal audit function can be used in part to form the service auditor's opinion. The report can include a description of the internal auditor's work and of the service auditor's procedures with respect to that work.
Audit Guidance	Guidance for the auditor is included in the AAF 01/06 and includes illustrative control objectives	Guidance for the service auditor is solely contained in the ISAE itself and does not contain illustrative control objectives. The US will continue to provide audit guidance to support the SSAE standards.
Example of terminology differences	Type (i) – report to service organisation and their customers on fairness of the description of controls, whether they are suitably designed and their operational effectiveness	Type A - report on the fairness of the description of controls and whether those controls were suitably designed.
	Type (ii) – report to service organisation only on fairness of the description of controls, whether they are suitably designed and their operational effectiveness	Type B - report also includes an opinion on the operating effectiveness of the controls.

- 11.5 A summary of all the reports received is provided below. Following our review, there are no specific issues to report to Committee. Future reports will continue to be monitored.

11.6

Fund Manager	Report Type	Date of Last	Review completed	Next
Janus Henderson	SSAE16/ ISAE3402	01/07/20-30/06/21	Yes	Jun-22
LaSalle	ISAE3402/AAF 01-06	01/01/20-31/12/20	Yes	Dec-21
Capital International	SSAE16/ ISAE3402	01/07/20-30/06/21	Yes	Jun-22
Aberdeen Standard Life	AAF 01-06	01/10/19-30/09/20	Yes	Sep-21
HarbourVest	SSAE16/ ISAE3402	01/10/19-30/09/20	Yes	Sep-21
GSAM	SSAE16/ ISAE3402	01/10/19-30/09/20	Yes	Sep-21
M&G (incl. Infracapital)	AAF 01-06	01/01/20-31/12/20	Yes	Dec-21
Insight	SSAE16/ ISAE3402	01/10/19-30/09/20	Yes	Sep-21
Berenberg Bank (N1)	ISAE 3402 Type II	01/01/20-31/12/20	Yes	Dec-21
UBS	SOC1	01/01/20-31/12/20	Yes	Dec-21
Link Asset Services	ISAE 3402 Type II	01/01/20-31/12/20	Yes	Mar-22
Aviva (Infrastructure)	ISAE3402/AAF 01-06	01/10/19-30/09/20	Yes	Sep-21
Equitix (N2)	No report produced			
JPMorgan	SOC1	01/01/20-31/12/20	Yes	Dec-20
Pantheon	ISAE3402/AT-C320	01/10/19-30/09/20	Yes	Sep-21
Stafford Capital Partners (N2)	No report produced			
Northern Trust	SOC1	01/10/20-30/09/21	Yes	Mar-22
HSBC	ISAE3402	01/04/20-31/03/21	Yes	Sep-21

N1. The report received from Berenberg Bank is a partial report covering only the Overlay Management element of the organisation. A mechanism to review all internal controls has been developed and agreed between the Fund and Berenberg Bank.

N2. Equitix and Stafford Capital Partners do not produce an internal controls report. A mechanism to review internal controls has been developed and agreed between the Fund and these managers.

12. Norfolk Audit Services 2022-23 Audit Plan for the Norfolk Pension Fund

- 12.1 A review of internal audit needs, and the development of a medium-term internal audit plan were undertaken during 2021-22. A three-year Medium-Term Internal Audit plan (see Appendix G) was agreed in consultation with Senior NPF staff, the Director of the Norfolk Pension Fund and was considered by the Executive Director of Finance and Commercial Services.
- 12.2 This three-year plan was reviewed as part of the 2022-23 planning process and has informed the Internal Audit plan for 2022-23. The plan is based on the model recommended by the Society of County Treasurers (SCT) for Pension Funds and covers the key areas; Governance and Strategy, Pensions Administration and Investments. It also takes account of any significant changes taking place for Pension Funds and the associated risks and controls. The plan has also been informed through researching topical risk areas in relation to Pension Funds and CIPFA TIS advisory and guidance online services and benchmarked against other Local Authority plans. The Internal Audit needs for 2022-23 will be re-assessed during the year as part of next year's planning process. We are satisfied with the level of proposed coverage.
- 12.3 It is recommended that the Pensions Committee should consider the Pension Fund internal audit plan 2022-23.

13. Collaborative Working / Value for Money

13.1 National LGPS Procurement Frameworks

- 13.2 The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).

- 13.3 Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements. The LGPS is already collectively benefiting from more than £150m in projected savings as a result of the National LGPS Frameworks programme.
- 13.4 Work is progressing on a new Stewardship Framework, with the support of the SAB's Responsible Investment Advisory Group, a new third-party administration framework and we hope to launch this new framework this Spring. Work is also progressing on a new investment Consultancy Framework and just starting on a new Legal Framework.

14. Knowledge and Skills

- 14.1 There is an ongoing requirement for members of the Pensions Committee, Pensions Oversight Board and Officers to evidence a level of knowledge commensurate with the decisions they are making.
- 14.2 Details of training events, conferences and webinars that may be of interest are shared with members of Pensions Committee and the Pensions Oversight Board; and training records are maintained.
- 14.3 All members of Committee and POB have access to the LGPS online learning academy to support them in gaining and maintaining their knowledge. Five licences are also available for Fund Officers. Members are encouraged to refer to relevant online modules that will assist their understanding of specific agenda items in advance of Committee or Board meetings.
- 14.4 All mandatory officer training is up to date.

15. Admission Agreements

- 15.1 There are two admission agreements for the Committee to note:
- 15.2 **Admission Agreement – Aspen Services Ltd (Diocese of Ely Multi Academy Trust)**
- 15.3 We have received application for a new admission agreement from the catering contractor Aspen Services Limited, as they onboard a new contract win.
- 15.4 The admission application is in respect of a catering contract with Diocese of Ely Multi Academy Trust at the sites of The Norman CE Primary School, Duchy of Lancaster Methwold CE Primary School and Weeting CE Primary School commencing 1 January 2022 for a contract length of 3 years with a possible extension of 2 years.
- 15.5 The admission agreement will cover five members of staff transferring in respect of the contract, with the current right to LGPS membership. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.
- 15.6 The Scheme Employer (Diocese of Ely Multi Academy Trust) will be party to the admission agreement.
- 15.7 The admission agreement will be constructed on the “pass through” basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1 October 2018.
- 15.8 The legal agreements will be sealed under Chief Officer powers by the Executive Director of Finance & Commercial Services.

- 15.9 **Admission Agreement – TIAA Ltd (South Norfolk Council contract)**
- 15.10 We have received application for a new admission agreement from the audit supplier TIAA Ltd, as they onboard a new contract win.
- 15.11 The admission application is in respect of the delivery of internal audit services commencing 1 April 2022 for a contract length of 5 years with two possible extensions of 2 years each.
- 15.12 The admission agreement will cover approximately two members of staff transferring in respect of the contract, with the current right to LGPS membership. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.
- 15.13 The Scheme Employer (South Norfolk Council) will be party to the admission agreement.
- 15.14 South Norfolk Council have entered into a Section 113 agreement with Norwich City Council in respect of these services.
- 15.15 Section 113 of the Local Government Act 1972 permits a local authority to enter into an agreement to place their staff at the disposal of another local authority, for the purposes of their functions. In this particular case it also includes an outsourcing arrangement.
- 15.16 Although the letting party (scheme employer) is South Norfolk Council consideration will be given to the inclusion of Norwich City Council as party to the Admission Agreement.
- 15.17 The admission agreement will be constructed on the “pass through” basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1 October 2018.
- 15.18 The legal agreements will be sealed under Chief Officer powers by the Director of Finance & Commercial Services.

16. Update on Bulk Transfer Values in Progress

- 16.1 There are none to report this quarter.

17. Freedom of Information Act (FoIA)

- 17.1 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.

Requester/ENQ Reference	Details	Date Received	Action
ENQ-535836-X7S7K3 Altman	Quarterly cash-flow reports from Q3 2021 for private capital investments	17/01/2022	Responded
ENQ-527190-K5X0N6 Pestack	Information about the use of software, software as a service (SaaS) and market databases for managing investment activity and portfolios	25/11/2021	Responded
ENQ-526650-W3L4Y2 Lewis Backon	General investment information plus information regarding any investment in businesses included in the United Nations Human Rights Council report into business activity in Israel's settlements and Elbit Systems	24/11/2021	Responded
ENQ-525800-G6G2J3 Citywire	A full list of investments made by the Norfolk Pension Fund	19/11/2021	Responded
ENQ-525153-Y4S1K8 Cobalt Software	Fund performance reports for private equity and real estate Q2 2021	16/11/2021	Responded

18. Representation on behalf of the Pension Fund

- 18.1 Please see Appendix H for meetings and events which have taken place since the last Pension Committee.

19. Norfolk Pension Fund – Pensions Committee Forward Plan

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

20. Financial and Other Resource Implications

- 20.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

21. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 21.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 21.2 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.

21.3 Data Protection Impact Assessments (DPIA)

- 21.4 We have not identified any data protection implications for the content of this report.

22. Risk Implications/Assessment

- 22.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

23. Recommendations

- 23.1 The Committee is asked to consider and note the content of this report including;
- the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 9 and 10);
 - Norfolk Audit Services 2022-23 Audit Plan for the Norfolk Pension Fund (item 12)
 - the admission agreements in respect of:
 - Aspen Services Ltd (Diocese of Ely Multi Academy Trust Contract) (item 15.2)
 - TIAA Ltd (South Norfolk Council contract) (item 15.9)

24. Background Papers

- 24.1 Appendix A - SAB Summary note December 2021 virtual meeting
Appendix B - Hymans Robertson's 'Current issues in the LGPS' Feb edition
Appendix C – Risk Heat Map (at February 2022)
Appendix D - Key Performance Indicators
Appendix E - Annual Data Quality Report
Appendix F - A summary of the key projects for 2022 – 25
Appendix G - Norfolk Audit Services 2022-23 Audit Plan
Appendix H - Representation on behalf of the Norfolk Pension Fund
Appendix I - Pensions Committee Forward Plan

Officer Contact

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

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Scheme Advisory Board

Summary note of (virtual) meeting held on 13th December 2021

Full details of the meeting and agenda papers can be found on the [board meetings page](#).

The minutes of the meeting on 27th September were approved.

The main points arising from the meeting are shown below:

Welcome and Introduction - Councillor Roger Phillips, Chair, opened the meeting by informing members that Jeff Houston, Board Secretary, will be retiring at the end of March 2022. The Chair also informed members that the new Minister, Kemi Badenoch, had yet to agree to a meeting and that steps will continue to be taken to meet the new Minister at the earliest opportunity.

Delegation from The Prudential - In response to concerns expressed by the Board on behalf of scheme stakeholders about the performance and level of communication, the delegation from the Prudential explained that migration to a new platform coupled with the disruption of normal working methods caused by the Covid emergency had resulted in a performance level below acceptable standards. The Board was assured that performance in key areas such as servicing updates and client customer support has improved and will continue to do so as new working methods and training of new staff unfolds. The Prudential agreed to work with the Secretariat to formulate a communication for scheme stakeholders.

Cost Transparency Update - The Board was advised that when the Investment, Governance and Engagement committee met on 22nd November it had recommended that the Board approves the proposed three stage process for removing Code signatories from the list. The Board was further advised that the Secretariat had met a number of potential providers of a benchmarking service for administering authorities. None of the providers were able to provide a product “off the shelf” and all accepted that more details of requirements would be needed before any further work could be undertaken. Members were advised that administering authorities would need to be asked about what they require from a benchmarking service. The Board agreed that the Secretariat should undertake further work to explore the scope for introducing a benchmarking service, including a survey of administering authorities to ascertain their requirements.

New Compliance and Reporting Committee – The Board was advised that meetings had been held with both Committees and with members of the former CIPFA Pensions Panel to discuss handover arrangements and a draft Terms of Reference for the new Committee. Members approved one amendment to the Terms of Reference to ensure that recommendations to Ministers extend to Parliaments in Scotland and Northern Ireland. The Board agreed that the arrangements for the new Committee, including the amended Terms of Reference, are approved and that the Secretariat should undertake the work necessary to launch the new Committee as early as possible in the New Year.

Letter from Michael Lynk - The Board was informed that a letter had been sent by Michael Lynk, UN Special Rapporteur on the Palestine Occupied Territories, to Chairs of some LGPS pension committees regarding investments with companies on the UN database of companies with operations in the Palestine Occupied Territories. A Freedom of Information Request requesting the release of such details has also been sent to some fund authorities. The Board agreed that consideration should be given to publishing advice or guidance to assist administering authorities in responding to the campaign letter and FOI request. The Chair advised members that he would be meeting Councillor Doug McMurdo, Chair of the Local Authority Pension Fund Forum (LAPFF), to discuss a possible joint meeting with Michael Lynk.

SAB/Committee Membership - Members agreed that the Board's Terms of Reference should be amended to provide a non-voting seat for the Chair of the new Compliance and Reporting Committee. The Board also agreed that the Secretariat should make necessary arrangements for academy representatives to have seats on both cost management and investment committees.

SAB Annual Report – The Board was informed that delays in local authority accounts being signed off had resulted in the deadline for publishing pension fund annual reports by the 1st December being missed in many cases. In most cases, audit issues have not been raised against items in the pension fund section of local authority accounts.

Investment Committee Report - In the context of pooling the Board was asked if it wished to make a statement on the continuing refusal of ACCESS to extend their joint committee to include a scheme member representative, in accordance with the Board's policy. Members agreed that the Board should express its disappointment and urge the joint committee to reconsider their position.

Date of Next Meeting – 7th March 2022

Current issues in the LGPS

February 2022

LGPS priorities for the year ahead

With the new year barely a few days old, we dusted down our crystal ball to predict the priorities that funds are likely to focus on during 2022. Valuations, climate change, inflation, Good Governance and a few more... click [here](#) and see if you agree!

Levelling Up by investing locally

The Government's [white paper](#) states an ambition for the LGPS to invest up to 5% of its assets in local projects. We believe that LGPS funds (and pools), with their long-term investment horizons and strong local knowledge and networks, are well placed to play a key role here. However, the primary purpose of LGPS funds is to pay pensions and their main objective is to deliver investment returns which, coupled with an affordable level of contributions from employers, are sufficient to meet this obligation. This does not preclude local investments, but funds are required to ensure that the prospective risk and returns of such investments are at least as attractive as those available elsewhere. Amending their mandate to incorporate local impact objectives would certainly facilitate LGPS Funds' contribution to Levelling Up, especially if this can be achieved without adversely affecting outcomes for existing stakeholders.

Welcome to 2022!

The valuation year in England and Wales is nearly upon the LGPS. We have seen an increase in preparatory work over the last month with funds reviewing the underlying valuation assumptions, assessing employer covenant to feed into funding plans and investigating funding and investment strategy for long-term employers such as councils. The last area is particularly exciting given a lot of funds are dealing with a new phenomenon – full funding. Our recent [60 second summary](#) considers what this may mean, particularly for your investment strategy.

Section 13 – a lucky number?

Just before Christmas, the Government Actuary's Department (GAD) published its report on the 2019 LGPS valuations in England and Wales, prepared under Section 13 of the Public Service Pensions Act 2013. The report checks whether local fund valuations comply with four criteria and sets out some recommendations for the Scheme Advisory Board and DLUHC to consider. The 2019 report noted the scheme's strong funding position and the positive steps taken since the last report in 2016. Our [60 second summary](#) discusses the report in more detail, and it was also discussed in our recent [webinar](#).

Scottish Amendment Regulations

The SPPA's [consultation](#) on the draft Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021 closed on 21st January. The consultation covered a number of areas, including:

- Allowing access to benefits without employer consent, for pre 1 April 2015 leavers
- Allowing pension credit members to access benefits from age 55
- Changes to address discrimination in the way that certain survivor benefits are calculated
- Providing further flexibilities for fund authorities in dealing with employers and allow for amendments to an employer's contribution rate in between valuations.

We are largely supportive of the proposed changes, although our [consultation response](#) does raise a number of practical questions concerning the application of the employer flexibilities.

Nudge-nudge, know what I mean?

DWP has recently [responded](#) to its consultation 'Stronger Nudge to pensions guidance' and at the same time laid [legislation](#) before Parliament, that comes into force on 1 June 2022. Although aimed at those aged 50+ seeking to access money purchase benefits the 'stronger nudge' will still apply to the LGPS where a member seeks to access or transfer out their AVCs. Administering authorities will, therefore, need to take steps to comply with a number of requirements that are helpfully summarised in our [60 second summary](#).

Driving Good Governance in the LGPS

This year, we anticipate that the Department of Levelling Up, Housing and Communities will progress recommendations from the Good Governance project and consult on formal guidance. However, you don't need to wait for the recommendations to be implemented. For example, do you have a robust conflict management policy in place? Or an enhanced governance compliance statement? [Here](#), Susan Black talks through the key actions your fund can do now to get on the front foot.

Higher inflation – is it here to stay?

Higher inflation was widely predicted as economies recovered from the pandemic, but it has risen further and faster than expected. How high will it go, and how long will higher inflation persist? We believe it will be transient and expect it to fall sharply in the latter half of 2022 as demand normalises, supply chain issues are addressed, fiscal and monetary policy is further tightened and deflationary forces such as demographics and technological innovation reassert themselves. Indeed, there is a risk that inflation overshoots to the downside if policy responses are misjudged. Nonetheless, we accept higher inflation may persist especially if expectations it will happen become established. We recommend funds review how well protected their funds are against inflation risk. Please register [here](#) to listen to our webinar on the subject where Philip Pearson, Head of our LGPS Investment team, was joined by Andrew Goodwin of Oxford Economics.

ONS population projections

The latest national population projections were issued by the ONS in January and are the first to include COVID-19 data. The inclusion of some of the 2020 and 2021 data will take account of the large number of COVID-19 related deaths in the first 18 months of the pandemic. Very limited allowance has been made for the lingering after-effects of the pandemic which could have a greater impact on long term mortality trends. The projections largely consider the pandemic as "two lost years" for mortality improvements, with 2022 resuming where 2019 left off. Club Vita's commentary [here](#) provides more information about the implications of these projections for the upcoming state pension review (see 'In brief...' below) and for pension funds in general.

LGPS employer training – we've got you covered!

69% of attendees at our recent [administration challenges and changes webinar](#) identified LGPS employer knowledge as a key challenge, with a knock-on impact on almost all areas of service delivery by administration teams. We recently announced our intention to provide online training sessions for LGPS employers. The initial three training sessions will cover pensionable pay, employer responsibilities and ill health retirement. Each session will have a 45 minutes presentation, quiz and time for Q&A at the end – all done within an hour! Sessions start on 9th February (with the next two on 24th February and 9th March). Please register your interest [here](#) and we will provide details and costs.

LGPS events round-up

In case you missed any of our recent LGPS webinars, or would like to watch again, you can now catch them on demand using the links below:

- [LGPS Business Planning for 2022/2023](#): Hear from Andrew McKerns and Kate Dickson on objective setting for the year ahead, including how to build and deliver your business plan and set measures of success.
- [Keeping the LGPS Connected](#): Philip Pearson is joined by Andrew Goodwin, Chief UK Economist at Oxford Economics to talk through the drivers of higher inflation and the inflation outlook for 2022 and beyond.
- [Themes for 2022 Valuation](#): Peter MacRae discusses why climate change risk affects funding and how you can understand its impact, and Catherine McFadyen focuses on what the latest Section 13 report means for the 2022 valuation.

Local Government Association Conference, Bournemouth

The annual LGPS Governance Conference took place last month in Bournemouth. The conference, chaired by the Scheme Advisory Board's chairman Councillor Roger Phillips, covered a range of topics, including McCloud, divestment, cyber risk and the 2022 valuations. As always, we've put together our conference highlights which you can [read here](#).

In brief...

- Changes to the language of divorce law in England and Wales, made under the *Divorce, Dissolution and Separation Act 2020*, are being extended to the [Family Procedure Rules](#) under which the courts operate. For example, a 'decree of divorce' will become a 'divorce order' and a 'decree nisi' will be known as a 'conditional order'.
- Treasury has [confirmed](#) that LGPS pensions in payment will be increased from 11 April 2022 by 3.1%, in line with September 2021's CPI inflation rate.
- The Pensions Regulator (TPR) has [chided](#) pension scheme trustees for not reporting enough scam suspicions.
- The Police Superintendents' Association (PSA) is heading to the Court of Appeal in a bid to prevent proposed changes (in connection with the McCloud age discrimination ruling) to public service pension schemes being implemented in April, after the High Court previously dismissed a judicial review claim.
- A judicial review is expected to take place during the summer of 2022 on the Government's decision to replace the Retail Prices Index (RPI) with the housing cost-based version of the Consumer Prices Index, known as CPIH, from 2030.
- A recent [TPR blog](#) includes a comment that the 2nd consultation on the draft single Code will now be launched in the late summer of 2022.
- The DWP has begun a [statutory review of State pensionable age](#). It has commissioned reports from GAD and a team led by Baroness Neville-Rolfe, and will consider regional and group differences. The focus is likely to be on the timing of the move toward SPA 68.
- The Department for Work and Pensions has launched a consultation on the draft Pensions Dashboards Regulations, which you can read [here](#). The closing date is 13 March 2022 and we will be circulating our thoughts in due course.

Appendix

LGPS Priorities for the year ahead

<https://www.hymans.co.uk/insights/blogs/blog/key-priorities-for-the-lgps-in-2022/>

Levelling Up by investing locally

<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

Welcome to the 2022!

<https://www.hymans.co.uk/insights/research-and-publications/publication/sixty-second-summary-youre-fully-funded-what-next/>

Section 13 – a lucky number?

<https://www.hymans.co.uk/insights/research-and-publications/publication/the-2019-section-13-report-what-does-it-mean-for-your-fund/>

<https://event.on24.com/wcc/r/3598980/B2EE17481A4EE0D51C29265A0B9680F4>

Scottish Amendment Regulations

<https://pensions.gov.scot/local-government/scheme-governance-and-legislation/consultations>

[https://www.hymans.co.uk/media/uploads/The_Local_Government_Pensions_Scheme_\(Scotland\)_Regulations_2018_-_Hymans_Robertson.pdf](https://www.hymans.co.uk/media/uploads/The_Local_Government_Pensions_Scheme_(Scotland)_Regulations_2018_-_Hymans_Robertson.pdf)

Nudge-nudge, know what I mean?

<https://www.gov.uk/government/consultations/stronger-nudge-to-pensions-guidance/outcome/government-response-stronger-nudge-to-pensions-guidance>

<https://www.legislation.gov.uk/ukSI/2022/30/contents/made>

<https://www.hymans.co.uk/insights/research-and-publications/publication/nudge-nudge-know-what-i-mean/>

Driving Good Governance in the LGPS

<https://vimeo.com/672375949>

Higher inflation – is it here to stay?

<https://event.on24.com/wcc/r/3602477/D95501F5EB9DC835434B37F0D1119158>

ONS population projections

<https://www.actuarialpost.co.uk/article/comment-on-the-latest-ons-population-figures-20415.htm>

LGPS employer training – we've got you covered

<https://www.hymans.co.uk/insights/webinars/lgps-administration-challenges-and-changes/>

<http://web.hymans.co.uk/hymanscouk-atwsv/pages/nlbjwl2weeypjwaisbsmta.html?PageId=c249b034965dec118f8f0022481b0cb4>

LGPS events round-up

<https://www.hymans.co.uk/insights/webinars/have-you-got-the-right-2022-23-business-plan-and-how-are-you-going-to-deliver-it/>

<https://event.on24.com/wcc/r/3602477/D95501F5EB9DC835434B37F0D1119158>

<https://www.hymans.co.uk/insights/webinars/themes-for-2022-valuation-a-spotlight-on-climate-risk/>

Local Government Association Conference, Bournemouth

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_LGA_-_20-21_Jan_2022.pdf

In brief...

https://www.legislation.gov.uk/ukxi/2022/44/pdfs/ukxi_20220044_en.pdf

<https://questions-statements.parliament.uk/written-statements/detail/2022-01-20/hcws548>

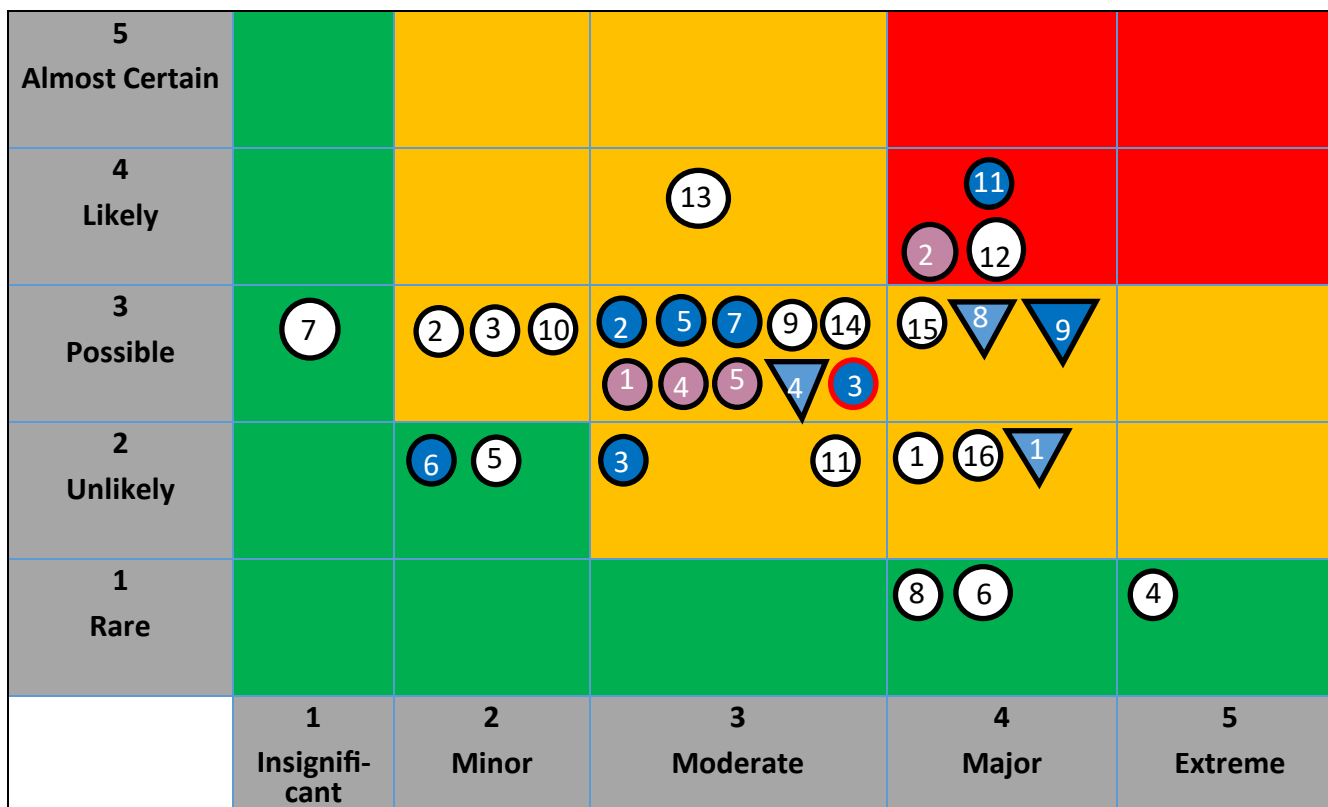
<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-press-releases/failing-to-report-scams-is-a-failure-to-protect-savers-says-tpr>

<https://blog.thepensionsregulator.gov.uk/2021/12/15/db-code-taking-the-time-to-deliver-the-right-funding-measures/>

<https://www.gov.uk/government/news/second-state-pension-age-review-launches>

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

showing movement since November 2021



	Governance (NPGF)	Funding & Investment (NPFF)	Benefits Administration (NPFA)
1	Regulatory and performance requirements failure	Financial mismatch	Failure to meet regulatory and performance requirements
2	Asset pooling (ACCESS) (Gov)	Concentration	Lack of skilled resource (Admin)
3	Knowledge & understanding (O)	Manager underperformance	-
4	Knowledge & understanding PC	Systemic risk	Business continuity (Admin)
5	Knowledge & understanding POB	Credit default - Counterparty failure	System implementation and transition
6	Business continuity (Gov)	Illiquidity	
7	Communication & Engagement	Default by participating employer	
8	Lack of skilled resource (gov)	Poor advice	
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	-	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12	NEW Future service delivery	Lack of skilled resource (F & Inv)	
13		Asset pooling (ACCESS) (F & Inv)	
14		Currency risk	
15		Environmental, Social & Governance (ESG)	
16		Custody, Stock Lending, Transition	

Becoming more of a risk



Risk is stable



Becoming less of a risk



Admin KPIs

Target = 100%

RAG Status

<75%

76% - 84%

>85%

This table shows the volume and percentage within target number of days for Admin KPIs.

Task	Days	Nov-20		Dec-20		Jan-21		Feb-21		Mar-21		Apr-21		May-21		Jun-21		Jul-21		Aug-21		Sep-21		Oct-21		Nov-21		Dec-21		Jan-22		Monthly	
		Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
Transfer In Quotes	10	17	100	22	95	25	96	31	84	30	90	25	92	11	91	26	96	24	96	18	94	21	100	42	98	38	95	36	94	21	95	26	94
Transfer Out Quotes	10	58	97	45	89	53	94	50	92	60	98	45	96	40	98	32	100	48	100	49	100	41	93	64	92	57	96	42	95	57	98	49	96
Refund Payments	5	55	95	31	82	47	100	34	100	45	100	41	100	31	100	32	100	35	100	47	100	53	100	32	100	53	100	29	100	55	100	41	98
Estimate of Retirement Benefits	10	146	78	90	89	95	94	106	91	173	91	108	95	136	90	177	99	118	97	90	99	101	98	132	96	141	89	103	100	135	96	123	93
Actual Retirement Benefits	5	145	99	109	99	152	100	137	100	139	100	139	99	124	100	143	100	138	98	136	100	197	100	128	100	141	100	102	100	145	97	138	99
Acknowledge Death of Member	5	87	94	60	87	100	97	112	98	69	90	43	72	54	80	73	96	50	94	60	98	73	96	87	98	69	94	77	88	109	92	75	92
Notify Dependant's Benefits	5	16	100	22	59	25	84	37	95	34	59	29	41	25	60	21	100	23	91	24	92	25	84	40	95	32	97	17	88	23	83	26	82
Notify Deferred Benefits	10	183	96	155	99	220	99	195	98	131	99	130	96	160	99	166	98	171	98	118	97	204	99	186	98	234	100	262	99	260	97	185	98
Altair Housekeeping	5	13	100	12	75	12	100	12	100	14	100	13	100	13	100	12	83	12	100	13	69	12	67	13	92	14	93	13	100	14	100	13	92

Estimate of Retirement Benefits and Actual Retirement Benefits take priority over other tasks.



Norfolk Pension Fund

Record Keeping Data Quality

Norfolk Pension Fund
Postal Address:
County Hall
Martineau Lane
NORWICH
NR1 2DH

January 2022



Norfolk Pension Fund

Report on Data Quality at January 2022

This report has been prepared using guidance from the Pension Regulator on Record-keeping.

It seeks to demonstrate the steps taken to maintain and improve the quality of membership data maintained by Norfolk Pension Fund.

The figures and statistics in this report are snapshot figures taken from the Pensions Administration System as at 28 January 2022.

For more information please contact:

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Pensions Manager

Tel: 01603 495781

Email: mark.r.alexander@norfolk.gov.uk

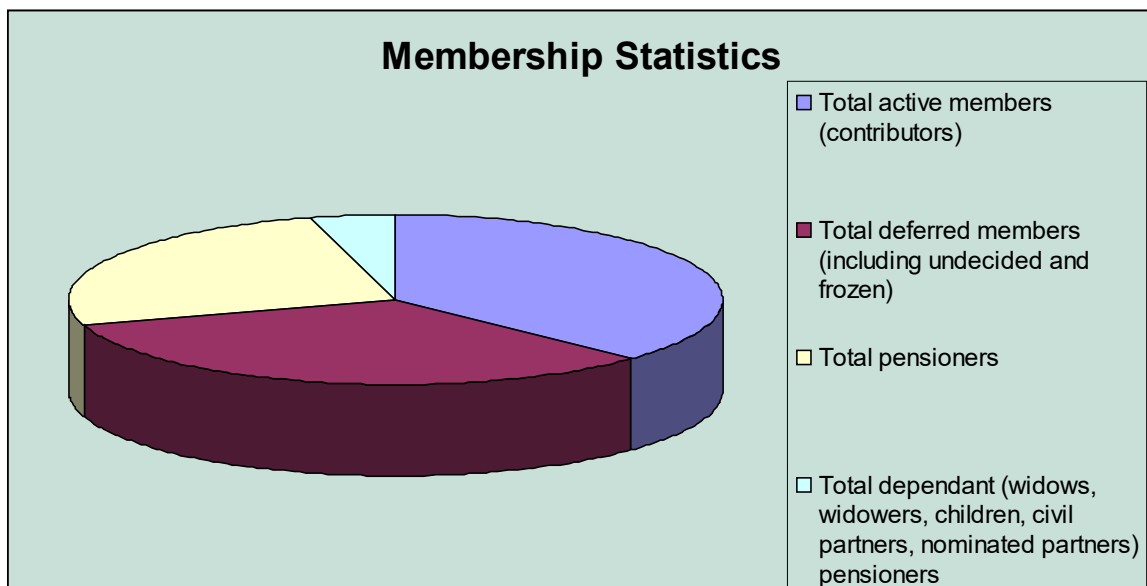
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Numerical Information

1. Numerical information [P391]

1. Membership statistics	
Number of schemes being managed	2
Total active members (contributors)	29,823
Total deferred members (including undecided and frozen)	39,414
Total pensioners	25,940
Total dependant (widows, widowers, children, civil partners, nominated partners) pensioners	3,490
TOTAL of all members	98,667



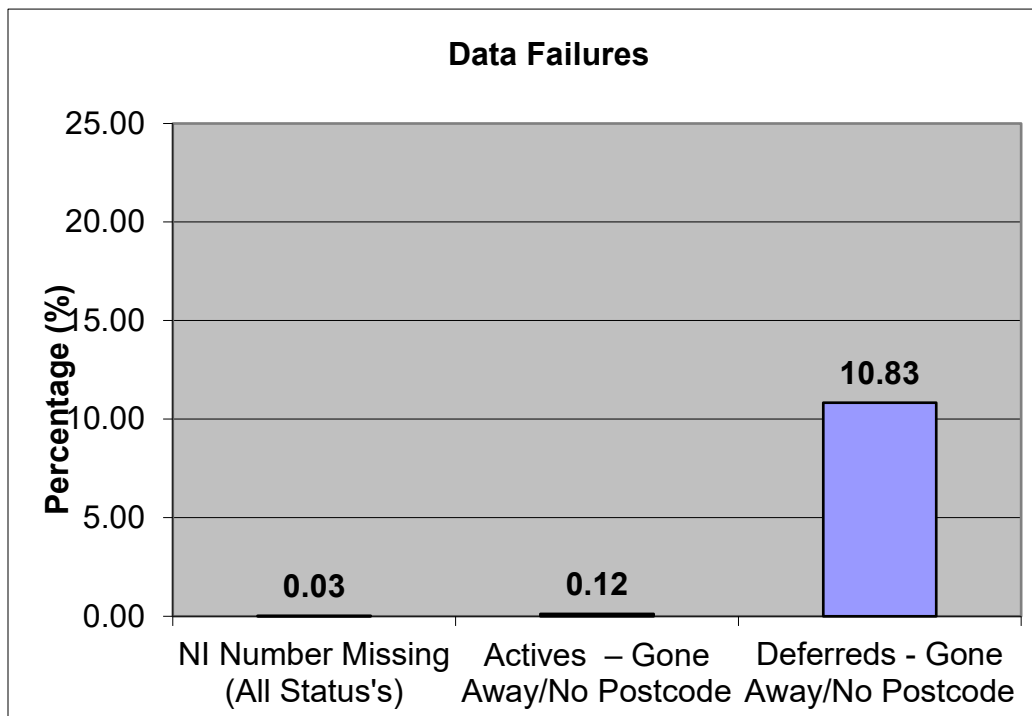
Commentary

This data shows the members and types of records we hold.

Common data

2. Common data checking [QUAL01]

Data item	Maximum population	Fails
NI Number	98,667	30
Surname	98,667	0
Forename/initials	98,667	0
Gender	98,667	0
Date of birth	98,667	0
Actives – Gone Away/No Postcode	29,823	35
Deferreds – Gone Away/No Postcode	39,414	4,268
Pensioners – Gone Away/No Postcode	29,430	96
Total individual fails		4,399
Total number of members failing one or more tests		4,399
Percentage members of total with fail		4.46%



Common data score

This is a measure of all common data items averaged across all items: **95.54%**

Commentary

Common data has been suggested by the Pension Regulator. It is basic data which is common to all membership types:

Actives:

- **National Insurance Number** – This is checked with employers when posting contributions at year-end to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC.
- **Surname** – This is checked with employers when posting contributions at year-end to ensure accuracy.
- **Date of Birth** – This is checked with employers when posting contributions at year-end to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. All active scheme members are issued with an Annual Benefit Statement to their home **address**. The Statement shows the common data items and asks members to inform the Pension Fund of any inaccuracies or changes needed. Returned statements marked “gone way” are a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans **address** records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.
- Additionally whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Deferreds:

- **National Insurance Number** – This is checked with employers when posting contributions whilst the member is contributing at year-end to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC.
- **Surname** – This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.

- **Date of Birth** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. All active scheme members are issued with an Annual Benefit Statement to their home **address**. The Statement shows the common data items and asks members to inform the Pension Fund of any inaccuracies or changes needed. Returned statements marked “gone away” give a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans **address** records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.
- Every year the Pension Fund employs an outside tracing agency to provide matching on possible **un-notified mortalities** and “gone away” records. Appropriate follow up action is then instigated.
- Additionally, whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Pensioners:

- HMRC are notified when the member retires and where **National Insurance Numbers** are incorrect these are notified to us by HMRC. We are notified of updates/corrections to National Insurance Numbers directly from HMRC during the year or when tax codes are notified to us.
- **Surname** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- **Date of Birth** –This is checked with employers when posting contributions at year-end whilst the member is contributing to ensure accuracy.
- The scheme member themselves are the best placed to ensure that data items are correct. Pensioners are issued with regular payslips (although not every month), P60 Statements, Newsletters throughout the year to their home **address**. Returned items marked “gone away” give a trigger for tracing activities.
- As part of the annual “Club Vita” exercise with Hymans address records are cleansed for accuracy (e.g. correction of postcodes etc.). The exercise also highlights any possible **un-notified mortalities**.
- Additionally, whenever correspondence is received for a particular member any common data is checked to ensure consistency.

Analysis of tests failed

Deferreds – Gone Away/No Postcode

- The only significant area of “fail” is deferred pensioners’ addresses. These are marked as “gone away” on our systems if mail is returned to us.

Commentary on criticality of data failures

- Whilst it is certainly good practice to keep in touch with deferred pensioners, the fact that we don’t know their current whereabouts does not cause problems in terms of paying out money due or accounting for money due to be paid.
- We carry out regular mortality screening (see above) which highlights where payments may due to be paid. Members not failing the mortality screening are assumed to be still alive and therefore will be entitled to receive benefits on retirement.
- As part of our Data Quality exercises we have scheduled to trace our deferred pensioners addresses using our tracing service. **We repeat this exercise every 18 months or so in order to keep records as up to date as possible whilst bearing in mind the cost of such exercises and the response rates achieved.**
- When deferred members reach retirement age and benefits are payable, individual tracing services are employed in order to ensure benefits are paid on time.

Conditional data

3. Conditional data checking

Test group	Maximum population	Fails
Actives – pay data [PAY009]	29,823	0
Actives – contributions data [CONT35]	29,823	0
Actives – CARE data [CARE001]	29,823	0
Deferreds – Pensions Increase data [PRES22]	39,414	0
Deferreds – Passed Due Date [PRES20]	39,414	36
Pensioners – GMP data [PENS12]	29,430	1
Total		37

Conditional data score

This is a measure of all conditional data items averaged across all items: **99.9%**

Commentary

Conditional data is data which Norfolk Pension Fund considers is essential to ensure correct recording of liabilities for actuarial purposes, correct calculations and payment of benefits.

Actives – pay data:

- Pay data is essential for use in Annual Benefit Statements, actuarial data extracts and for online benefit calculations via our web service. Monthly (or more frequent) reports are run against the system to report where pay data appears to be missing or out of date. Data is corrected immediately upon identification.

Actives – contributions data:

- Missing contributions data highlights incorrect membership data which would otherwise be used for Annual Benefit Statements, actuarial data extracts and for online benefit calculations via our web service. Monthly (or more frequent) reports are run against the system to report where contributions data appears to be missing

or out of date. Further investigations are made or data is corrected immediately upon identification.

Deferreds – Pensions Increase Data:

- Pensions Increase data is held so that “current value “of benefits can be quoted for actuarial purposes and for display on our online service. Checks on all records outside the member database are carried out after the annual pensions increase updates and at other times. Any data anomalies are corrected upon identification.

Deferreds – Passed Due Date:

- A regular report is run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. This is a trigger for tracing activities.

Pensioners – GMP Data:

- Missing GMP data would mean the incorrect (over payment) of pensions in payment. A monthly report is run to check the data coming into force for that month (i.e. GMP due) and highlighting any cases where GMP data appears to be missing. Missing GMP data is requested from HMRC.

Analysis of tests failed

Deferreds – Passed Due Date:

- The only significant area of fail is "deferreds passed due date". Regular reports are run against the system to highlight any cases where benefits are still being deferred but should possibly be in payment. The small numbers of cases shown as currently failing are those where we are currently carrying out tracing activities. We have instigated a write-off process where benefit amounts are small or beneficiaries cannot be traced after exhaustive search. This will reduce the number of cases that we are accounting for, but in practice will never pay out.

Commentary on criticality of data failures

- Where deferred benefits have not been put into payment by retirement age, this could be due to un-notified mortality, or “gone aways”. Large numbers of such cases could affect funding of schemes; however, the small numbers involved here do not represent any significant funding issues.

4. Actions required for data cleansing

All existing processes for identifying data issues, un-notified mortalities and “gone aways” should continue. This includes a number of routines not already mentioned in this report for continual data cleansing:

- Documented Procedures for all work of the service
- Regular self-audits
- Regular audits by the County Council’s audit service
- Annual audits by external auditors
- Pensioner payroll – manual checking of new data and changes
- Actives – annual checks pay/hours/membership/CARE data
- Pensioners – Robust testing and checking of PI calculations
- Pensioners – continual chase up of missing GMP data
- Monthly Mortality Screening (pensioners)
- Annual address checks (pensioners)
- Annual address checks (deferreds)
- Life Certificates (certain pensioners)
- Address Records checked for consistency where multiple records exist (checked by Online Services checks)
- General Online Services checks (nightly) for data integrity
- Consistency Checks within systems (field, screen and online validations)
- Consistency Reporter (bulk process)
- Bespoke Consistency Reports (e.g. average hours, department Ids etc.)

5. Timescale to complete data cleansing

Data cleansing is an ongoing exercise and therefore does not have timescales associated with it.

From 2016 we have been running regular checks on deferreds addresses with an external tracing company. This gives us likely addresses for our deferred members who have moved house but not informed us.

6. Data quality improvement

It is recognised by the Pension Fund Actuary that the Norfolk Pension Fund data is among the cleanest in local government, however we are not complacent and know that we must strive to keep standards up.

Regular monitoring of the measures identified in this report will be carried out and any actions necessary to ensure data quality is maintained.

Norfolk Pension Fund will review best practice of other pension funds to ensure that appropriate measures are used and where appropriate additional data monitoring will be put in place.

7. Glossary

Actives – these are scheme members currently working for a scheme employer and paying contributions

“Club Vita” – this is a service run by the actuaries Hymans. It analyses longevity and advises scheme about changes that have an impact on pension funding. Full membership data is analysed as part of the service. This includes national screening, address and postcode corrections.

Deferreds – these are scheme members who have left the scheme, but not have not yet reached retirement age. Their benefits are deferred will become payable on retirement.

Pensioners – these are former scheme members who are now in receipt of their pension: depending on the context this term might include dependents of former scheme members who are entitled to a pension (e.g. widow’s, widowers, and children).

Tracing Service – this is a contracted service which provides possible new addresses for members that have moved and not informed us. Data is collated from various sources including the Post Office redirection service.

Norfolk Pension Fund Service Planning 2022 – 2025: Key Projects

Key projects for 2022 - 2025 service planning include:

Strategic Review: completing delivery of recommendations of the independent strategic and operational review of the Norfolk Pension Fund (to mitigate areas high risk and secure effective and efficient delivery of our responsibilities) post project closure under BAU; monitor and evaluate effectiveness of each workstream:

- **Senior team structure**
- **Governance and compliance, inc:**
 - Establishment of Governance Manual (inc refreshed Mission Statement and policies), monitoring and controls
 - Review and update Risk Management and reporting framework
 - Review and compliance with TPR combined code
 - Review and compliance with Good Governance requirements
 - Reviewing cyber security policies and effectiveness
- **Employer services, inc.:**
 - Establishing the new team, supporting systems and processes
 - Reviewing employer engagement and support needs
 - Reviewing policy and procedures linked to employer covenants
- **Pensions administration software** (procurement / implementation & transition / benefits realisation) inc:
 - i-Connect – onboarding of NCC (April 2022)
 - Implementation SR71/i-Connect reconciliation process
 - Implement Enhancements to Altair dealing with Multiple Pension Payments
 - Insights (dashboards) – rollout to Management Team, Employer Services Team, Admin Team and Payroll Teams
- **Administration team** operational review, inc
 - Implementation of new staffing structure (recruitment, training)
- **People, development, and career paths**
- **Strategic engagement and delivery** inc
 - Future service delivery including smarter working and future accommodation needs
 - Review and refresh of communication and engagement strategy

Valuation 2022 : completion of the 2022 valuation inc.
 data readiness, data testing, data extract
 employer engagement and support

Reform, regulation, and best practice: contribute to, prepare for, and meet the requirements of regulatory reform and development inc:

McCloud

introduction of new software;
retrospective adjustment to benefits already calculated

Stewardship and Responsible investment:

Maintaining and further developing the Funds on-going commitment to fiduciary responsibilities

Stewardship and responsible investment, including environmental, social and governance factors (e.g., carbon monitoring, [TCFD](#) reporting)

Levelling up agenda – responding to the emerging levelling up agenda

Investment Pooling: Ensuring the continued effectiveness and success of ACCESS, including

- Responding to updated Pooling investment consultation and guidance
- Completion of live tranche transitions (Hendersons and Capital)
- Contribute to the implementation of pooled structures for illiquid assets including onboarding of the Fund's illiquid assets
- Support the development and implementation and monitoring of Pool Responsible Investment guidelines;
- Support the procurement and transition to a new operator contract
- Contribute to the review and further development of ACCESS governance arrangements

Contract maintenance (inc via the National LGPS Frameworks):

- Support the re-let of the Investment Consultancy and legal Services National LGPS Frameworks; procure investment consultancy services for the Norfolk Pension Fund

The internal audit plan has been prepared on a risk assessed basis, in accordance with the UK Public Sector Internal Audit Standards and in consultation with Norfolk Pension Fund management and the Executive Director of Finance and Commercial Services. The internal audit plan takes account of the significant regulatory, organisational and technical changes taking place for Pensions Funds and the associated risks and controls. The audit planning process recognises the impact Covid-19 has had on all public services during 2020/21 and 2021/22 and acknowledges it is likely to have a wider impact on Pension Funds, particularly on the performance of investments.

Costs will be assigned to each audit (based on a variable cost depending on the level of staff used on the audit). The total number of days is considered the resource required to achieve the required assurance for an opinion in each year to 2025.

Table 1: Summary of the Internal Audit Plan 2022-2025

AUDIT UNIVERSE				
	2021-22	2022-23	2023-24	2024-25
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Governance and Strategy				
<i>Total for Governance and Strategy</i>	20	15	10	10
<i>Total Admin Processes and Systems</i>	33	43	40	40
<i>Total Investment Management</i>	17	15	20	20
<i>Total Audit Management</i>	10	10	10	10
Training – Pension Oversight Board	1	1	1	1
Total number of audit days in the plan	81	84	81	81

APPENDIX A

Norfolk Pension Fund - Medium Term Internal Audit Plan 2022-25

AUDIT UNIVERSE				
	2021-22	2022-23	2023-24	2024-25
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Governance and Strategy				
Pension Fund Governance and National LGPS Framework – Assurance the new structure is working effectively and as expected to reduce the risks associated with staff shortages and resilience (JQ Qtr 3)		15		
Governance controls and decision making during the pandemic (JQ Qtr.1)	15			
High level review on the progress being made with the agreed actions resulting from the Hymans Robertson Future Proofing Review Feb 2019. Management Letter to be issued. (JQ Qtr.4)	5			
Areas to be audited – To Be Confirmed			10	10
Total for Governance and Strategy	20	15	10	10
AUDIT UNIVERSE				
	2021-22	2022-23	2023-24	2024-25
	Revised planned No. of days	Planned No. of days		Planned No. of days

Admin processes and systems				
Transaction Life Cycles:				
Payables – regular payroll benefit payments, lump sums, death in service. (MA/DK Qrt1)		15		
Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges. (RM Qrt.3)	15			
NFI. Full exercise to be undertaken in October 2022.		2		
Work carried out in respect of IAS240 assurance work	1	1		
Systems:				
Review of Mortality and Pension Entitlement screening processes.	17			
Data Quality and i Connect – assurance there are adequate controls in place to ensure good data quality within key systems used by NPF, including the new i-connect system. (MA Qrt.3)		25		
Areas to be audited – To Be Confirmed			40	40
Total Admin Processes and Systems	33	43	40	40
AUDIT UNIVERSE				
	2021-22	2022-23	2023-24	2024-25
	Revised planned No. of days	Planned No. of days		Planned No. of days
Investment Management				
New custodian relationship with Northern Trust – Assurance that key controls and adequate processes are in place. (AY/RM Qrt 4)		15		
Private Equity, infrastructure and private debt – assurance that the processes and procedures for drawing down distributions are working as expected. (AY Qrt.3)	17			
Areas to be audited – To Be Confirmed			20	20
Total Investment Management	17	15	20	20

Audit Management	10	10	10	10
Training provided to the Pension Oversight Board/Pension Committee – topics to be agreed. Topics such as risk management could be covered.	1	1	1	1
Total number of audit days in the plan and costs	81	84	81	81

Previous Audits

Governance and Strategy

2013-14 Governance arrangements assurance (included in half yearly report to Pensions Committee December 2013).

2015-16 Governance arrangements; Compliance with regulations in setting up Pensions Advisory Board.

2015-16 Compliance with CIPFA code of practice on public sector pensions finance knowledge and skills. (Management Letter).

2016-17 National LGPS Procurement Frameworks.

2017-18 Pensions Oversight Board – Compliance with their Terms of Reference and Forward Plan.

2018-19 National LGPS Procurement Frameworks – Accounting processes and compliance with accounting principles

2018-19 ACCESS – pooled arrangements – Governance arrangements compliant with Inter Authority agreement

2018-19 General Data Protection Regulation (GDPR) – Assurance that compliance with the new GDPR requirements.

2019-20 Risk Management – Compliance with CIPFA Managing Risk in the Local Government Pension Scheme guidance

2020-21 Cyber Security Governance – Assurance that adequate governance and controls are in place

Admin processes and systems

Transaction Life Cycles:

2011-12 Review of Life Certificates.

2014-15 LGPS legislative changes from April 2014 (retirements/leavers).

2016-17 Data Quality: record keeping and record management.

2016-17 Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges

2017-18 Review of Mortality screening processes.

2017-18 Triennial valuation 2016: A review of the technical and governance arrangements for the delivery of the valuation and implementation of results.

2019-20 Payables -regular payroll benefit payments, lump sums, transfers, death in service, other.

2020-21 Transfers out – Processes and controls in place for members who transfer their benefits.

Systems:

2014-15 Replacement Pension and Payroll System– Assurance that key controls are in place and the changeover has been managed effectively.
2014-15 Review of website On-Line services for Employers - new system and process.
2015-16 Employers; Assurance that adequate processes and controls are in place for employers joining and leaving the scheme.
2016-17 Business Continuity Planning / Disaster Recovery.
2016-17 Receivables
2018-19 Early Retirement costing and recharges, debt collection and write offs
2019-20 Information Security – unannounced visit.
2019-20 Deferred benefits: Assurance that adequate processes and controls are in place for members who have deferred their benefits.
2019-20 Annual pension fund reporting requirements; Assurance that NPF is compliant with CIPFA's new reporting guidance from April 2018.

Investment Management

2013-14 Dynamic Currency Hedging arrangements.
2013-14 Internal Control reports.
2014-15 Investment management – Performance Monitoring.
2014-15 Private Equity –Processes and procedures for drawing down distributions etc.
2015-16 New Custodian: Assurance that key controls are in place regarding the new HSBC electronic system for Investment Accounting.
2015-16 Transitioning; Assurance that key controls and adequate processes are in place.
2016-17 Pension Fund Bank Account Reconciliation.
2017-18 Post implementation review of the new Investment Accounting process and review of the dry run Faster Close processes - assurance that the processes are adequate and adequate controls are in place.
2018-19 Investment Strategy Statement: compliance with DCLG guidance and updated to reflect changes / recommendations from Triennial Valuation and the new different strategies.
2019-20 Asset Transition Process; Assurance that key controls and adequate processes are in place by ACCESS operator LINK, regarding the transition of assets into sub-funds.
2020-21 HEAT (Hymans Employer Asset Tracking) system: controls in place by Hymans, regarding the collection, transfer and use of the information provided to them.

Officer Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred – *the majority of meetings were ‘virtual’ due to the Covid-19 Pandemic:*

GC: Glenn Cossey, **AY:** Alex Younger, **JQ:** Jo Quarterman, **MA:** Mark Alexander, **EW:** Eunice Walcott, **DK:** Debra Keeling, **RM:** Robert Mayes **MT:** Management Team

ACCESS regular meetings

AY / GC attend Officer Working Group (fortnightly)

AY attend Investment User Group (monthly)

AY attend Non-Listed Sub-Group (monthly)

AY attend Active Listed Sub-Group (monthly)

GC attend quarterly Joint Committee meetings

Other regular meetings

MA/DK attend SECSOG (monthly)

National LGPS Frameworks

The National Frameworks team have held meetings with Funds, Pools and Service providers

Other meetings and events

Date	What	Who
Dec		
9	Employer Forum	Pensions Team
Jan		
20/21	LGPS Governance Conference – Virtual attendance	GC/EW/JQ
Feb		
1	NRFK strategy modelling results	GC/AY
3	ESG/RI Workshop	GC/AY/JQ/DK
21/22	COMPASS Results meetings	GC/AY

CIPFA – Chartered Institute of Public Finance and Accountancy	LAPF – Local Authority Pension Fund
LGA – Local Government Association	LGC – Local Government Chronicle
LGPS – Local Government Pension Scheme	PLSA - The Pensions and Lifetime Savings Association

Pensions Committee forward programme – as at 1 March 2022

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
21st June 2022	27th September 2022	6th December 2022	21st March 2023	
Administration Report	Administration Report	Administration Report	Administration Report	<ul style="list-style-type: none"> • Risk Attitude/Boundaries • Valuation • TCFD • LGPS Good Governance
Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	Update from the Pensions Oversight Board	
LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	LGPS Pooling/ACCESS Update	
Strategic Review – Project Closure Report				
Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	
Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	Investment Strategy Update	
2022 Triennial Valuation - Assumptions	2022 Triennial Valuation – Fund Level Results	2022 Triennial Valuation – Funding Strategy Statement	2022 Triennial Valuation – Final Valuation Report Sign-off	
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Manager (tbc)	Investment Managers: (tbc)	

Pensions Committee

Item No: 6

Report title:	Update from the Pensions Oversight Board
Date of meeting:	1 March 2022
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary This report updates the Pensions Committee on the work of the Pensions Oversight Board. Recommendations Pensions Committee is invited to note the contents of this report.	

1. Background

- 1.1 This report updates the Pensions Committee on the work of the Pensions Oversight Board (POB). A further verbal report will be given by the Chair of the Pensions Oversight Board who will also attend committee. The last update was given at the December 2021 Committee Meeting.

2. Pensions Oversight Board meetings

- 2.1 The Board last met on the 9 February 2022. The agenda for this meeting is at Appendix A.
- 2.2 In addition to the regular strategic and operational oversight and updates, the Board received a presentation on the 2022 triennial valuation plans and process, delivered by Rob Bilton, Hymans Robertson.
- 2.5 The Board next meets on Tuesday 24 May 2022.
- 2.5 The notes of the Board meeting of the 21 November 2021 are at Appendix B.

3. Board Membership

- 3.1 The Board is made up of three scheme member and three scheme employer representatives, together with an Independent Chair (who has no voting rights).
- 3.2 Two new Members have been appointed to the Pensions Oversight Board. They are Frances Crum (Active and Deferred Scheme Member); and Sally Albrow (Norfolk County Council Employer).
- 3.3 Rachel Farmer (UNISON nominated Board member) is stepping down from the Board, having been a member since the board's inception in 2015. We are very grateful for the contribution Rachel has made to the establishment over this time.

4. Knowledge and Skills

- 4.1 Along with members of Pensions Committee and Fund Officers, Board members have access to the LGPS Online Learning Academy.
- 4.2 Induction training is provided for all new Board members and POB are invited to attend training and webinars alongside Pensions Committee, in line with the Norfolk Pension Fund training strategy.

5. Financial and Other Resource Implications

- 5.1 The 2022-23 Board budget is covered under Item 7 of this Committee meeting. At the time of writing this report there are no additional financial or other resource

implications beyond those already budgeted for and approved by Committee.

6. Risk Implications/Assessment

- 6.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

7. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 7.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 7.2 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.
- 7.3 **Data Protection Impact Assessments (DPIA)**
- 7.4 We have not identified any data protection implications for the content of this report.

8. Recommendation

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

9. Background Papers

- 9.1 Appendix A: POB Agenda 9 February 2022
Appendix B: POB minutes 11 November 2021

Officer Contact

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

Officer name : Glenn Cossey **Tel No. :** 01603 228978

Email address : glenn.cossey@norfolk.gov.uk



If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Norfolk Pension Fund Pensions Oversight Board

Date: **Wednesday 9th February 2022**

Time: **10:00am**

Venue: **Virtual Teams Meeting**

Membership

Chairman

Brian Wigg

Employer Representatives

Cllr Chris Walker	Poringland Parish Council
Sally Albrow	Norfolk County Council
Howard Nelson	DNEAT

Scheme Member representatives

Frances Crum	Active / Deferred member
Rachel Farmer	Trade Union
Peter Baker	Pensioner member

Agenda

1. Welcome and Introduction
2. Apologies
To receive apologies
3. Minutes and matters arising
To agree the minutes of the meeting held on the 21 November 2021.

4. Declarations of interest

Members to declare any conflict of interest. For the purposes of a member of a Local Pension Board (the Pension Oversight Board), a 'conflict of interest' may be defined as a financial or other interest which is likely to prejudice a person's exercise of functions of a Local Pension Board. (A conflict does not include a financial or other interest arising merely by virtue of being a member of the LGPS / Norfolk Pension Fund).

Therefore, a conflict of interest may arise when a member of a Local Pension Board:

- must fulfil their legal duty to assist the Administering Authority; and

- at the same time they have:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a Local Pension Board member.

5. Items of urgent business

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

6. Pensions Committee

Feedback from the virtual Pensions Committee meeting on 7 December 2021 and items to be raised at the 1 March 2022 meeting.

7. LGPS Reform

Update on latest reform

8. Norfolk Pension Fund operational update (including ACCESS)

An update on operational performance and issues, and an update on future service delivery.

9. Strategic Review update

To include an update on progress across the different workstreams, including the Pensions Administration System and new Employer Services team.

10. Hymans Robertson Valuation overview

A presentation by Rob Bilton, Hymans Robertson, of the 2022 triennial valuation plans and process.

11. Internal Audit reports

To receive the latest internal audit reports:

- Receivables – contributions (AVC's, APC's) and Transfer Values

12. Risk Management

To receive the latest risk update and heat map.

13. Pensions Oversight Board budget 2022 – 2023

To receive the proposed Pensions Oversight Board budget for 2022 – 2023.

14. Knowledge, skills and training

15. Forward work programme for the Pensions Oversight Board

16. Date of next meeting: to confirm the dates of the 2022 meetings

Contact for questions about this agenda: Jo Quarterman, Business Development and Project Manager, Norfolk Pension Fund jo.quarterman@norfolk.gov.uk Tel.: 01603 223950

Date agenda published: 2 February 2022



Minutes of the Norfolk Pension Fund Pensions Oversight Board meeting held on Thursday 11 November 2021.

Present:

Chairman

Brian Wigg

Employer Representatives

Howard Nelson

DNEAT

Scheme Member Representatives

John Harries

Active / Deferred member

Also Present

Jo Quarterman

Business Development and Project
Manager, Norfolk Pension Fund

Glenn Cossey

Director of the Norfolk Pension Fund

Mark Alexander

Pensions Manager

Eunice Walcott

Senior lawyer NPLAW on secondment to
the Norfolk Pension Fund

Tim Shaw

Committee Clerk

1. Welcome and Introduction and Apologies for Absence

1.1 The Chairman welcomed Eunice Walcott (Senior Lawyer NPLAW on secondment to the Norfolk Pension Fund as Pensions Governance Manger) to her first meeting of the Pensions Oversight Board. This was a virtual meeting, held via 'Teams'.

1.2 Apologies for absence were received from Peter Baker, Debbie Beck, Rachel Farmer and Cllr Chris Walker.

2 Retirement of Board Members—John Harries and Debbie Beck

2.1 The Chairman said that this was the last meeting of the Board that John Harries would be attending as the active/deferred member representative. Debbie Beck an employer representative (who had

given apologies for this meeting) would also be retiring from the Board before the next meeting.

- 2.2 Everyone associated with the Board extended their best wishes for the future to John Harries and to Debbie Beck. They were Members of the Board since its inception and had made valuable contributions for many years.
- 2.3 The Board was updated on the current terms of office for remaining members and the arrangements for the filling of vacancies in time for when the Board next met in February 2022.

3. Minutes

- 3.1 The POB agreed the minutes of the meeting held on the 27 May and the notes of the meeting of the 9 September 2021.

4. Declarations of Interest

- 4.1 There were no declarations of interest.

5 Items of Urgent Business

- 5.1 There were no items of urgent business.

6 Feedback from the Pensions Committee meeting on 5 October 2021 and items to be raised at the 7 December 2021 meeting.

- 6.1 The POB noted that today's meeting would be the subject of a report to the Pensions Committee on 7 December 2021.
- 6.2 The Board was informed that Cllr Birmingham had been appointed as a new member of the Pensions Committee following changes in the overall political allocation of seats within the County Council
- 6.3 The Pensions Committee on 5 October 2021 had received a report (containing exempt information) on the outcome of the procurement process by which Norfolk Pension Fund would procure Actuarial, Benefit and Governance Consultancy Services when the current contract for Actuarial Services ended in December 2021. The Committee had received a presentation by Robert Bilton of Hymans Robertson about how Hymans Robertson (who had been awarded the contract for a 10-year term) planned to work with the Norfolk Pension Fund to provide a best-in-class service to Norfolk Pension Fund stakeholders.
- 6.4 The Pensions Committee on 5 October 2021 had also received a report (containing exempt information) that presented the recommendations arising from the review of the public equity portfolio (quoted shares) by Hymans Robertson.

- 6.5** The December meeting of the Pensions Committee would receive an update from Rob Bilton of Hymans about the triannual valuation of the fund which was due to commence in April 2022. Rob Bilton would be presenting a report on this matter to the February 2022 meeting of the Board.

7 LGPS Reform

- 7.1** POB received an update about the ongoing national reform programme and other issues within the LGPS.

- 7.2** The presentation provided an update on the following regulatory reforms update and impact:

- £95k payment cap and reform (withdrawn but will return)
- McCloud remedy
- Responsible Investment
- Climate risk and monitoring signed up; reporting on going to Committee (TCFD reporting, impact reporting on the horizon)
- RI – MHCLG consultation due; A-Z online guide launched
- Good Governance recommendations, statutory guidance expected
- TPR revised code not to go live till next year because of level of responses.
- Pensions Dashboard and Stewardship Code for which good practice, refreshed; not mandatory and aimed more at investment industry.

8. Service delivery and future ways of working post pandemic: consideration of options and opportunities for a new service delivery model

- 8.1** The POB received a presentation led by Glenn Cossey on how the Norfolk Pension Fund planned to develop a refreshed approach for the delivery of services to stakeholders post pandemic, utilising the opportunities offered by smarter working and making more use of new technology. A report on this matter had been considered at the Pensions Committee in October 2021. The refreshed approach would take account of the views of all stakeholders including scheme members, scheme employers and staff.

- 8.2** The refreshed approach would:

- Explore ideas on how to work and deliver services post pandemic (including gathering new evidence and making use of evidence gathered pre-pandemic)
- This work will inform both 'smarter working' arrangements and

accommodation requirements

- Retain the best of the pre-pandemic and current work experiences while identifying opportunities for doing different in the future
- It was noted current Lawrence House lease ends in February 2023

8.3 The options and opportunities for a new service delivery model would involve data gathering and the evaluation of evidence from:

- Customers
- Norfolk Pension Fund
- Teams (including views expressed by staff about their expectations on wellbeing, opportunities for career development and training, working conditions etc). A staff workshop has shown that expectations had changed during the pandemic.
- Individuals (recognising that some individuals had their own unique requirements)
- [Customer Care and Communications Strategy](#)
- [TPR Code of Practice 14 for Public Service Schemes](#)
- Norfolk County Council Customer Charter

8.4 The next steps were identified as:

- Data gathering
- Consider evidence
- Identify and evaluate options
- Present findings and recommendations for future service delivery back to Committee in March 2022

8.5 POB Members considered the new website and member self service a great facility for scheme members (at www.norfolkpensionfund.org) which was becoming more and more an essential element of service delivery and of future ways of working post pandemic. It was suggested that as well as through Norfolk Pension Fund sources of communication more promotional activity could be done via Norfolk County Council and other employer websites. It was also suggested that the Pension Fund could encourage employers to promote website and the Norfolk Pension Fund, particularly to inform under 30's within the workforce of the benefits of scheme membership. Going forward, the Norfolk Pension Fund would be able to make use of new analytical data about age profile, diversity and disability within the membership that would enable the website to be more focused and effective in getting its messages across to the active workforce.

8.6 Scheme Members and Employers can access i-connect and other resources via the new website. which they were finding to be very useful, although some large employers were finding that a consolidation of the administrative processes within the website for the collection of data would be an important issue going forward. On a

day-to-day basis both large and small employers were finding that they had good working relationships with Pension Fund staff regarding data gathering.

- 8.7** The website was an increasingly important source of resources, information and signposting for scheme members and employers and other stakeholders. It was of particular assistance to those scheme members who wanted to see a rough estimate of the value of pension benefits before hearing from employers with more accurate figures about early retirement or redundancy packages. The Board considered more needed to be done to publicise the website to a greater audience so that scheme members were more aware of the value of their retirement benefits. It was however recognised that there were resourcing issues because an increase in self-help activity during the pandemic had led to a significant increase in enquires made of the administration team.
- 8.8** It was hoped that a draft evaluation of options and recommendations could be taken to POB in February 2022, in advance of a report to Pensions Committee in March 2022.

9 Internal Audit reports

- 9.1** POB was informed that the latest published internal audit report by Norfolk Audit Services (circulated with the agenda) covered Governance Controls and Decision Making during the Pandemic
- 9.2** POB noted the report.

10 Norfolk Pension Fund operational update (including ACCESS)

- 10.1** POB received an update on operational performance and issues, including latest performance data.
- 10.2** The operational update included:
- ACCESS Alternative Investment Implementation Advisor procurement
- Solution for alternative/illiquid assets
 - Phase one - legal structure was complete
 - Phase two – procurement of implementation advisor
- 10.3** During discussion the following points were noted
- POB was shown the latest Pension Fund performance data and detailed questions were answered.
 - It was pointed out that the administration team did not have up to date data on the numbers of opt outs by younger members of staff.
 - Employees were automatically enrolled into the scheme by their employer every three years unless they

indicated otherwise.

- John Harries said that he would ask HR if they could provide the Norfolk Pension Fund with statistical data for Norfolk County Council to help with an assessment of those who did not enrol in the scheme.

11 Strategic Review update

11.1 POB received an update on the implementation of the new Pensions Administration system and rollout to Employers and Scheme Members.

11.2 The presentation provided an update on the following strategic review workstreams:

- Employer Services: work was progressing on establishing a new Employer Services Team
- I-Connect and Member Self Service
- Administration. It was noted that changes within the Administration Team would be considered alongside consultation alongside changes to Employer Services.
- Governance. NP Law had started work on the legislative/regulatory background of LGPS Governance and a member of NP Law had been seconded to help with this work on a temporary basis. Noted that a revised structure for the Frameworks and Governance Teams had been agreed with HR, and a two-week staff consultation exercise was about to commence. A new structure was due to go live on 1st January 2022.
- People, Development and Career Paths
- Management Team Structure. This was due to go live on 1st January 2022 (dependant on governance)
- Strategic Engagement and Delivery

12 Risk Management

12.1 POB received the latest risk update and heat map that showed high risk movement in terms of governance, funding and investment and benefits administration. The heat map picked up on issues of regulatory and performance requirements failure that represented an increased risk and were talked about during this meeting.

12.2 The risk register was continually updated and reported regularly to POB and Pensions Committee. Some downward movement in high-risk areas was anticipated when the heat map was next reported to Pensions Committee in December 2021.

12.3 At the request of POB, a new risk about smarter working and new ways of working would be considered, to show that the Norfolk Pension Fund was engaging successfully with scheme members and

employers. This matter would be monitored but was not expected to be a high risk. It was pointed out in response to questions that risks were shared with others through the work of internal auditors and more widely as part of risk management debates and exploring of other risk management frameworks which were constantly monitored.

13 Knowledge, Skills and Training, including:

- **ESG workshop (15 September 2021 – recordings available)**
- **Online learning academy**

13.1 POB were updated on Knowledge, Skills and Training, including:

- ESG workshop well received by POB members
- Online Learning Academy
- Webinars
- Conferences
- Newsletters. The latest issue would be shared with POB Members
- Plans for induction of new POB Members

14 Forward Work Programme for the Pensions Oversight Board

14.1 It was noted the work programme for 2021 had included:

- Pensions Admin Software - implications for scheme members and employers
- New Employer Services team
- Cybersecurity
- Smarter Working

14.2 The work programme for 2022 would include:

- Continuation of the above
- Website demo
- Valuation planning overview—inviting Bob Bilton to attend the Board
- Overview of budget setting process

14.3 The Chair pointed out that there would be an opportunity to review the forward work programme when new members were appointed in tie for the next meeting.

15 Date of next meeting

15.1 The date of the next meeting was now

Weds 9th February 2022

(Please note: change of date and day)

Chair

Report to Pensions Committee

Item No. 7

Report title:	Pension Fund Budget 2022-23
Date of meeting:	1 March 2022
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund

Executive Summary

Background and Purpose

The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget and is built upon the Fund's Service Development Plan. The budget takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year. For 2022-23, this includes:

- 2022 Triennial Valuation.
- The Norfolk Pension Fund Strategic Review.
- Managing the impact of incremental increases in the number of employers joining the LGPS and ensuring resources are in place to meet demand.
- Managing the impact of regulatory developments (e.g., McCloud and the Pension Regulator's combine code) and public sector pension reforms (e.g., exit pay reform).

The proposed budget for 2022-23 of £4.034m is made up of the following key budget headings:

Service	Approved Budget 2021-22 (£)	2022-23 Base Budget (including pre- approved growth agreed by Pensions Committee 2nd March 2021 (£))	Budget 2022-23 (£)	Change (%)
Advisory Fees	428,000	444,000	454,000	2%
Investment, Accounting and Governance	847,000	961,950	1,021,000	6%
Administration Services	1,497,000	1,522,380	1,547,000	2%
Facilities & Support Services	413,000	413,000	374,000	-9%
Projects	406,500	406,500	583,500	44%
Pension Board	54,000	54,000	54,000	0%
Total	3,645,500	£3,801,830	£4,033,500	6%

Norfolk Pension Fund Strategic Review

At its March 2021 meeting, Pensions Committee pre-approved full year salary growth relating to the Strategic Review of £140,329, this monies together with a £16,000 of approved growth for on-going climate risk monitoring has been added to the 2022-23 base budget.

National LGPS Procurement Frameworks Project

The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of live frameworks being hosted by Norfolk is 11 (plus 5 closed frameworks generating still generating income). The total

2022-23 Frameworks estimated forecast accumulated surplus is £997K. This is used for further framework development and distribution back to Founders.

Recommendations

The Pensions Committee approves the Pension Fund 2022-2023 budget.

1. Background and Purpose

- 1.1. The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget. Regulation requires Pension Fund assets to be ring-fenced as the Fund is run on behalf of 420 employers and almost 95,000 scheme members, from a range of public, private, and quasi-public organisations across Norfolk. All the costs (and efficiencies) of administering the Pension Fund are met by (or benefit) the Fund. The Fund is accountable to all its stakeholders (employers and members) via the Pensions Committee.
- 1.2. Savings on Pension Fund expenditure accrue within the Fund. They do not contribute directly towards, for example, Norfolk County Council's cost reduction targets, or those of any of the other employers in the Fund. Likewise, Pension Fund budgetary cost pressures are not met by any one single employer but are shared across all Fund employers as a small fraction of the contribution rate set at each Triennial Valuation.
- 1.3. Each year the Norfolk Pension Fund prepares a budget built upon its Service Development Plan. Where possible, the Service Development Plan takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year.

For 2022-23, this includes:

- 2022 Triennial Valuation.
 - The Norfolk Pension Fund Strategic Review.
 - Managing the impact of incremental increases in the number of employers joining the LGPS and ensuring resources are in place to meet demand.
 - Managing the impact of regulatory developments (e.g., McCloud and the Pension Regulator's combine code) and public sector pension reforms (e.g., exit pay reform).
- 1.4. The proposed budget for 2022-23 of £4.034m includes a number of significant projects totalling £584K. Many of these projects have previously been highlighted to Committee and include for example, provision for the Strategic Review and delivery of the 2022 Triennial valuation.

2. Norfolk Pension Fund Strategic Review

- 2.1. Delivery of the recommendations from the Strategic Review undertaken by Hymans Robertson and as reported to February Pensions Committee in 2019 is via the Strategic Review Programme. Pre-approved full-year budget growth relating to the new organisational structures for Governance, National LGPS Frameworks, Employer Services and Scheme Administration have been included in the 2022-23 budget.
- 2.2. Recruitment to the two posts added to the Governance team and four posts added to the Administration team is underway. As part of the 2022-23 budget planning an additional post has been added to the Investment, Accounting and Governance budget as part of the planning for new Employer services team. The table below shows the part-year 2021-22 budget and the full year growth (pre-approved) for the 2022-23 budget required to implement the new organisational structures.

	Revised 2021-22 Budget Col 1	2022-23 (full year estimated cost reported to Pensions Committee 2nd March 2021) Col 2	Growth added to the 2022-23 Base Budget (Col 2- Col 1) Col 3
Governance 2 posts, 1 Employers Services post (part funded from Growth)	27,079	108,317	82,753
Subtotal	27,079	108,317	82,753
Administration (4 posts)	59,091	118,182	57,576
Subtotal	59,091	118,182	57,576
Grand Total	86,170	226,499	140,329

- 2.3. The estimated full year cost of £226,499 to implement the new structure is less than the range of £300K-£400k estimated when the original Strategic Review was approved in 2019.

3. Efficiency and Value for Money

- 3.1. The Fund has absorbed an increasing workload over the last few years, particularly in respect of member administration and employers. Total Fund membership has increased year on year and the number of employers with active membership more than doubling in the last 8 years.
- 3.2. At 31st December 2021 there were 29,837 active scheme members, a small decrease in overall numbers from 31st March 2021 (30,257). This apparent stability masks the churn in active membership, with the actual turnover of active members including 5,178 individual new starters and 5,598 leavers. This turnover provides a significant proportion of the Fund's administration workload in respect of starters and leavers and member transfer arrangements.

	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021
Active	27,254	27,638	28,030	28,469	28,837	29,067	29,317	30,257
Deferred	26,776	29,125	32,477	34,216	36,520	36,947	36,700	37,106
Pensioner	20,887	21,247	22,215	23,220	24,211	25,354	26,343	27,370
Total	74,917	78,010	82,722	85,905	89,568	91,368	92,360	94,733

- 3.3. Total employers with active members in the scheme have also increased - doubling in the last 8 years. The number of active employers as at 31st December 2021 was 420.

	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021
Employers	181	233	262	322	369	400	414	425

4. 2021-22 Pension Fund Budget

- 4.1. At the end of December 2021, the assets of the Fund were approximately £4.9 billion, and the proposed 2022-23 Pension Fund Budget equates to just 0.08% of this value. The 2022-23 budget includes provision for external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy, accounting, governance, benefit administration and retired members payroll, facilities and support services, one-off projects and the Local Pension Board. This budget does not include Investment Expenses (circa £26m). These expenses are validated and reviewed as part of the Fund's investment monitoring.

4.2. The detailed Norfolk Pension Fund budget for 2022-23 is attached at Appendix 1.

4.3. A high-level comparison of the proposed 2022-23 budget with the current approved 2021-22 budget is shown in the following table:

Service	Budget 2021-22 (£)	2022-23 Base Budget (including pre-approved growth agreed by Pensions Committee 2nd March 2021) (£)	Budget 2022-23 (£)	Change (%)
Advisory Fees	428,000	444,000	454,000	2%
Investment, Accounting and Governance	847,000	961,950	1,021,000	6%
Administration Services	1,497,000	1,522,380	1,547,000	2%
Facilities & Support Services	413,000	413,000	374,000	-9%
Projects	406,500	406,500	583,500	44%
Pension Board	54,000	54,000	54,000	0%
Total	3,645,500	£3,801,830	£4,033,500	6%

4.4. The year-on-year comparison shows an increase in the budget of 6%. A detailed analysis of the movements in the budgets is shown below.

5. Analysis of Budget Movement

5.1. Advisory Fees – Appendix 1a

Category	2021-22 Budget (£)	2022-23 Base Budget (including pre-approved growth agreed by Pensions Committee 2nd March 2021) (£)	Budget 2022-23 (£)	Change (%)
Actuarial Support	150,000	150,000	150,000	0%
Investment Consultancy	68,000	84,000	84,000	0%
Investment Services	145,000	145,000	155,000	7%
Legal Fees	65,000	65,000	65,000	0%
Total	428,000	444,000	454,000	2%

5.2. The Advisory budget is made up of four main headings, Actuarial Support, Investment Consultancy, Investment services and Legal Fees. For 2022-23 the advisory budget shows an increase of £10K over the 2022-23 base budget including pre-approved growth agreed by Pensions Committee in March 2021 of £16K in respect of Climate Risk Analysis.

5.3. Actuarial Support budget is used to meet the cost of expert advice and calculations including negotiations with other funds where required. It also includes provision for the Actuary's attendance at Committee, advice on legislative reform such as McCloud, Goodwin and the £95K exit cap, support on fund policy updates and reviews. It provides for attendance at events to promote employer knowledge and understanding of the Pension Fund and specifically the nature and risks associated with pension funding.

5.4. The Investment Consultancy budget provides for advice in relation to the Fund's Investment Strategy including reporting to and attendance at Committee by the Investment Consultant, monitoring, and advice in respect of the incumbent investment managers and a provision for advice relating to ad-hoc investment issues. The 2022-23 base budget for Investment Consultancy includes pre-approved growth agreed by Pensions Committee in March 2021 of £16K in respect of Climate Risk Analysis.

5.5. The Investment Services budget shows a net increase of £10K. This is due to an increase in the ACCESS contract management support costs. The ACCESS support unit (ASU) is hosted by the Essex Pension Fund and manages the contractual relationship with the pool operator (Link Asset Services) on behalf of

the 11 ACCESS funds. There has been a £10K uplift to the annual ASU cost which now stands at £124K.

- 5.6. The budget in respect of Legal Fees provides for professional and technical legal advice in respect of the recent infrastructure/real asset appointments.
- 5.7. Any specific costs arising from future changes to the existing Fund Manager line-up in 2022-23 will be brought to the Pensions Committee for separate approval during the year.

5.8. **Investment, Accounting and Governance Strategy Services – Appendix 1b**

5.9.

Category	2021-22 Budget (£)	2022-23 Base Budget (including pre- approved growth agreed by Pensions Committee 2nd March 2021 (£)	2022-23 Budget (£)	% Increase/ Decrease
Staff Costs	677,000	792,000	844,000	7%
Hired and Contracted Services	121,500	121,500	128,000	5%
Membership of Organisations and Statutory Levies	38,500	38,500	39,000	1%
Internal NCC Recharges	10,000	10,000	10,000	0%
Total	847,000	962,000	1,021,000	6%

- 5.10. This service is responsible for investment strategy, accountancy, governance, business support and oversight of the funds' projects. The proposed Investment Strategy budget for 2022-23 shows a net increase of £59K over the 2022-23 base budget including pre-approved growth agreed by Pensions Committee in March 2021 of £83K in respect of the additional posts and a virement of £32K from the Administration budget to part fund the additional Employer Services Post.
- 5.11. The increase of £59K is mainly due to a £53K inflationary cost pressure in respect of staff salary costs for the 2021-22 (1.75%) and 2022-23 (3%) estimated pay awards, and the estimated impact of the Employer National Insurance Contribution Increase on oncosts (estimated impact 1.25%).
- 5.12. There is also an increase of £6K on the Hired and Contracted services as a result of the salary inflation and the Employer (National Insurance) on-cost increase detailed above. This part of the budget includes elements of the Corporate Authority recharging staff costs giving rise to a small inflationary uplift in the associated Service Level Agreement charge.

5.13. **Administration Services – Appendix 1c**

Category	2021-22 Budget (£)	2022-23 Base Budget (including pre- approved growth agreed by Pensions Committee 2nd March 2021 (£)	2022-23 Budget (£)	% Increase/ Decrease
Staff Costs	1,183,000	1,208,380	1,243,000	3%
Operational Costs	339,000	339,000	331,000	-2%
Pensions Payroll Income	-25,000	-25,000	-27,000	8%
Total	1,497,000	1,522,380	1,547,000	2%

- 5.14. The Administration budget for 2022-23 shows a net increase of £25K over the 2022-23 base budget including pre-approved growth agreed by Pensions Committee in March 2021 of £57K in respect of the additional posts and a virement of £32K to the Investment, Accountancy and Governance budget to part fund the additional Employer Services Post.
- 5.15. The increase of £25K is due to a net £35K inflationary cost pressure in respect of staff salary costs for the 2021-22 (1.75%) and 2022-23 (3%) estimated pay awards, team restructuring, and the estimated impact of the Employer National

Insurance Contribution Increase on oncosts (estimated impact 1.25%).

- 5.16. There is an -£8K saving on new Administration Software system with the new contract price being applicable from late Autumn 2021. The balance of the £30K total annual savings as a result of the new contract reported to Committee in March 2021 accrue within the Facilities budget.
- 5.17. The income budget for Pensions Payroll has been increased by £2K to reflect additional charging for the administration of non-LGPS pension payroll services. This third-party income reduces the net cost of the service.

5.18. **Facilities and Support Services – Appendix 1d**

5.19.

Category	2021-22 Budget (£)	2022-23 Budget (£)	% Increase/ Decrease
Facilities	176,000	174,000	-1%
Support Services	81,000	72,000	-11%
Training & Recruitment	43,500	43,500	0%
Communication Expenses	100,500	107,500	7%
Online Services	35,000	5,000	-86%
Income	-23,000	-28,000	22%
Total	413,000	374,000	-9%

- 5.20. The Facilities and Support Services budget includes property costs relating to Lawrence House and other operational expenses. The Training and Recruitment budget includes team and technical training and continuing professional development for staff plus Pensions Committee training.
- 5.21. The proposed Facilities & Support Services budget for 2022-23 shows a net decrease of -£39K. The net reduced budget is mainly due to the impact of the COVID19 Global Pandemic and the introduction of new “smarter” ways of working.
- 5.22. A separate report including an additional 2022-23 budgetary provision associated with future service delivery and accommodation is included at item 13 on this agenda.

5.23 **Projects – Appendix 1e**

5.24.

Project	2022-23 Budget (£)
<u>Strategic Review</u>	
Structural Review and Governance Projects	50,000
Admin Software Mcleod support and Service Plan	40,000
<u>Valuation 2022</u>	
2022 Triennial Valuation	360,000
<u>Reform, regulation and best practice</u>	
Cyber Security	10,000
Task force on Climate-Related Financial Disclosures	60,000
<u>Investment Pooling</u>	
LGPS Investment Pooling (ACCESS)	40,000
<u>Contract Maintenance</u>	
Investment Consultancy 3 Framework Founder Fee	7,500
Legal Services 3 Framework Founder Fee	6,000
Stewardship 2 Framework Founder Fee	10,000
Total	583,500

- 5.25. Project spend is one-off, non-recurring. The major projects proposed for 2022-23 include:
- Norfolk Pension Fund Strategic Review (£50k) – This budget will enable the Fund to complete the final elements of the design and implementation of the recommendations from the structural review programme undertaken

by Hymans Robertson including a project closure report which will be presented to Pensions Committee in June.

- Admin Software McCloud support and Service Plan (£40k)- This budget will meet the cost of software changes required to implement the McCloud remedy and the redesign of workflow processes.
- 2022 Triennial Valuation (£360K) – Estimated costs associated with any additional actuarial work preparing for the 2022 Triennial valuation, including the provision of Compass modelling data.
- Cyber security (£10K) – Cyber security is an area of increasing concern across the sector. A full review of cyber security is underway which may require specialist support or system / technical / process changes as a result.
- Task force on Climate related Financial Disclosures (£60K) – Estimated costs to facilitate implementation of the required disclosure reporting on the Funds investment portfolio.
- LGPS Pooling Governance Advice (ACCESS) £40K – This budget provides for professional and technical support in relation to governance and on-boarding work relating to the ACCESS Pool.
- Investment Consultancy 3 Framework Founder Fee (£7.5K), Legal Services 3 Framework Founder Fee (£6K), Stewardship 2 Framework Founder Fee (£10K) – These budgets will be used to meet the Founder Fees in respect of these procurement frameworks.

5.26. Pension Board – Appendix 1f

	2021-22 Budget (£)	2022-23 Budget (£)	% Increase/ Decrease
Board Development and Training	36,000	40,000	11%
Member Allowances and Costs	6,000	3,000	-50%
Secretariat	2,000	3,000	50%
Advice and Guidance	10,000	8,000	-20%
Total	54,000	54,000	0%

5.28. In accordance with Section 5 of the Public Service Pensions Act 2013 and the Public Service Pension Scheme (Amendment) (Governance) Regulations 2015, the Norfolk Pension Fund has established a local Pension Board. The Board includes representatives of scheme members and employers and assists the Administering Authority in ensuring the effective and efficient governance of the Scheme, in line with regulations.

5.29. National LGPS Procurement Frameworks Project – Appendix 1g

	Proposed 2022-23 Budget (£)
Expenses	
Net Deficit/(Surplus) Brought Forward	-1,200,002
Staff Costs	352,592
Guidance notes and website	17,000
Procurement	30,000
Legal Fees	86,000
Central O/H	46,200
Specialist Advice	15,000
Contingency	28,000
Founder Fee Reimbursement	27,100
Subtotal	-598,110
Income	
Founders	-158,500
Joiners	-42,500

Rebate	-198,250
Subtotal	-399,250
Grand Total	-997,360
Carry Forward Yr End Bal.	997,360
Grand Total after C/F	0

- 5.31. The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of live frameworks being hosted by Norfolk is 11 (plus 5 closed frameworks generating still generating income).
- 5.32. Due to the long lifespan of each framework and the need to distribute the framework surplus to founders and joiners, the annual net accumulated actual income or expenditure position is carried forward each financial year. Therefore, for budgeting purposes, the Frameworks budgets balance to zero after the roll forward of the forecast actual surplus or deficit forecast above.
- 5.33. Costs associated with the set up and ongoing running costs of each framework include direct framework costs for dedicated framework posts and bought in services such as procurement advice, specialist advisor and legal fees, publicity, launch costs and website hosting. The salary costs of other Norfolk Pension Fund staff involved in the frameworks are also recharged. Framework income and expenditure is monitored closely in order to ensure that income over the lifetime of a framework exceeds expenditure and internal controls have been developed to take appropriate action for deficits rolling forward for more than two financial years.
- 5.34. On termination of the final contract call off, any surplus generated by each framework will be transferred to the Frameworks Development Fund unless agreed otherwise with Founder Members. Each framework is monitored on a rolling basis and action taken if a deficit position persists for more than two financial years. There are agreements in place with Founders to address the appropriate remedial action.
- 5.35. An annual outturn position for each framework is produced and reported to the Founder Members at their Annual Meeting. Details of the framework outturn will also be reported to Pension Committee in June 2022.
- 5.36. The National LGPS Frameworks - 'by the LGPS, for the LGPS' – are enabling the LGPS to efficiently and effectively access high-quality value for money services via an OJEU (or equivalent public procurement) compliant route, reducing procurement timescales and procurement costs. Together with volume rebates it is estimated that the National LGPS Frameworks have saved the LGPS over £141M, together with over 186 years of effort, since their launch in 2012.

6. Budget Monitoring

- 6.1. The budget is monitored by the Pension Fund Management Team throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit.
- 6.2. The table below shows actual spend to date against the approved 2021-22 budget as at 31 January 2022. The budget is not profiled to reflect periodic charges such as six monthly, annual invoicing and contractual pre-payments. It is estimated the total outturn for the Fund in 2021-22 will be £3.1M representing a spend of 85% of the budget.

6.3

Service	Budget 2021-22 (£)	Actual Spend to Jan 2022 (£)	% Spent
Advisory Fees	428,000	286,508	67%
Investment, Accounting and Governance	847,000	495,035	58%
Administration Services	1,497,000	1,544,447	103%
Facilities & Support Services	413,000	285,353	63%
Projects	406,500	187,152	46%
Pension Board	54,000	32,979	61%
Total	3,645,500	2,831,474	78%

7. Financial and other Resource Implications

- 7.1. At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

8. Risk Implications/Assessment

- 8.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

9. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 9.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 9.2 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.

9.3 Data Protection Impact Assessments (DPIA)

- 9.4 We have not identified any data protection implications for the content of this report.

10. Recommendation

- 10.1. The Pensions Committee approves the Pension Fund 2022-2023 budget.

11. Background Papers

- 11.1. Appendix 1 - Norfolk Pension Fund Budget for 2022-23
 Appendix 1a - Advisory Fees
 Appendix 1b - Investment Strategy Services
 Appendix 1c - Administration Services
 Appendix 1d - Facilities and Support Services
 Appendix 1e - Projects
 Appendix 1f - Pension Board
 Appendix 1g - Frameworks

Officer Contact

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

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Pensions Budget 2022-23

2021-22 (£)	Division	2022-23 (£)
428,000	Advisory Fees (Appendix 1a)	454,000
847,000	Investment, Accounting and Governance Services (Appendix 1b)	1,021,000
1,497,000	Administration Services (Appendix 1c)	1,547,000
413,000	Facilities and Support Services (Appendix 1d)	374,000
406,500	Projects (Appendix 1e)	583,500
54,000	Pension Board (Appendix 1f)	54,000
0	Frameworks (Appendix 1g)	0
3,645,500	Total	4,033,500

Advisory Fees Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
	Actuarial Fees	
80,000	Actuarial Support Fees	80,000
10,000	Demographic Profiling (Club Vita)	10,000
60,000	Unitisation	60,000
150,000	Subtotal	150,000
	Investment Consultancy	
40,000	General Investment Advice	40,000
16,000	Committee Attendance & Preparation by Investment Advisor	16,000
12,000	Quarterly Analysis & Reporting to Committee	12,000
0	Climate Risk Analysis	16,000
68,000	Subtotal	84,000
	Investment Services	
30,000	Performance Monitoring	30,000
115,000	ACCESS ASU	125,000
145,000	Subtotal	155,000
	Legal Fees	
65,000	External Legal Advice	65,000
65,000	Subtotal	65,000
428,000	Total	454,000

Investment, Accounting and Governance Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
677,000	Staff Costs	844,000
677,000	Subtotal	844,000
	Hired & Contracted Services	
1,500	Internal Dispute Resolution Process (IDRP) Fees/Advice	6,000
61,000	External Audit Fees	61,000
25,000	Internal Audit Fees	27,000
20,000	Internal Legal Fees	20,000
8,000	Treasury Management Fees	8,000
4,000	Accounts Receivable Recharge	4,000
2,000	Accounts Payable Recharge	2,000
121,500	Subtotal	128,000
	Membership of Organisations plus Statutory Levies	
7,500	Local Government Employers Levy	8,000
10,000	LGPS Advisory Board	9,000
10,000	Local Authority Pension Fund Forum (LAPFF) Membership	11,000
11,000	National Association of Pension Funds (NAPF) Membership	11,000
38,500	Subtotal	39,000
	Internal Recharges (NCC - Corporate Finance)	
10,000	Staff	10,000
10,000	Subtotal	10,000
847,000	Total	1,021,000

Administration Services Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
1,183,000	Staff Costs	1,243,000
1,183,000	Subtotal	1,243,000
	Operational Costs	
2,000	Archive Storage	2,000
324,000	Heywoods Fees	316,000
13,000	Mortality Screening/Life Certificate/Member Tracing	13,000
339,000	Subtotal	331,000
	Income	
-25,000	Pensions Payroll	-27,000
-25,000	Subtotal	-27,000
1,497,000	Total	1,547,000

Facilities & Support Services Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
	Facilities	
80,000	Rent	80,000
53,000	Rates	53,000
25,000	Service Charge	25,000
4,500	Utilities	4,500
9,000	Cleaning/Refuse	9,000
2,000	General Maintenance	0
1,000	Buildings Insurance	1,000
1,500	Norfolk Property Services Fees	1,500
176,000	Subtotal	174,000
	Support Services	
7,000	ICT Network /Telephones etc	2,000
16,500	Copiers/Stationery/Contents Insurance etc	10,500
0	Courier/Post Collection	0
55,000	Postage	55,000
500	Business Continuity	500
2,000	IT Equipment Purchase	4,000
81,000	Subtotal	72,000
	Training & Recruitment	
31,500	Staff Training	26,000
10,000	Committee Member Training	15,500
2,000	Recruitment	2,000
43,500	Subtotal	43,500
	Communication Expenses	
5,000	Pre-Retirement Courses	5,000
0	Events	2,500
95,500	Communications	100,000
100,500	Subtotal	107,500
	Online Services	
35,000	Annual Fee	5,000
35,000	Subtotal	5,000
	Income	
0	Pensioners Week Sponsorship	
-23,000	Frameworks Recharge	-28,000
-23,000	Subtotal	-28,000
413,000	Total	374,000

Projects Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
	<u>Strategic Review</u>	
150,000	Structural Review and Governance Projects	50,000
0	Admin Software Mcleod support and Service Plan	40,000
	<u>Valuation 2022</u>	
80,000	2022 Triennial Valuation	360,000
	<u>Reform, regulation and best practice</u>	
5,000	Website	0
5,000	Accommodation/Lease Review	0
10,000	Cyber Security	10,000
0	Task force on Climate-Related Financial Disclosures	60,000
	<u>Investment Pooling</u>	
40,000	LGPS Investment Pooling (ACCESS)	40,000
40,000	Investment Strategy Implementation	0
	<u>Contract Maintenance</u>	
18,000	Custodian Framework Founder Fee	0
30,000	Custodian Framework Call Off	0
6,000	Actuarial 3 Framework Founder Fee	0
15,000	Actuarial 3 Framework Call Off	0
7,500	Investment Consultancy 3 Framework Founder Fee	7,500
0	Legal Services 3 Framework Founder Fee	6,000
0	Stewardship 2 Framework Founder Fee	10,000
406,500	Total	583,500

Pension Board Budget 2022-23

2021-22 (£)	Category	2022-23 (£)
36,000	Board Development and Training	40,000
6,000	Member Allowances and Costs	3,000
2,000	Secretariat	3,000
10,000	Advice & Guidance	8,000
54,000	Total	54,000

Frameworks Budget 2022-23**Appendix 1g**

Category	2022-23 (£)
Expenses	
Net Deficit/(Surplus) Brought Forward	-1,200,002
Staff Costs	352,592
Guidance notes and website	17,000
Procurement	30,000
Legal Fees	86,000
Central O/H	46,200
Specialist Advice	15,000
Contingency	28,000
Founder Fee Reimbursement	27,100
Subtotal	-598,110
Income	
Founders	-158,500
Joiners	-42,500
Rebate	-198,250
Subtotal	-399,250
Total	-997,360
Carry Forward Yr End Bal.	997,360
Grand Total after C/F	0

Report title:	Corporate Governance and Shareholder Engagement Report
Date of meeting:	1 March 2022
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
<p>Executive Summary</p> <p>This report is the six-month update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund including ESG matters relating to the ACCESS Pool. The report covers the period 1 July 2021 to 31 December 2021.</p> <p>Recommendations</p> <p>The Pensions Committee is asked to consider and note the contents of this report and approve the Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment for publication.</p>	

1. Background and Purpose

- 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 Fund believes that through the adoption of good practice in corporate governance, environmental and social matters, the management of companies will improve, and long-term shareholder value will increase. The Fund's 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 and raise awareness of Environmental, Social and Environmental (ESG) issues. 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 any detrimental 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 During the period between July and December 2021, voting has been undertaken by the investment managers in accordance with the ACCESS Pool policy described in section 7 to this report. The investment managers used by the Fund have continued to engage with companies and markets to improve governance generally.
- 1.5 We continue to disclose manager engagement policies on our website including a direct link to the Managers ESG/RI website.

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 During the third and fourth quarters of 2021 (01 July 2021 to 31 December 2021) there were 30 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 519 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. These votes are now made entirely through the LINK platform.

Votes "For"	511
Votes "Against"	7
Votes Abstained from	<u>1</u>
Total Votes	519

- 2.3 Votes against the management of UK companies on the LINK platform where the Fund Manager has elected to override the ACCESS policy (comply or explain) are shown in Appendix A.

3. Engagement

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

4. Voting and Engagement - Pooled Funds

- 4.1 UBS invest in pooled passive 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 noted that UBS operate a high-quality programme of corporate governance. An update of all the managers activity is included in Appendix B.

5. Responsible Investment Active Equity Manager Ratings

- 5.1 Hymans have developed an approach to rate investment managers and products by considering how responsible investment (RI) matters are addressed and integrated within investment manager's decision making. The premise being that investment managers who effectively integrate responsible investment into their investment decision making can help deliver better risk adjusted returns.
- 5.2 Hymans include an RI rating for Norfolk's equity managers in the quarterly performance report.

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 July and October. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
14 th July 2021	<ul style="list-style-type: none">• Response to the Department of Business Energy and Industry Strategy on FRC and Audit White Paper• Zero carbon initiatives and voting• IIGCC Investor Position Statement – Voting on Transition Planning• Israeli Palestinian Engagement• Mining Paper part 2• Draft Quarterly Engagement Report
6 th October 2021	<ul style="list-style-type: none">• Carbon taxes, levies, and subsidies, offset trading and overlaps with 'greenwash'• Nuclear power and net zero• Direct air capture• Mining and Human Rights• Draft Quarterly Engagement Report

7. LGPS Pooling

- 7.1 The Fund's 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 As detailed in its 2021-22 Business Plan, ACCESS has committed to undertake a review of its responsible investment/environmental, social and governance policy. ACCESS has appointed Minerva as the specialist Responsible Investment (RI) / Environmental Social Governance (ESG) advisor to the Pool. The outcomes of the Minerva work and their recommendations in respect of the development of RI / ESG principles for the pool are currently under consideration.
- 7.3 On 3rd February Norfolk Pension Committee members along with Pensions Oversight Board and Pension Fund staff attended an RI / ESG workshop. The workshop covered the following key areas:
- Update from Minerva on progress with the ACCESS RI / ESG guidelines
 - Draft of Norfolk Pension Fund Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment
 - Climate Change reporting - Task Force on Climate-related Financial Disclosures
- 7.4 A copy of the draft of the Norfolk Pension Fund Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) aspects of Investment is attached at Appendix C for discussion.
- 7.5 The statement was discussed at the last meeting of Pensions Committee. It does not change or update any current policies or approaches but is intended to bring

together and explain the clear purpose on the Fund and the approach it takes on such matters. The document is designed to bring this information together in one place. We hope that this will assist stakeholders to understand this aspect of the Fund and allow us to answer queries more efficiently.

8.0 Portfolio Carbon Measurement

- 8.1 The Fund has worked with Hymans Robertson to develop a regular climate risk report across its public equity portfolios on a six-monthly basis. The detailed report is presented as part of the investment update report at item 16. The public summary of this reporting is shown as Appendix D to this item. This summary will be available from our website after the date of this meeting.

9. Financial and other Resource Implications

- 9.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

10. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 10.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.
- 10.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to take into account. There are no issues relevant to equality in this report.
- 10.3 **Data Protection Impact Assessments (DPIA)**
- 10.4 We have not identified any data protection implications for the content of this report.

11. Risk Implications/Assessment

- 11.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

12. Recommendations

- 12.1 The Pensions Committee is asked to consider and note the contents of this report and approve the Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment for publication.

13. Background Papers

- 13.1 Appendix A – 2021 Q3 & Q4 Voting and Results UK
Appendix B – Engagement 01 July 2021 to 31 December 2021
Appendix C - Draft of the Norfolk Pension Fund Statement on Disinvestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment
Appendix D – Summary Climate Risk Analysis

Officer Contact

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

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote		For		Against		Abstain
4	halma plc	to approve the remuneration policy	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	22-Jul-21	Management	Against	176,723,996	58.7%	116,952,309	38.8%	7,547,634	2.5%
20	bhp group plc	approval of the climate transition action plan	A Vote AGAINST due to opposing the company's Climate Transition Action Plan. Whilst they believe that the company has made good progress with their approach to climate and climate-related goals, they are concerned that their targets miss out a significant proportion of their emissions and believe they need to be more ambitious in their target setting.	14-Oct-21	Management	Against	2,421,274,713	81.8%	430,725,050	14.6%	107,150,517	3.6%
11	asos plc	to re-appoint pricewaterhousecoopers llp as auditors of the company	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	07-Dec-21	Management	Against	80,758,523	96.72%	2,119,655	2.54%	619,790	0.74%
12	asos plc	to authorise the directors to determine the amount of the auditors' remuneration	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	07-Dec-21	Management	Against	81,633,562	97.8%	1,858,416	2.2%	5,990	0.0%
2	associated british foods plc	approve remuneration report	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	10-Dec-21	Management	Against	604,806,298	88.43%	77,512,539	11.33%	1,650,382	0.24%

Engagement during the period 1 July 2021 to 31 December 2021**UBS**

In quarter three, UBS participated in a collective engagement call with the BHP Group, organised by the UK Investor Forum. BHP outlined its rationale for board recommendations on upcoming shareholder resolutions. The company also provided details for supporting its Climate Transition Action Plan (CTAP), based on its views of Paris alignment. A leading proxy advisor had recommended voting against the plan and the company outlined its concerns with the methodology used to arrive at that conclusion.

BHP's position is (i) scenario analysis shows that the more the world decarbonises, the more valuable BHP becomes; (ii) CTAP has been presented for advisory vote to provide feedback and comments, and while not binding the board will take outcomes into account, and repeat the vote every three years; (iii) Scope 3 progress being made through sale of coal and oil & gas assets, targets on direct suppliers and shipping, focus on partnership with steel customers, and net zero ambition for 2050; (iv) capital allocation now incorporates Greenhouse Gas (GHG) reduction targets and goals; and (v) will incorporate Paris alignment (including 1.5D) into strategy and capex processes in 2022.

UBS used this information and feedback to questions raised into account as part of their voting decision at AGM in October. UBS subsequently decided to support the company's climate proposal, and continue engagement on this topic, particularly in regard to a regular say-on-climate vote for shareholders and links to executive remuneration.

Following a significant vote against the company's say-on-pay vote in the first quarter, UBS engaged with Starbucks Corp on remuneration to provide feedback. UBS advised the company that they would like to see the use of one-off awards reduced to the bare minimum and only in exceptional circumstances and with a clear justification. In addition, such awards should be equity-based and based on stretching targets. UBS also provided their view that the key concern which led to the defeat of the say-on-pay vote was the cash-based retention award granted to the CEO Kevin Johnson worth \$25 million at target.

While the company explained this as a retention mechanism, UBS explained that the cash-based nature and the insufficiently stretching targets of these awards are far below US best practice and what investors would expect for an award of such type and size. This concern is further compounded by the fact that the Board already granted one-off equity-based awards worth \$5 million to the CEO last year. UBS further provided their view that the company should seek to refresh the composition of the Remuneration Committee through the appointment of directors with a clear understanding of investor expectations in regard to governance and related executive pay.

In quarter four, UBS had a number of governance concerns ahead of the Nike 2021 AGM, which reflected in withholding support for the election of the Chair of the Audit Committee as well as the Say-on-pay vote. The concerns related to a lack of refreshment of the Board and its key committees over time, the conditions of performance-based pay, the retention of a dual-class share structure and a classified Board.

UBS engaged with Nike on these issues, however while the company showed a willingness to listen to their views, no commitment was received to address any of the concerns identified. UBS intend to continue the dialogue and will be additionally discussing issues

related to human rights, which were highlighted at the AGM through shareholder proposals which received strong overall support.

UBS initiated engagement on ESG topics with Ubisoft in March 2021, in the wake of numerous misconduct and sexual harassment allegations that impacted senior managers of the company in early 2021. At that time, UBS had a discussion with the CFO to better understand the extent and nature of the allegations, the immediate actions taken by the company to address the issue in the short term (including the dismissal of some employees accused of misconduct), and the planned actions to improve conduct and culture over the long term. At the time UBS stressed the importance of maintaining a healthy corporate culture, and the paramount need to restore a workplace that would value and protect all employees.

In December 2021, UBS had a follow up call with the CFO and the Lead Independent Director of Ubisoft to receive an update on the actions taken by the company to improve its corporate culture and reputation. UBS were pleased to learn about the deep restructuring of the HR function, which is now led by a Chief People Officer recruited from outside the company, who is leading the effort to improve support for employees in these delicate circumstances. In addition, the company has improved employee engagement, diversity at Board and leadership level, and the quality of whistleblowing tools.

As a result, the number and severity of misconduct claims declined materially, and are now comparable with average levels for international organisations. While UBS recognise that the company has already improved substantially on this topic, they will continue to monitor developments in the future, focusing particularly on expected positive impacts on talent management.

Link Asset Services - Capital

Caterpillar are a global leader in construction and mining equipment and a major producer of diesel engines. In 2020, industrial power generation for energy and transportation accounted for 40% of Caterpillar's revenues. In August 2021, Capital met with the new divisional CEO at Caterpillar's Texas facility. Caterpillar showcased some of its pioneering net zero technologies including the world's first hydrogen blending diesel engine. Capital was particularly impressed by a demonstration of hydrogen powering a 5,000-horsepower reciprocating engine that was originally designed for diesel.

Hydrogen is an explosive gas so putting it into an existing ordinary diesel engine is not usually possible. However, Caterpillar has developed proprietary technology that offers continuous power by alternating between hydrogen, natural gas and diesel to maximise cost savings and fuel emissions. What is striking is that this technology can be used for the highest density, most extreme applications – think ships rather than passenger cars. This technology has the potential to lower carbon footprint and fuel costs, and therefore help the entire energy industry meet its ESG carbon emissions goals. In stark contrast to the perception that Caterpillar is a laggard in energy transition, Capital firmly believes that it could be a key facilitator.

Rosneft Oil is a Russia-based integrated energy company. Capital met with the company's Deputy Head of Investor Relations to discuss a number of ESG-related issues, with a particular focus on employee safety in quarter three. Rosneft has a poor record in terms of employee safety and fatalities and Capital Group wanted to understand what more could be

done to address this issue. Rosneft's investor relations representative acknowledged that this is the core area for improvement. The company is working on a public commitment and statement of intent to reach zero harm and zero fatalities. Capital supported this idea as it would send a strong message externally and internally. Rosneft's efforts to reduce fatalities have focused on transport safety, given that air and road accidents have accounted for many of the deaths.

In air safety, Rosneft has tightened criteria around the age of its air fleet and work experience of pilots. It conducts a health and safety audit of every contractor and has also created a committee for airline safety. In terms of road safety, the company is working to reduce both the number and seriousness of road accidents. Vehicles are to be equipped with monitoring assistance – tracking location, speed and compliance with road safety rules. Capital was encouraged by Rosneft's willingness to engage, and to disclose detailed data on safety performance, and continues to monitor for improvements across all business areas.

In quarter four, Capital continued its engagement activity with energy multinational Chevron, which has focused on the development of its energy transition strategy. In late 2021, Chevron published and updated its Climate Change Resilience report¹ and targets, which included: a) Adopting a new 2050 net zero ambition for upstream scope 1 and 2 emissions (operational emissions) b) Incorporating scope 3 emissions into targets for the first time (emissions that are from activities not controlled by the organisation but indirectly impact its value chain).

Capital had a follow-up meeting with Chevron's CEO and its General Manager, ESG Engagement. Capital noted that the net zero aspiration was a good starting point, but it is not as ambitious as some of Chevron's peers. Chevron explained its emphasis when setting targets was on achievable goals, grounded in science. Capital had previously asked for a mid-term target, which was absent. On the positive side, while targets for scope 3 emissions are modest, Chevron intends to include all assets in which it has an equity stake, which some competitors have excluded. While Capital is encouraged by the steps taken by Chevron, they think the company could go further and will continue to monitor its progress.

OBIC Co., Ltd. is a Japan-based company that provides enterprise resource planning (ERP) software primarily to large and medium-sized corporations. Capital met with the company's investor relations representative to discuss the low proportion of women in OBIC's management team and the firm as a whole. The company acknowledged that the gender gap exists in the company, with only 7% of its managers being female, although it noted that this number is on the rise. OBIC also said it expects the percentage of female employees to increase as new graduates join the firm.

Additionally, OBIC highlighted that in the past, key reasons female employees tended to leave the firm were marriage or after the arrival of a child, but now many are coming back. To assist their return, OBIC has made concerted efforts to ensure that the appropriate infrastructure is in place to support working women and retain female staff by offering various work options. Capital consider OBIC to be a firm that places a high value on its employees and will continue to monitor its progress in narrowing the gender gap and promoting workforce diversity and opportunity across the firm.

Link Asset Services - Mondrian

An important element of Mondrian's process is actively meeting with and engaging with management and the board of current and prospective investments. In order to support their analysis, at meetings with management analysts will discuss:

1. The current and long-term outlook for the business
2. The risks to that outlook and the company's business
3. The company's future business strategy
4. Governance policies and structures that support or hinder confidence in the future outlook

The latter will potentially include a discussion of governance policies, corporate structure, management and board experience and composition, remuneration policies, board oversight policies and procedures as well as policies on shareholder returns. To the extent that issues such as climate change, carbon emissions, human capital concerns and energy usage have been identified as potential risk factors to consider in evaluating the investment case of a particular company, analysts will conduct further investigation into the extent of these risks as well as risk mitigation. The findings from this questioning and disclosure will be incorporated into an overall investment evaluation of the company and highlighted in the ESG Summary Report.

Where it is found that the approach of direct engagement with the management and board of a company is ineffectual in dealing with Mondrian's concerns, subject to any regulatory restrictions and where it is in the clients' best interests to do so, Mondrian may act collectively with other shareholders and governance organisations. While Mondrian recognises the benefits of working alongside other likeminded investors and the likelihood that such engagement may be the most effective means of securing the required change, Mondrian would generally only participate in collective engagement on critical issues which may have a material impact on shareholder value. Any engagement would be reviewed on a case-by-case basis and would require the knowledge of the product CIO and the Compliance Officer.

Time Period:	Quarter 3 2021	Quarter 4 2021
Total Engagements Across Equity Teams:	329	316
Total Engagements with Global Equity strategy-related Companies:	192	178
Total Engagements with Norfolk Portfolio Companies:	22	29
Top Five Engagement Issues Across Equity Teams:	Labour	Supply Chain
	Ownership	Labour
	Supply Chain	Other Governance
	Board	Board
	Green Opportunities	Ownership
Top Five Engagement Issues with Norfolk Portfolio Companies:	Other Governance	Board
	Product Safety & Security	Other Governance
	Green Opportunities	Remuneration
	Board	Green Opportunities
	Other Social	Product Safety & Security

Mondrian systematically assess investments on their human capital risks and opportunities, and where financially material, incorporate these factors within valuations.

Link Asset Services - LF ACCESS UK Equity Core Fund (Baillie Gifford)

During the third quarter, Baillie Gifford engaged with Rio Tinto's principal advisor on climate change. The discussion focused on the company's intention to submit a say-on-climate proposal at its next AGM. Baillie Gifford repeated their belief that climate is a material consideration for the company. Accordingly, they believe the board has responsibility for ensuring successful implementation of the climate strategy. Baillie Gifford outlined some concerns with the proposed resolution, specifically that it is advisory, it will hand significant influence to proxy advisors and consultants and may reduce accountability from the board. Baillie Gifford also outlined their belief that an annual vote is not necessary as they want to avoid an endless cycle of shareholder engagement and short-term progress assessments.

There are concerning parallels with the say-on-pay resolutions, which have disappointed in their ability to improve pay-for-performance and alignment and Baillie Gifford encouraged the company to take a long-term, forward-looking approach, which explains how the climate strategy relates to the broader business plan, how they intend to meet targets and where they see bottlenecks and opportunities. However, Baillie Gifford are apprehensive about the practicalities of a new advisory vote on a specific ESG topic and its effectiveness in supporting long-term value creation. Baillie Gifford remain committed to being a constructive steward of the business in its efforts to address climate change.

Baillie Gifford also had a call with the Chair of Abcam to discuss the outcome of a remuneration vote, board changes and the evolution of strategy following acquisitions. They also encouraged the board to make progress in articulating its climate strategy and to set targets to reduce emissions.

Baillie Gifford also met with the Senior Independent Director and the Chair of the Remuneration Committee of Integrafina to gather information and build the relationship. The discussion included executive director change, action taken to effectively address dissent on a number of resolutions at the March AGM, culture and the approach being taken to understand and manage carbon emissions in what is a relatively low-emitting business. The engagement was also an opportunity for Baillie Gifford to explain their approach to ESG and their willingness to act as a sounding board on remuneration.

In quarter four, Baillie Gifford engaged with BHP to discuss the climate transition resolution on the company's AGM agenda. Climate change is a material consideration for the company and Baillie Gifford believe the board has responsibility for ensuring successful implementation of the climate strategy. They outlined some concerns with the proposed resolution, specifically that it is advisory, it will hand significant influence to proxy advisors and consultants and may reduce accountability from the board. Baillie Gifford explained their belief that an annual vote is not necessary to avoid an endless cycle of shareholder engagement and short-term progress assessments. There were concerning parallels with the 'say-on-pay' resolutions, which have disappointed in the ability to improve pay-for-performance and alignment.

Baillie Gifford encouraged the company to take a long-term, forward-looking approach, which explains how the climate strategy relates to the broader business plan, how the company intends to meet targets and where it sees bottlenecks and opportunities. They

communicated the view to the company that it needs to set medium and long-term reduction targets for its scope 3 emissions. Whilst the company has set targets for its scope 1 and 2 emissions, these only represent around 5 per cent of BHP's carbon footprint. Baillie Gifford expressed disappointment with the scope 3 goals set as part of the climate transition plan. They do not believe they are sufficiently stretching and include several caveats, which undermines their rigour and accountability.

Baillie Gifford opposed BHP's climate transition plan at the AGM. The resolution received 83 per cent support and was passed. Baillie Gifford will continue to engage with the company to encourage them to take a more ambitious approach to addressing its value chain emissions and thus preparing the business for the low carbon transition.

Baillie Gifford also met with Standard Chartered for a stewardship update with members of management and the board. The directors provided an update on recent and upcoming board changes and the introduction of an ethnic diversity target at board level. They also discussed their refocused sustainability committee and the board's intention to propose an advisory net-zero transition plan for approval at the 2022 AGM. Baillie Gifford will review the company's net-zero transition plan ahead of the 2022 AGM and have recently participated in a remuneration policy consultation that will also be voted on.

Link Asset Services – LF ACCESS Global Ex UK Fund (Fidelity)

In quarter three, Fidelity engaged with Deutsche Telekom as part of their ESG Roadshow, during which they received updates and provided feedback on key sustainability topics. Particular issues discussed included: governance; GHG emissions; executive remuneration; employee management and digital ethics. Fidelity queried the firm on how they balance the interests of minority shareholders with the large government stake (c. 32%), and whether there will be a possibility of a change in the government's shareholding. The head of IR reflected that although the government elections will be held in the autumn, he does not foresee any near-term significant changes in the government stake. The company overachieved on their climate targets for 2008-2020 and have ratcheted up their hurdles for 2025. They aim for Net Zero in Scopes 1&2 by 2025 and 100% renewable electricity usage within 2021.

Fidelity was interested to learn to what extent the company links executive remuneration to ESG KPI's. They explained that this year, the top 200 managers have employee and customer satisfaction linked to their long-term incentive, and the company is integrating climate strategy (CO2 and energy usage) targets into short-term incentives. They also emphasized that some of their companies have diversity KPI's, although they are not linked to compensation at this point. The primary goal of the engagement was to better understand and be up to speed on the company's activities on key ESG issues, and this was achieved. Overall, the company does well on many ESG topics, especially for a large and complex company. Nonetheless, Fidelity was able to make selective points of feedback for improvement throughout the discussion, such as encouraging greater linkage of compensation to ESG KPI's.

Fidelity also met Evoqua Water Technologies to discuss recent retention grant awards and took the opportunity to discuss new voting policies along with other ESG topics and concerns with them. The first point of business was to discuss the one-off award granted to the executive management team. The Chair explained that 'We have a top team. Some competitors have tried to poach them, so we felt a one-off award was in the interest of the

company and the shareholders. We think this team can run a business an order of magnitude larger. On the way to doing that, we did not want to lose them. With this award we are making a good faith covenant with them. We also make it a heck of a lot more expensive for the next guy to hire them away.' Although Fidelity understood the reasoning, they made it clear they do not support one-off non-performance-based grants of this nature.

Fidelity also discussed other key ESG topics with the company, such as the detail provided on environmental and social metrics in the company's most recent Sustainability Report. While they applauded the information provided to date, they also clearly expressed their desire to see a higher standard of disclosure and explained that this included: baseline data; specific future targets; near and long-term targets, particularly for material areas such as D&I and climate emissions; as well as other social and environmental considerations.

The company seems well-aware of their current laggard status in terms of policies, practices and disclosure of ESG issues and they explained that they worked hard to gather and publish their current/existing information (status quo) and are now working hard to establish targets - for example, they are considering setting a Science Based Target (SBT) for their emissions plans. The Chair and management of Evoqua Water Technologies asked for Fidelity's ongoing input into their sustainability disclosures and approach, to which they readily agreed. Fidelity felt that an ESG outcome was achieved in that they clarified many of the expectations and the company committed to meeting these as they move forward and continuing to improve their practices.

In quarter four, Fidelity met with HSBC's CEO and Group Chief Sustainability officer to discuss the company's updated coal policy and climate strategy. HSBC's policy signals a clear commitment to address the banks' significant coal exposures and proactively finance the energy transition. The policy marks a significant step in their commitment to achieving Net Zero Emissions by 2050. The Bank has committed to phase out coal exposure by 2030 for OECD countries and 2040 for non-OECD countries. This aligns to Fidelity's own commitments and sends a strong message that HSBC is serious about addressing its exposure to coal. Additionally, the phase out commitment is supported by interim targets: the bank will achieve a 25% reduction to coal exposure by 2025 vs 2020 baseline and 50% reduction by 2030 with the remaining exposure exclusively in OECD countries as per the top-line commitment.

HSBC's large exposure in Asia, in particular to China and India, are a cause for concern. The climate policy will require a review of all transition plans by the end of 2022 and 2023 for OECD and non-OECD clients respectively, with annual reporting from clients thereafter. While the Bank has given no strong guidance on divestment plans, these requirements provide some mechanism of accountability. The policy aims to focus on supporting and financing the energy transition, especially for non-OECD clients who are currently still heavily coal dependent. As part of this, HSBC has committed to provide \$750bn-\$1trn finance and investment by the end of 2030 to facilitate the transition to Net Zero. HSBC will begin reporting progress on its coal phase out as of February 2022 and will subsequently provide annual updates on progress vs targets.

The Bank has also made some encouraging progress on its broader climate strategy. The bank is due to publish an update on its assessment of financed emissions in early 2022. The Bank is using the Sectoral Decarbonisation Approach (SDA) and will set targets consistent with the IEA Net Zero Pathway. In February 2022, the Bank will publish science-based targets for coal and O&G, Power and Utilities consistent with 1.5 degree warming and by the end of 2022, targets for an additional 5 sectors. Targets for all high impact sectors,

as listed by the Net Zero Banking alliance, will be in place by the end of 2023. In setting sectoral GHG emission reduction targets, aligned to 1.5 degrees warming, HSBC is one of the most advanced in this space within the banking sector. The critical next step is that the bank now starts to execute these plans, reporting progress vs targets.

Fidelity also engaged with IBM in response to the company's outreach to review their ESG policies and practices. The objective was to learn more about the company's practices in order to promote improvement in areas lacking. Although IBM is a strong performer on many dimensions of ESG, and consistently rates highly (AA) with MSCI ESG, it is particularly notable and somewhat surprising that the company lags on basic governance good practices. IBM suffers from some very old-school governance traditions, and Fidelity took the ESG check-in opportunity to provide our feedback on certain key points, including gender board diversity, combined CEO and Chair, diversity and executive composition.

Fidelity expressed disappointment that IBM has only been able to achieve a 16% female board representation and notified the company that this is likely to lead to a vote against management at future AGMs until a minimum 30% is achieved. IBM acknowledged that this is "an area of focus for the committee and the board." but was doubtful that they will be able to add two female directors in the next few months (prior to 2022 AGM). IBM continues to combine the CEO and Chair roles, which is now more unusual than not, even among US tech companies. Fidelity indicated their continuing red line policy in this matter. A separate point to make is that IBM has introduced a 'Diversity modifier' to its compensation metrics for execs and senior leaders. The diversity modifier can impact compensation by "+/- 5 points on the financial score" beginning with 2021 (current) comp, which the company believes provides a 'degree of meaningfulness without overweighting'.

IBM has never refreshed their auditor, with PwC on their books since the 1920's. Like many companies, they acknowledged the trade-offs of refreshing auditors, whilst it seems highly unlikely that they will adopt the better-practice European standards any time in the foreseeable future. IBM has one director with more than 12 years on the Board. That said, the average tenure is just 5.4 years, with many Board members having served only a few years. The board is proud of the refreshments they have made in recent years, although clearly work needs to continue. Fidelity intends to continue watching for, and engaging with, IBM to improve its governance, most notably and urgently with respect to gender diversity on the Board.

Norfolk Pension Fund

Draft Statement on Divestment/Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment Strategy

Purpose and Governance of the Fund

Norfolk County Council (NCC) has a statutory responsibility as Administering Authority of the Norfolk Pension Fund (NPF). The Norfolk Pension Fund provides the Local Government Pension Scheme (LGPS) for 400+ eligible employers in the county of Norfolk. It currently provides pension benefits to around 100,000 scheme members. The Fund is ring fenced and its sole purpose is to secure and pay the pension benefits of those members and their beneficiaries.

NCC ensures that management of the Fund and its investments is kept separate from the political and administrative business of the Council by delegating responsibility for NPF to the NCC Pensions Committee and a dedicated pension fund function.

In carrying out this responsibility members of the Committee are obliged to put aside their personal interests and views and make investments with the intention of achieving the best financial returns for the Fund, whilst balancing risk and return considerations. Further details of the governance arrangements of the Fund can be found on our website www.norfolkpensionfund.org

The Committee appoints external investment managers to deliver the investment strategy, which is intentionally diversified across different assets types, public and private markets.

Disinvestment & Exclusion

NPF does not operate a disinvestment or exclusion policy with regards to any company, asset class, geography, or sector. LGPS funds receive regular calls from lobby groups to divest from a range of sectors – fossil fuel, tobacco, mining, and defence companies have all been the subject of past campaigns.

Disinvestment may not be consistent with the overriding objective of investing to ensure that pensions can be paid. Disinvestment may be ineffectual to its stated aims and, if carried out other than on financial grounds, may present legal issues and be contrary to the Committee's fiduciary duties.

A blanket, unstructured and reactionary approach to divestment reduces the investment universe, limits the ability of the fund to act as responsible owners and may impact investment outcomes.

Responsible Investment

NPF believes in responsible investment. Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate the sustainable, long-term returns required to pay pensions. Responsible investment does not require ruling out investment in any sector or company but should frame the approach to making the decision to own and manage ownership of any specific assets.

The approach we take on Environmental, Social and Governance (ESG) aspects of investments is documented in our Investment Strategy Statement (ISS), also available on our website. As stated previously we do not take a divestment or exclusion approach for any economic sector but believe the integration of ESG factors into investment decision making and engagement is the best approach

to encourage company management to make changes that will ultimately provide positive benefit to our investments. To this end, we require all of our fund managers to provide records of engagement with company management and we maintain voting records for our holdings. The Pensions Committee formally consider these matters every six months.

NPF believes that it and those charged with managing its investments, will have greater influence on the future direction of companies if it remains invested or a potential investor. Overall engagement activities are viewed by NPF as a key element of the broader approach to responsible investing. Remaining invested provides a voice on how companies are generating their revenues and how they will change in the future.

Climate Risk

Climate risk is a significant focus for governments and society.

As you would expect, NPF treats this risk as a serious concern for the future sustainability of the Fund and the ability to maintain pension payments in the future. We look through this wider lens, rather than focussing solely on exposures to fossil fuel companies because many of the highest emitters of carbon are not energy companies but the end users of their products; be they utility power generators for domestic and commercial customers, steel and cement producers, airlines, shipping, or other industrial companies.

The Pensions Committee considers a detailed climate risk analysis of our public equity holdings as part of its overall review every six months and a summary is published on our website.

This reporting is produced by an independent consultancy and not by those managing investments on our behalf. Our actual equity exposure is benchmarked against three climate risk metrics for the global market as a whole. Currently for all three benchmarks, our public equity holdings have a significantly lower result than the equity market as a whole. We believe that this is a consequence of the requirement on our fund managers to integrate ESG matters into their investment processes, together with the push to actively engage with portfolio companies.

Generally, our view is that if assets stay in public hands, then there is more opportunity to positively influence their direction of travel which is lost if you disinvest (or remove the possibility of future ownership), or if the company you invest in divests its own potentially problematic assets. More generally, there is a broader system issue to consider. Fossil fuels in particular remain part of the system as there are still plenty of users, all of whom, need to be encouraged to change in a fair and equitable way.

In our wider portfolio, we would also note that the Fund is an active investor in infrastructure, including substantial amounts of renewable power generation and the required supporting infrastructure alongside many social assets.

Climate risk considerations also form part of the valuation approach of the Fund when setting and evaluating future funding strategy i.e., to ensure that funding strategy remains robust in various climate change scenarios (stress tests).

March 2022

APPENDIX D

Climate risk reporting

Introduction

Climate risk is a systemic risk that can have a material financial impact on a pension fund's assets and liabilities. As such the Pensions Committee of the Norfolk Pension Fund is committed to understanding and monitoring its exposure to climate related risks. The Committee will monitor and report on the climate related exposures within the Fund on a regular basis across a number of key metrics and review how the exposure to these risk factors evolves and develops over time.

Climate risk metrics

The key climate risk metrics the Fund will monitor are as follows:

Weighted average carbon intensity

This is a measure of a portfolio's exposure to carbon-intensive companies. This is expressed in terms of tons of CO₂ equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. It is measured using scope 1 and scope 2 emissions. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Total carbon emissions per £m invested

This represents a portfolio's estimated scope 1 and scope 2 greenhouse gas emissions per £m of invested capital. This is expressed in terms of tons of CO₂ equivalent emitted by the companies invested in by a portfolio, weighted by the size of each company.

% of portfolio with ties to fossil fuels

The percentage of a portfolio invested in companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not include companies providing evidence of owning metallurgical coal reserves.

Pension Fund portfolio analysis – December 2021

The Committee have carried out analysis of the Fund's listed equity portfolios against the metrics outlined above. For comparison purposes the Committee have also included the corresponding metrics for the MSCI ACWI global equity benchmark and the analysis indicates that the Fund has lower exposures to carbon intensive companies, carbon emissions per £m invested, and companies with ties to fossil fuels than the global index. The climate related exposures of the Fund as at 31 December 2021 are set out in the table below.

	Weighted Average Carbon Intensity (tCO ₂ /\$m Sales)	Carbon Emissions (tCO ₂)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	93.5	72.2	6.3
World Equity	188.4	155.3	12.7
Relative	-94.9	-83.1	-5.6

*Source: Hymans Robertson using data provided and owned by MSCI ESG Research LLC and its affiliates.
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The Committee will update the analysis on a regular basis and review the potential to expand the analysis beyond the Fund's listed equity holdings.

Pensions Committee

Item No: 9

Report title:	ACCESS Update Unrestricted Items
Date of meeting:	1 March 2022
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary <p>The Government requires LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.</p> <p>Since December 2016 the Norfolk Pension Fund has been working with 10 other ‘like-minded’ Administering Authorities to operate 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.</p> <p>An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool.</p> <p>The ACCESS Pool is governed by a Joint Committee (JC) made up of one elected councillor from each authority’s Pensions Committee. The Norfolk Pension Fund is represented by the Chair of Pensions Committee.</p> <p>This report provides an update to the Pensions Committee on the work of the ACCESS Pool.</p> Recommendations <p>The Pensions Committee is invited to consider and note the contents of this report.</p>	

1. Background and Purpose

- 1.1 The ACCESS Joint Committee (JC) last met on the 6th December 2021. A full set of restricted and unrestricted agenda papers relating to this meeting was circulated to members of this Committee and the Pensions Oversight Board for information.
- 1.2 The JC is not due to meet again until the 7th March 2022. Unrestricted (public) agenda papers relating to the March JC meeting were not available at the time of writing this report. This update, therefore, briefs Pensions Committee on current work in progress. Agenda papers relating to 7th March JC meeting will be circulated when available.

2. Communications Update (Engine MHP one year on - progress update)

- 2.1 Engine MHP were appointed to begin work in January 2021 to support the implementation and development of the ACCESS Communication Strategy. Their brief included:
 - Website refresh
 - Leadership profiling

- Engagement with government
- Review conference programme / attendance
- Press engagement and training of spokespeople
- Support with the production of an ACCESS annual report
- LinkedIn
- Logo / brand update

- 2.2 Over the last 12 months, Engine MHP have supported ACCESS with numerous press enquiries and assisted with media announcements. Going forward, with media training complete and ACCESS JC spokespeople agreed, Engine MHP will support on further proactive announcements and arrange briefings with key trade journalists to build relationships and raise the profile of these primary spokespeople. This work will also include developing a more prominent presence at LGPS conferences – specifically, relevant speaking slots and participation in panels and round tables.
- 2.3 Part of Engine MHP's brief was to provide assistance and guidance on ACCESS's website, to ensure it reflected the new ACCESS messaging and make it more engaging, interactive, and informative. MHP carried out a 'competitor' review of other pension pool websites resulting in a number of significant upgrades to the website.
- 2.4 Engine MHP are currently assisting in the design and publication of an ACCESS Annual Progress Report which will outline progress to date, activities undertaken over the last 12 months and an indication of ACCESS' focus for the next 12 months. The aim being to bring greater awareness and understanding of ACCESS' progress.
- 2.5 Engine MHP's digital team have also been working on the creation of an ACCESS LinkedIn page.

3. Forecast Outturn and Business Plan for 2022-23

- 3.1 The approved budget for the delivery of the 2021-22 Business Plan is £1,247,019. The forecast outturn for the current year is estimated to £1,048,795, equating to a contribution of £95,345 from each ACCESS authority. The reasons for the forecast variances are:
- 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

- 3.1 The approved budget for the delivery the 2022-23 Business Plan is estimated to be £1,366,000, which equates to £124,182 per ACCESS Authority.

4. Observer Status on the JC

- 4.1 To further assist with the transparent reporting and to demonstrate the effective implementation of strategy by the ACCESS pool, the JC will discuss proposals to facilitate the observation of each JC meeting by ACCESS Local Pension Board members at its March meeting.

5. Financial and Other Resource Implications

- 5.1 At the time of writing this report there are no additional financial or other resource implications beyond those already budgeted for and approved by Committee.

ACCESS's budget proposal for 2022-23 is incorporated into the Fund's 2022-23 budget which is presented elsewhere on this agenda.

6. Other Implications (Inc. Equality Impact Assessment (EqIA))

- 6.1 The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the COVID-19 global pandemic.
- 6.2 Officers have considered all the implications which members should be aware of. Apart from those listed (if any), there are no other implications to consider. There are no issues relevant to equality in this report.

6.3 Data Protection Impact Assessments (DPIA)

- 6.4 We have not identified any data protection implications for the content of this report.

7. Risk Implications/Assessment

- 7.1 Any risk implications relating to this report will be recorded on the Fund's risk register.

8. Recommendations

- 8.1 The Pensions Committee is invited to consider and note the contents of this report.

9. Background Papers

- 9.1 A full set of restricted and unrestricted agenda papers relating to 7th March JC meeting will be circulated by email to members of this Committee and the Pensions Oversight Board when available.

Officer Contact

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

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If you need this report in large print, audio, braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.