

Pensions Committee

Date: **Tuesday 12 March 2024**
Time: **9:30am**
Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership

Members

Cllr Judy Oliver – Chair

Cllr Alison Birmingham
Cllr Brian Watkins
Cllr Will Richmond
Cllr Martin Storey

Co-opted Members

Cllr John Fuller
Cllr Paul Hewett

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 members of the public may watch remotely by clicking on the following link: [Norfolk County Council YouTube](#)

We also welcome attendance in person, but public seating is limited, so if you wish to attend, please indicate in advance by emailing committees@norfolk.gov.uk

Current practice for respiratory infections requests that we still ask everyone attending to maintain good hand and respiratory hygiene and, at times of high prevalence and in busy areas, please consider wearing a face covering.

Please stay at home if you are unwell, have tested positive for COVID 19, have symptoms of a respiratory infection or if you are a close contact of a positive COVID 19 case. This will help make the event safe for attendees and limit the transmission of respiratory infections including COVID-19.

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 5 December 2024

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 Administration Report

(Page 9)

Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund

- 5 Update from the Pensions Oversight Board (Page 79)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 6 Pension Fund Budget 2024/2025 (Page 88)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 7 Corporate Governance and Shareholder Engagement Report (including summary climate risk monitoring report) (Page 106)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 8 ACCESS Update Unrestricted Items (Page 126)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 9 Exclusion of the Public (Items 10-15 only)**
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.

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.

Comfort break
- 10 ACCESS Update - Restricted Items (Page 130)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 11 Hymans Robertson Quarterly Performance Report (Page 135)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- 12 Protection Asset Review (Page 154)**
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund

- 13. Investment Update** (Page **183**)
Joint Report by the Director of Strategic Finance and the Director of the Norfolk Pension Fund
- Comfort break**
- 14 Investment Manager presentation** (Page **255**)
- 15. Exempt Minutes** (Page **305**)
To confirm the exempt minutes of the meeting held on 5 December 2024.



Tom McCabe
Chief Executive
County Hall
Martineau Lane
Norwich
NR1 2DH.

Date Agenda Published: 4 March 2024.



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Pensions Committee

Minutes of the meeting held on Tuesday 5th December commencing at 9:30 am and held at County Hall, Norwich

Present:

Cllr Judy Oliver	(Chair)
Cllr William Richmond	(Vice Chair)
Cllr Martin Storey	
Cllr Paul Hewett	
Mr Steve Aspin	
Cllr Brian Watkins	

Officers Present:

Glenn Cossey	Director of the Norfolk Pension Fund
Alex Younger	Head of Funding & Investment
Jo Quarterman	Head of Governance
Paul Stimpson	Pensions Payroll Manager
Charlotte Alexander	Norfolk Pension Fund Accountant
Eunice Walcott	Governance Manager
Nicola Ledain	Committee Officer

Others Present:

Brian Wigg	Chair of the Pensions Oversight Board
Rob Bilton	Hymans Robertson
Ben Farmer	Hymans Robertson

Participating via Microsoft Teams

Richard Bannister	J P Morgan
Chris Simard	J P Morgan
Chris Sier	Clearglass Analytics

1 Apologies for Absence

- 1.1 Apologies for absence were received from Cllr John Fuller and Cllr Alison Birmingham.

2 Minutes

- 2.1 The minutes of the previous meeting held on Tuesday 12 September 2023 were confirmed as a correct record and signed by the Chair.

3 Declaration of Interest

- 3.1 Steve Aspin declared an 'other' interest as he had investments with Fidelity.

4. Administration Report

4.1 The annexed report (4) by the Director of Strategic Finance and the Director of the Norfolk Pension Fund was received. This 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 September 2023.

4.2 In response to a question from Members regarding the mission statement and if there were going to be any significant changes, the Director of Norfolk Pension Fund reported that the mission statement and service objectives had been shared with the Committee earlier in the year and had since been widely communicated and promoted to staff and incorporated within the Fund's revised Service Plan. The Service Plan links the Fund's mission and objectives to specific service delivery activities. By way of an example, the Service Plan links both service objectives and service activity for the implementation of Pensions Dashboard software by the mandatory connection date of October 2026. Examples of other activity included in the Service Plan include the planning and associated activity for delivery of the 2025 Fund Valuation, and the implementation of outcomes and recommendations from the Scheme Advisory Boards review of LGPS Good Governance.

4.3 As the pension clinics seemed popular, Members asked if they could be held twice per year. Officers assured the Committee that there was good communications and engagement with scheme members and that staff were always available during office hours for queries and consultations. The Fund's website also contains useful information and self-service functionality for scheme members. Given this and the organisation and resources required to deliver the clinics, it was felt that once a year was sufficient. Most attendees seemed to be those either thinking about or approaching retirement for which regular pre-retirement courses are run.

4.4 The Director of the Norfolk Pension Fund reassured the Committee that the backlog caused by the late submission of scheme member data by a scheme employer had been cleared and member records were up to date.

4.5 RESOLVED

That the Committee noted the content of this report including the two Admission Agreements in respect of:

- Crystal Services (Hobart High and Thurlton Primary)
- Aspens Services (Nelson Academy)

5. Update from the Pensions Oversight Board

5.1 The annexed report (5) by the Director of Strategic Finance 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 last reported to the Committee on 13 June 2023.

5.2 **RESOLVED**
That the Committee noted the contents of the report.

6. Risk Register Report and Compliance with Breaches Policy

6.1 The annexed report (6) by the Director of Strategic Finance and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the Norfolk Pension Fund's Risk Register and Breaches Policy. The summary Risk Heat map was reported to Pensions Committee in September 2023, and the last full report to Pensions Committee was in June 2023.

6.2 The Committee queried if, following the review undertaken in June regarding cyber and financial scams, any additional safeguards had been put in place from that review and if there had been any further information shared from national level that Norfolk would implement. Officers reported that the service had commissioned Internal Audit to review the Fund's compliance with the Pensions Regulators cyber security pledge principals. The Audit confirmed that the Fund was compliant with best practice. Since the last update, the Fund has taken further mitigating action by launching an area on the Fund's website helping people to know what to do in the event of a scam. The Head of Governance reported that the service followed the Cyber Centre and The Pensions Regulator framework for identifying, assessing, and mitigating threats and scams and worked closely with ICT colleagues. The service was currently working with third parties to ensure they were compliant in keeping data safe and further updates in this area would be brought to the Committee in the new year.

6.3 Any overdue payment of pension contributions by a scheme employer is proactively monitored and managed by the Fund. From time to time, smaller employers such as Town and Parish Councils may need assistance if new personnel are unfamiliar with the process or timetable. The availability of cheque signatories can also lead to delays in making payment. The materiality of a late payment is the key consideration as to whether a breach is reportable to the Pensions Regulator.

6.4 **RESOLVED**
That the Committee note the contents of the Risk Register and summary of breaches.

7. ACCESS Update Unrestricted Items

7.1 The annexed report (7) by the Director of Strategic Finance and the Director of the Norfolk Pension Fund was received. This report provided an update to the Pensions Committee on the work of the ACCESS Pool.

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

7.2.1 Joint Committee meetings

- Last meeting was held on 4th December 2023

7.2.2 Business Plan & Budget 2023-24

- The current operational budget was £1.559m (£142k per ACCESS Authority).
- Current spending was in line with the budget with a small overspend of £26k forecast.

7.2.3 Business Plan and Budget 2024-25

- The Joint Committee considered the service plan and budget which was attached to the committee's agenda.
- £1.7m proposed budget was approved (£155k per ACCESS authority) which equated to approximately 9% growth.
- The procurement of operator services is a significant area of activity for next financial year.

7.3 **RESOLVED**

That the committee noted the contents of the report.

8. **Exclusion of the Public Items 9-15 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).

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

8.4 **Items 9 to 15**

The reports contain 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 **RESOLVED**

That agenda items 9-15 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.

Public meeting closed at 10.20am

Pensions Committee

Item No: 4

Report title: Administration Report

Date of meeting: 12 March 2024

Responsible Director: Harvey Bullen, Director of Strategic Finance

Director: Glenn Cossey, Director of Norfolk Pension Fund

Executive Summary

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 2023.

Recommendations

The Committee is asked to consider and note the content of this report including:

- Pensions Committee is invited to consider and agree the main activities and projects outlined in the Service Plan
- Pensions Committee are asked to consider the 2024-27 Medium Term Internal Audit Plan
- Pensions Committee is asked to approve the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 9 and 10).

The three Admission Agreements to note in respect of:

- Aspens Services (Broad Horizons Education Trust)
- Churchill Services (Notre Dame High School)
- Caterlink (Colman Infant & Junior Federation)

Item	Title:	Appendices
1.	Background	
2.	Governance framework for the Norfolk Pension Fund:	
2.1	Pensions Oversight Board	
2.3	National Scheme Advisory Board	
2.7	The Pensions Regulator (TPR)	
2.8	○ Governance and administration practice survey	
2.10	○ The General Code	
2.16	Update on Current Issues	
2.17	○ Hymans Robertsons 'Current Issues in the LGPS' Feb 2024	Appendix A
2.18	○ Risk Management – Heat Map	Appendix B
3.	Norfolk Audit Services	
3.1	○ 2024-27 Medium Term Internal Audit Planning	Appendix C
4.	Norfolk Pension Fund Service Planning and Performance Data	
4.1	○ Service Plan	Appendix D
4.8	○ Key Performance Indicators	Appendix E
4.10	○ Annual Data Quality Report	Appendix F
5.	Norfolk Pension Fund Membership Data	
5.1	○ Scheme Membership Data	
5.8	○ Scheme Employer Data	
6.	Communication	
6.1	With Active and Deferred Scheme Members	
6.2	○ Newsletter for Retired members	
6.5	With Employers	

6.6	○ Employer Forums	
6.8	○ Employer Newsletters	
6.10	Norfolk Pension Fund Team	
7.	Accounts and Financial Reporting	
7.1	○ Financial Year End 31 March 2022	
7.4	○ Financial Year End 31 March 2023	
7.8	○ Financial Year End 31 March 2024	
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	○ HSBC	
11.	Collaborative Working / Value for Money	
11.1	National LGPS Procurement Frameworks	
12.	Knowledge and Skills	
13.	Admission Agreements	
13.2	○ Aspens Services (Broad Horizons Education Trust)	
13.9	○ Churchill Services (Notre Dame High School)	
13.16	○ Caterlink (Colman Infant & Junior Federation)	
14.	Update on Bulk Transfer Values in progress	Appendix G
15.	Freedom of Information Act (FOIA)	
16	Representation on behalf of the Pension Fund	Appendix H
17.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix I
18.	Financial and Other Resource Implications	
19.	Other Implications (inc. Equality Impact Assessment (EqlA))	
20.	Data Protection Impact Assessments (DPIA)	
21.	Risk Implications/Assessment	
22.	Recommendations	
23.	Background Papers	
23.1	Appendix A – ‘Current issues in the LGPS’ February 2024 Appendix B – Risk Heat Map Appendix C – Internal Audit Plan 2024-27 Appendix D – Service Plan draft Appendix E – Key Performance Indicators Appendix F – Record Keeping & Data Quality Report – Jan 2024 Appendix G - Update on Bulk Transfer Values in progress 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 2023.

2. Governance framework for the Norfolk Pension Fund

2.1 Pensions Oversight Board

- 2.2 The report from the Pensions Oversight Board is covered by Agenda Item 5 at this committee meeting.

2.3 **National Scheme Advisory Board (SAB)**

2.4 The SAB last met in December 2023 and a summary update of the meeting is available on their website [here](#).

2.5 Since the last report to Pensions Committee the SAB have published a [statement on surpluses](#), and published a [report](#) it commissioned in respect of the LGPS and Sharia law.

2.6 More information about the work of the Board is available on their [website](#).

2.7 **The Pensions Regulator (TPR)**

2.8 Governance and administration practice survey

2.9 In November, the Pensions Regulator published its seventh 2022/23 annual report on [governance and administration practices among public service pension schemes](#). This reflects the risks and challenges in administering and managing LGPS funds and all public service pension schemes. This identified Cyber and Recruitment and Retention as the highest risks across the LGPS.

2.10 The General Code

2.11 In January the new [TPR General Code](#) (which brings together all previous TPR Codes of Practice into one combined code) was laid in Parliament and is expected to come into effect in late March 2024.

2.12 The new Code is categorised into 5 general areas:

- The Governing Body
- Funding and investment
- Communications and disclosure
- Administration
- Reporting to TPR

2.13 Within each of these five areas are 51 specific modules that apply to the running of a pension scheme. Not all apply to LGPS funds – some do, some don't, and some may be considered best practice.

2.14 As anticipated, new modules include cyber controls and pension scams.

2.15 Whilst we have assessed our compliance against the draft Code, we will now formally assess the Norfolk Pension Funds levels of compliance with the new Code to identify any gaps of partial or noncompliance.

2.16 **Update on current issues**

2.17 Hymans Robertson's 'Current issues in the LGPS' February 2024 edition (Appendix A) provides an overview of some of the latest issues.

2.18 **Risk Management**

2.19 Management Team regularly monitor risks and mitigation.

2.20 The latest summary Risk Heat Map (at February 2024) is at Appendix B.

2.21 The heat map identifies changes in risk affecting the Pensions Services area as follows:

- A small increase in risk associated with receipt of timely and accurate employer data (amber).
[2 new risks](#)
- A risk that we fail to support the implementation and rollout of Pensions Dashboards (amber)

- A risk that we do not successfully design and transition to a new operational delivery model that effectively supports the Mission and Strategic Objectives of the Norfolk Pension Fund (amber)

2.22 All other risks remain stable

2.23 The detailed Risk Report will be presented to the next Pensions Committee meeting on 11 June 2024.

3 Norfolk Audit Services

3.1 2024-27 Medium Term Internal Audit Planning

3.2 Norfolk Audit Services is responsible for the internal audit of the Norfolk Pension Fund. This report supports the Pension Committee in providing evidence of compliance with the Pension Fund's objectives, rules, and procedures and that it meets relevant regulatory requirements.

3.3 The medium-term internal audit plan is at Appendix C.

4. Norfolk Pension Fund Service Planning and Performance Data

4.1 Service plan

4.2 Following the adoption of the new Mission Statement and Strategic Objectives for the Norfolk Pension Fund at Pensions Committee in June 2023, the Fund has been developing a new Service Plan. The Service Plan is built around the strategic objectives, establishing a clear link between all activity and resources and the strategic objectives and mission.

4.3 The Service plan for 2024-2027 brings the activities and projects, performance measures, resources, and budget together in one place, to support the delivery of the objectives and mission statement.

4.4 The timeline for the service plan development and adoption is outlined below:

- Mission and Strategic Objectives: agreed by pensions Committee June 2023
- Mission and Strategic Objectives: discussed at Team Event July 2023
- POB & Committee: POB and Committee updated on progress Autumn 2023
- Develop Plan: Management Team discussion with teams Jan 2024
- Finalise Plan: Management Team final draft of plan Feb 2024
- POB: update on plan Feb 2024
- Committee: sign off activities and projects March 2024 (alongside budget)
- Plan adopted

4.5 The latest draft of the Service Plan is at Appendix D. The Service Plan will be completed and adopted after Pensions Committee agree the main activities and projects and the associated budget.

4.6 Once adopted the service plan will form the basis for the performance appraisal process. We will monitor and report progress against the service plan.

4.7 Pensions Committee is invited to consider and agree the main activities and projects outlined in the Service Plan.

4.8 Key Performance Indicators

4.9 The latest Norfolk Pension Fund benefits Administration Key Performance Indicators (KPI's) are at Appendix E.

4.10 Annual Data Quality Report

4.11 The latest Annual Data Quality Report by the Norfolk Pension Fund is at Appendix F.

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

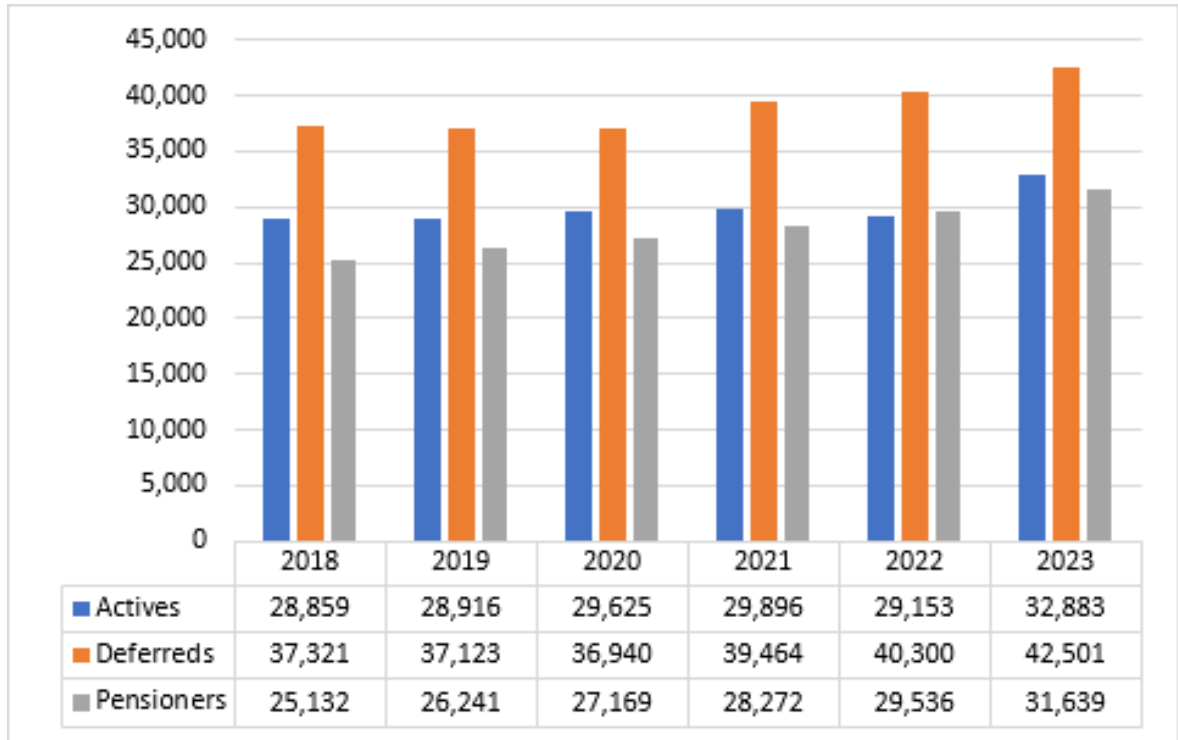
5 Norfolk Pension Fund Membership Data

5.1 Scheme Membership Data

5.2 As at 31 December 2023, there were 107,023 scheme members in the Norfolk Pension Fund.

5.3 The equates to an 8.11% increase in Fund membership from 2022.

5.4



5.5 The table below shows a comparison of the average pension in payment over the year from 2020 to 2024.

5.6

	Jan 2020	Jan 2021	Jan 2022	Jan 2023	Jan 2024
Pension in own right	£5,030.68 (£419 per month)	£5,020.39 (£418 per month)	£4,949.03 (£412 per month)	£5,000.48 (£416 per month)	£5,367.72 (£447 per month)
Dependant's pension	£2,882.94 (£240 per month)	£2,915.80 (£243 per month)	£2,924.70 (£244 per month)	£2,953.08 (£246 per month)	£3,258.97 (£272 per month)
Average pension	£4,776.73 (£398 per month)	£4,775.03 (£398 per month)	£4,715.27 (£393 per month)	£4,767.59 (£397 per month)	£5,129.83 (£427 per month)

5.7 The Pensions Increase in April 2023 was 10.1%.

5.8 Scheme Employer Data

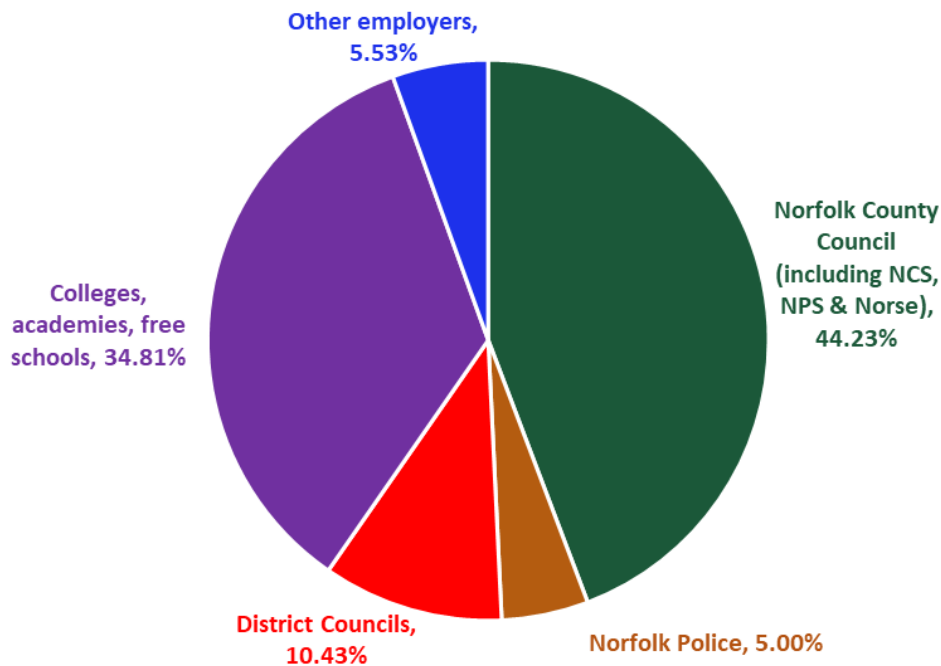
5.9 As at March 2023, there were 425 active employers in the Fund.

5.10 The table below shows the change in the employer numbers from 2015 to 2023:

As at 31 March	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employers	233	262	322	369	400	414	425	427	429

5.11 The graph below shows the membership breakdown by employer as at March 2023.

5.12



6. Communication

6.1 With Active and Deferred Scheme Members

6.2 Newsletter for Retired Members

6.3 The regular newsletter for retired members, Primetime, will be published in April 2024.

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 With Employers

6.6 Employer Forums

6.7 Our next hybrid Employer Forum is scheduled for Wednesday 10 July.

6.8 Employer Newsletters

6.9 The latest Employer Newsletter will be published in March and will provide the usual range of articles and information relevant to employers and employees, including an update on year-end preparations, the importance of maintaining and improving data quality, scams and cyber security, investment, and other operational updates.

6.10 Norfolk Pension Fund Team

6.11 We continue to maintain a weekly newssheet to help keep the team connected, supported, and informed while hybrid remote working, alongside regular team meetings and less formal connections.

6.12 We are also continuing our regular 'Spotlight' sessions, focussing on different areas of the team.

6.13 The next whole team meeting will take place on 10 July. This will provide an opportunity to reflect on the service plan and review progress.

7. Accounts and Financial Reporting

7.1 Financial Year End 31 March 2022

7.2 We are pleased to report that the 2021-22 Annual Report and Accounts of the Pension Fund have now been signed off (February 2024) alongside those of the Administering Authority.

7.3 The Pension Fund Report & Accounts were previously published in draft form to meet the regulatory deadline of 1 December 2022. The final document has now been published on our website.

7.4 Financial Year End 31 March 2023

7.5 The audit of the 2022-23 accounts is now substantially complete.

7.6 As for the previous financial year the draft 2022-23 Report and Accounts were published on our website to meet the regulatory publication timetable.

7.7 The 2022-23 accounts cannot be signed off until the audit of the administering authority is completed. We understand this has not yet commenced.

7.8 Financial Year End 31 March 2024

7.9 Planning for the closedown at 31 March 2024 is now well underway.

8. Employer Financial Reporting Requirements

8.1 Planning is underway to deliver the 31 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 had significantly higher assurance 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 underpinned 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 The custodian of the Fund is 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 monthly. No manager currently elects to use this option.

- 9.6
 - 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).
- 9.7
 - For all other Sterling, US Dollar and Euro 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 (Sterling, US Dollar and Euro denominated).
- 9.8 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.
- 9.9 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.
- 9.10 With the approval of Committee, it is intended that the Fund follows the 2024-25 Investment and Treasury Strategy approved by Full Council on 20 February 2024.

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 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 currently 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. It is working with Insight to remove this collateral requirement. This process may be complete prior to 31 March 2024.

10.7 HSBC

- 10.8 The Pension fund is currently in the process of onboarding through a revised arrangement with HSBC on a non-collateralised basis, utilising the Berenberg signalling model, with exposure to the Balance Sheet of HSBC. It is expected that this process will be completed in 2024-25 when a further update will be provided to the Committee.

11. Collaborative Working / Value for Money

11.1 National LGPS Procurement Frameworks

- 11.2 The National LGPS Frameworks support the LGPS by providing procurement frameworks to assist Funds and Pools in accessing specialist services. 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). The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities.

- 11.3 Using the National LGPS Frameworks saves LGPS Funds considerable 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 projected savings estimated in excess of £172m, as well as 217 years effort saved to date since 2012. £4.2m+ cumulative rebate has been shared between 98 funds as a result of the National LGPS Frameworks programme. To date over 520 contracts have been let via the Frameworks by users.
- 11.4 The team is currently working with LGPS colleagues to establish an Integrated Service Provider (ISP) and Member Data Services Framework to support Funds in preparation for and meeting the Pensions Dashboards requirements; and an AVC Services Framework for Funds. Both new Frameworks should be live around April 2024.
- 11.5 The current Pensions Administration Software Framework has been extended so that the replacement Framework can be let under the new Procurement regulations. The new Procurement Bill will offer greater flexibility in some areas which we anticipate will benefit this marketplace. Work will start on the new Pensions Administration Software framework in April.
- 11.6 Work will also commence shortly on a new Transition Management Framework.
- 11.7 The new National LGPS Frameworks website is expected to go live towards the end of March.

12. Knowledge and Skills

- 12.1 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. The Fund maintains a Training Strategy to support Pensions Committee, Pensions Oversight Board and Officers.
- 12.2 Members of Pensions Committee, the Pensions Oversight Board and Officers attended the LGA's LGPS Governance Conference in January 2024.
- 12.3 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.
- 12.4 All members of Committee and POB have access to the LGPS online learning academy to support them in gaining and maintaining their knowledge.
- 12.5 All mandatory officer training is up to date.

13. Admission Agreements

- 13.1 There are three additional admission agreements for the Committee to note.
- 13.2 **Admission Agreement – Aspens Services (Broad Horizons Education Trust)**
- 13.3 We have received an application for a new admission agreement from the catering contractor Aspens Services, as they onboard a new contract win.
- 13.4 The admission application is in respect of a catering contract with Broad Horizons Education Trust at the sites Edith Cavell Primary & Nursery, Martham Academy & Nursery and Tuckswood Academy & Nursery commencing 23 October 2023 for a contract length of 3 years with a possible extension of 2 years.

- 13.5 The admission agreement will cover 8 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.
- 13.6 The Scheme Employer (Broad Horizons Education Trust) will be party to the admission agreement.
- 13.7 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.
- 13.8 The legal agreements will be sealed under Chief Officer powers by the Director of Strategic Finance.
- 13.9 **Admission Agreement – Churchill Services (Notre Dame High School)**
- 13.10 We have received an application for a new admission agreement from the cleaning contractor Churchill Services, as they onboard a new contract win.
- 13.11 The admission application is in respect of a cleaning contract with Notre Dame High School commencing 1 January 2024 for a contract length of 3 years.
- 13.12 The admission agreement will cover 13 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.
- 13.13 The Scheme Employer (St John the Baptist Trust) will be party to the admission agreement.
- 13.14 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.
- 13.15 The legal agreements will be sealed under Chief Officer powers by the Director of Strategic Finance.
- 13.16 **Admission Agreement – Caterlink (Colman Infant & Junior Federation)**
- 13.17 We have received an application for a new admission agreement from the catering contractor Caterlink, as they onboard a new contract win.
- 13.18 The admission application is in respect of a catering contract with Colman Infant and Junior School Federation commencing 19 February 2024 until 23 October 2025.
- 13.19 The admission agreement will cover 5 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.
- 13.20 The Scheme Employer (Norfolk County Council) will be party to the admission agreement.
- 13.21 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.
- 13.22 The legal agreements will be sealed under Chief Officer powers by the Director of Strategic Finance.
- 14. Update on Bulk Transfer Values in progress**
- 14.1 Please see Appendix G for Bulk Transfer Values in progress.

15. Freedom of Information Act (FOIA)

- 15.1 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.

Date received	ENQ Reference/ Requester	Details	Action
24/02/2024	ENQ-688591-F2B8Q7 Factset.com	Fund level performance reports for your private equity, private debt, real asset, and real estate portfolios. I am requesting this information for Q3 2023	Responded
19/02/2024	ENQ-687624-L1G9K0 PitchBook	Details of alternative asset holdings for Q3 2023	Responded
08/02/2024	ENQ-685233-P5T5R1 With Intelligence	Performance metrics of all closed-end funds including Private Equity, Venture Capital, Private Debt, Real Estate, Real Assets/Infrastructure funds for Q3 2023	Responded
17/01/2024	ENQ-680155-D9X2G4 PEI Group	Cash-flow reports from Q2 2023 of all private capital investments	Responded
13/01/2024	ENQ-679601-D6J0G2 SecondaryLink	Details of alternative investments for years 2019-22	Responded
14/12/2023	ENQ-675357-R7C9H8 Preqin	Commitment, Contribution, Distribution, Value, and IRR as of 30 June 2023	Responded
01/12/2023	ENQ-671157-J9H3L6 Bloomberg	Alternative investment portfolio records for close-ended funds for the most recent quarter available.	Responded
27/11/2023	ENQ-671683-S8T6H5 Pitchbook	Details of alternative asset holdings for Q2 2023	Responded
20/11/2023	ENQ-671125-Y6Z6H8 With Intelligence	Performance metrics of all closed-end funds including Private Equity, Venture Capital, Private Debt, Real Estate, Real Assets/Infrastructure funds for Q1 2022, Q2 2022 and Q3 2022	Responded

16. Representation on behalf of the Pension Fund

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

17. Norfolk Pension Fund – Pensions Committee Forward Plan

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

18. Financial and Other Resource Implications

- 18.1 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.

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

- 19.1 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 consider.

20. Data Protection Impact Assessments (DPIA)

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

21. Risk Implications/Assessment

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

22. Recommendations

22.1 The Committee is asked to consider and note the content of this report including:

- Pensions Committee is invited to consider and agree the main activities and projects outlined in the Service Plan
- Pensions Committee are asked to consider the 2024-27 Medium Term Internal Audit Plan
- Pensions Committee is asked to approve the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 9 and 10).

The three Admission Agreements to note in respect of:

- Aspens Services (Broad Horizons Education Trust)
- Churchill Services (Notre Dame High School)
- Caterlink (Colman Infant & Junior Federation)

23. Background Papers

23.1 Appendix A – 'Current issues in the LGPS' February 2024
Appendix B – Risk Heat Map
Appendix C – Internal Audit Plan 2024-27
Appendix D – Service Plan draft
Appendix E – Key Performance Indicators
Appendix F – Record Keeping & Data Quality Report – Jan 2024
Appendix G - Update on Bulk Transfer Values in progress
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:

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.

Current issues in the LGPS

February 2024



Richard Warden
Partner - Actuarial Public

Welcome to our first edition of 2024. As ever, there is plenty going on, including some crystal ball gazing on the year ahead, thoughts about TPR's new General Code and a deep dive on the 'blue economy' (which is nothing to do with politics or football...).

LGPS priorities for 2024

As 2024 and the business planning season get into full swing, we set out some [priorities](#) that funds might focus on this year across funding, investments, administration and governance.

The outlook for LGPS investments

What lies ahead in 2024 for LGPS investments? Whilst significant uncertainty remains in markets, we at least have some clarity of what may happen in the regulatory space, with last year's consultation setting out some of the government's key plans. Our [outlook](#) explores a number of these outcomes, discussing how funds address the main areas of faster pooling and investing in Levelling Up and private equity. In addition, we look to some key market trends for 2024, including higher yields, natural capital and smarter inflation protection.

Cracking the code

The Pensions Regulator's (TPR) widely anticipated General Code of Practice is expected to go live on 27 March. We've produced a [helpful summary](#) that explores the new Code and its impact on the LGPS. We also recently hosted an LGPS specific webinar with TPR's Policy Lead, Nick Gannon, prompting some meaningful discussion on compliance for pension schemes and LGPS funds specifically. If you missed the webinar, or would like to watch again, you can [catch it here on-demand](#). Our team are currently finalising our General Code compliance checker tool for LGPS funds. If you would like any further information on this tool, please [get in touch](#).

SAB surpluses statement

As a festive treat, the Scheme Advisory Board (SAB) in England and Wales issued a statement providing advice to funds about how surpluses across the LGPS can be effectively managed and administered. The statement covers four key areas – stability of contribution rates, tailored employer investment strategies, 'partial terminations' and contribution rate reviews between formal valuations. Our [Briefing Note](#) provides further detail and our thoughts.

Scottish 2023 valuations

With the final quarter of the valuation year upon us, we're finalising employer contribution rates and preparing the formal valuation report – the finishing line is in sight! The Government Actuary's Department, working alongside SPPA, has contacted Fund Actuaries to set out their reporting requirements for Section 13, including their expectations on the disclosure of climate change analysis. Your Hymans actuary will help you meet the requirements and will be in touch shortly with further details.

Climate scenario modelling – the next generation...

Climate risk continues to be a 'hot issue'. Our [webinar](#) in November introduced developments in our climate scenario modelling, and actions that LGPS funds can take in response to this. With climate change being one of the main sources of risk for pension schemes (and particularly for LGPS funds, with their open-ended timescales and investments in return seeking assets), the need for greater understanding is fundamental. Our accompanying [publication](#) gives more detail.

Finance Bill 2023-24

On 25 January HMRC published [Newsletter 155](#), containing an update on the Finance Bill 2023-24 and the abolition of the Lifetime Allowance. Among the matters covered are:

- Confirmation that HMRC are reconsidering how the new Pension Commencement Excess Lump Sum (PCELS) will operate.
- Corrections required to some drafting errors in the original Bill.
- A series of FAQs designed to help practitioners navigate the new arrangements.

We will provide further information on the new tax regime once the Finance Bill passes into law.

Another interesting accounting year ahead for the LGPS?

Accounting surplus positions are likely once again for many employers given general market movements and positive fund investment returns to date. This will lead to extra thought on what to show at the start, during and end of this year's disclosures. In addition, there is a further significant pension increase of 6.7% coming at April 2024, continued increased audit requirements and new funding valuation results for Scottish employers. All signs point to another busy LGPS accounting year for funds, employers, auditors and actuaries alike. Please contact our accounting experts at LGPSCentralACcounting@hymans.co.uk or Craig.Alexander@hymans.co.uk for any accounting assistance.

The meaning of life (expectancy)

There have been some striking recent headlines about falls in life expectancy, based on current life expectancy at birth statistics. Whilst a good indicator of general societal health, it's not the most relevant statistic for retirement planning or pension scheme funding because:

- It incorporates early life mortality – so gives a lower life expectancy than appropriate for someone who has survived to retirement;
- It is based on past data - so doesn't allow for the expectation that life expectancy will improve in the future; and
- It's an average figure - even with a correct estimate, around 50% will be expected to live longer.

It can also be affected by unusual short-term experience, such as Covid-19. [Click here](#) to read more.

The 'blue economy'

The ocean, covering 70% of Earth's surface, is vital for life and climate regulation. The 'blue economy,' valued at \$2.5trn annually, involves activities like renewable energy, shipping, tourism, fishing, and blue technology. However, pollution, overexploitation of marine biodiversity, and climate change threaten the ocean. Read our [executive summary](#) and [article](#) to find out more about ocean preservation and the actions that funds can take to make a positive difference.

Fiduciary duty and climate change

After challenges that pension scheme decision makers incorporating ESG into investment decision making goes against their fiduciary duty, the Financial Markets Law Committee have helpfully [confirmed](#) that climate change considerations can be taken into account. This further supports the approach of the LGPS, with funds taking great care to sensibly consider this important financial risk in their strategies, fully integrating it into their fiduciary duties.

Capital markets update

Despite steep hikes in interest rates, global growth confounded expectations in 2023. Business and consumer confidence is rising, as inflation fears recede, and interest-rate cuts come in to view. Sharp falls in bond yields towards the year end are alleviating concerns over debt affordability, and lending valuation support to stocks. Our latest [capital markets update](#) explores the key themes driving the global economy and the prospects for individual asset classes.

Events, webinars & training

Together, stepping into the future of the LGPS, 16 May 2024

We're excited to announce that we're hosting a LGPS conference on 16 May 2024, at Kimpton Charlotte Square Hotel, Edinburgh. The event, which is for LGPS fund officers only, will have a future focus, underpinned by sharing experience, best practice and actionable outputs. More details on the agenda and speakers will be announced soon.

Managing risk in the LGPS – a spotlight on cyber risk

The latest webinar in our LGPS risk management series is available to [watch on-demand](#). Hear from Susan Black and Alan Johnson as they discuss current cyber risk guidance from the Pensions Regulator, and actions LGPS funds can take in order to better understand and manage cyber risk in accordance with this guidance. The next webinar in our risk management series will focus on managing employer covenant in a surplus environment – keep an eye out for the invitation coming soon.

Conference highlights – LGA LGPS Governance conference, 18-19 January 2024

The 2024 LGA LGPS Governance Conference took place in York on 18 and 19 January and covered a wide range of topics, including Scheme Advisory Board, LGPC and DLUHC updates, the employer landscape, responsible investment, de-risking and cyber security. Read more in our [highlights](#).

In brief...

Cyber risk

TPR's updated [guidance](#) asks funds, advisers and providers to report significant incidents. Our webinar (see above) considered the detail. TPR's also published a [regulatory intervention report](#) about the cyber security incident at Capita.

Paternity leave

The [Statutory Paternity Pay \(Amendment\) Regulations 2024 \(SI 2024 No. 121\)](#) come into force on 8 March 2024. Employees will be able to take the two-week leave entitlement as two, separate one-week periods, at any time in the 52 weeks after birth, and give at least 28 days' notice of intention to take the leave.

Carer's Leave

The Government has laid [draft Carer's Leave Regulations 2024](#) before Parliament (they require approval by each House to become law). They're being produced under the [Carer's Leave Act 2023](#), and would give employees the right to take up to a week's unpaid leave per year to provide or arrange care for a dependant with a long-term care need.

Spring Budget

HMT have announced that this will happen on 6 March.

Dashboards

The NAO is to [investigate](#), this spring, the progress made by the Pensions Dashboards Programme, the reasons for the implementation delays, and the results of the programme 'reset'.

Pension increases/inflation

As expected, the Government has [confirmed](#) that LGPS pensions and CARE pots will increase by 6.7% from April 2024 (based on CPI for the year to September 2023). As an aside, the ONS [announced](#) that CPI for year to December 2023 was 4.0%.

Guaranteed Minimum Pension (GMP) increases

The House of Commons Library has updated its [briefing paper](#) on this subject.

Financing growth

The Labour Party has released its plan for financial services, which mentions the LGPS and pooling.

New GAD guidance (England and Wales)

The [guidance](#) doesn't contain new factors but does provide information about how the McCloud remedy will affect certain LGPS calculations, namely early payment of pensions, late retirements, individual incoming/outgoing transfers, and interfund transfers.

Cost cap

The GAD has published a handy reference [table](#) with links to the 2016 valuation cost cap reports for each of the main public service schemes.

National Insurance Contributions

[Legislation](#) was laid that includes the cut to the rate of primary Class 1 NICs by two percentage points, effective from 6 January 2024.

Appendix

LGPS priorities for 2024

https://www.hymans.co.uk/media/uploads/Key_Priorities_for_the_LGPS_in_2024.pdf

The outlook for LGPS investments

https://www.hymans.co.uk/media/uploads/LGPS_Investment_Outlook_2024.pdf

Cracking the code

<https://www.hymans.co.uk/insights/research-and-publications/publication/60-second-summary-the-long-long-awaited-tpr-general-code-of-practice-has-arrived-so-what/>

<https://event.on24.com/wcc/r/4469234/799DD90866346EA5B5BBF2F86C925C6D>

andrew.mckerns@hymans.co.uk

SAB surpluses statement

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-sabs-statement-on-lgps-surpluses/>

Climate scenario modelling – the next generation...

<https://www.hymans.co.uk/insights/webinars/managing-risk-in-the-lgps-a-spotlight-on-climate-risk/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/managing-risk-in-the-lgps-a-spotlight-on-climate-risk/>

Finance Bill 2023-24

<https://www.gov.uk/government/publications/pension-schemes-newsletter-155-january-2024/newsletter-155-january-2024>

Another interesting accounting year ahead for the LGPS?

LGPSCentralACcounting@hymans.co.uk

Craig.Alexander@hymans.co.uk

The meaning of life (expectancy)

<https://www.clubvita.net/uk/news-and-insights/misleading-headlines-jill-jamieson-helps-unpick-the-meaning-of-life-expectancy-statistics-reported-in-the-media>

The 'blue economy'

https://www.hymans.co.uk/media/uploads/Marine_Biodiversity_-_Executive_Summary.pdf

https://www.hymans.co.uk/media/uploads/Why_Oceans_and_Marine_Biodiversity_Matter.pdf

Fiduciary duty and climate change

<https://fmlc.org/wp-content/uploads/2024/02/Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf>

Capital markets update

<https://www.hymans.co.uk/insights/research-and-publications/publication/capital-markets-update-january-2024/>

Events, webinars & training

<https://event.on24.com/wcc/r/4448238/8773C0A9AA511C292B039DEA4F54FAD3>

https://www.hymans.co.uk/media/uploads/Conference_Highlights_-_LGA_Governance_Conference_18-19_January_2024.pdf

In brief...

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/administration-detailed-guidance/cyber-security-principles#2605e0fdec134fd2a576419cd9388be6>

<https://www.thepensionsregulator.gov.uk/en/document-library/enforcement-activity/regulatory-intervention-reports/capita-cyber-security-incident-regulatory-intervention-report>

<https://www.legislation.gov.uk/ukxi/2024/121/made>

https://www.legislation.gov.uk/ukdsi/2024/9780348254808/pdfs/ukdsi_9780348254808_en.pdf

<https://www.legislation.gov.uk/ukpga/2023/18/enacted>

<https://www.nao.org.uk/work-in-progress/investigation-into-the-pensions-dashboards-programme/>

<https://questions-statements.parliament.uk/written-statements/detail/2024-01-25/hcws211>

<https://www.ons.gov.uk/economy/inflationandpriceindices>

<https://commonslibrary.parliament.uk/research-briefings/sn04956/>

<https://www.lgpsregs.org/schemeregs/actguidance.php>

<https://www.gov.uk/government/publications/public-service-pensions-2016-valuation-cost-cap-reports/public-service-pensions-2016-valuation-cost-cap-reports>

<https://www.legislation.gov.uk/ukpga/2023/57/enacted>

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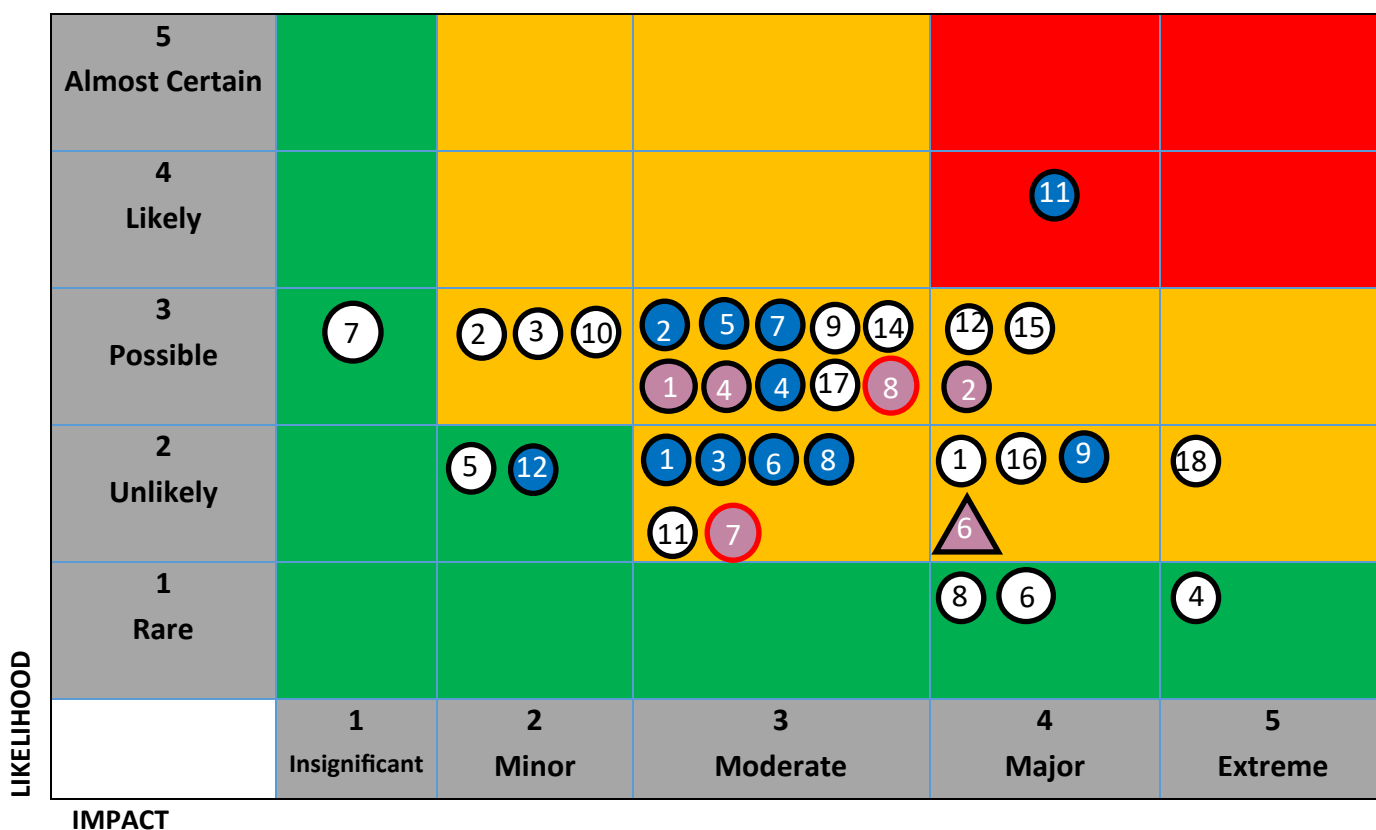
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Norfolk Pension Fund Risk Heat Map February 2024 showing movement since November 2023

APPENDIX B



	Governance (NPG)	Funding & Investment (NPF)	Benefits Administration (NPF)
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	Employer operational issues
7	Communication & Engagement	Default by participating employer	Dashboard readiness and implementation
8	Lack of skilled resource (gov)	Poor advice	New operational delivery model
9	National LGPS Frameworks	Changing demographics (Assumptions v Experience)	
10	-	Business Continuity (F & Inv)	
11	Cyber Security	Communication	
12	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	
17		ACCESS Asset Class availability	
18		ACCESS Operator contract	

Becoming more of a risk



Risk is stable



Becoming less of a risk



2024-27 Medium Term Internal Audit Planning

APPENDIX C

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 Director of Strategic Finance. 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 has considered the wider risk environment, as documented by the Institute of Internal Auditors in the “Risk in Focus 2024/Hot Topics” publication dated September 2023. The five ‘hot topics’ are detailed at the end of the Audit Plan. Audit topics marked with an asterisk (*) are included by the IIA as the hot topics for 2024.

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 2027. 2023-24 has reduced days due to the postponement of an audit into 2024-25.

Table 1: Summary of the Internal Audit Plan 2024-2027

AUDIT UNIVERSE	2023-24	2024-25	2025-26	2026-27
	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>	22	15	15	15
<i>Total Pension Services</i>	21	43	41	41
<i>Total Investment and Funding</i>	15	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	69	84	87	87

APPENDIX A

Norfolk Pension Fund - Medium Term Internal Audit Plan 2024-27

AUDIT UNIVERSE				
	2023-24	2024-25	2025-26	2026-27
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Governance and Strategy				
Compliance with TPR Cyber Pledge- self certification. Management Letter to be produced	7			
LGPS Frameworks – Assurance about the process in place to manage framework supplier failure	15			
The Pension Regulators General Code of Practice. Compliance with the code and its new governance requirements. (Q3-Q4)		15		
Audit areas to be confirmed			15	15
Total for Governance and Strategy	22	15	15	15
AUDIT UNIVERSE				
	2023-24	2024-25	2025-26	2026-27
	Revised	Planned No.	Planned No.	Planned No.

	planned No. of days	of days	of days	of days
Pension Services				
Transaction Life Cycles:				
Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges. (to be audited every 2 years).	20			
NFI. Full exercise to be undertaken in October 2024.		2		
Work carried out in respect of IAS240 assurance work	1	1	1	1
Payables regular payroll benefit payments, lump sums, death in service. (to be audited every 2 years)		20		
Audit areas to be confirmed			20	20
Systems:				
* 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. Planned for 2023/24 but postponed to 2024/25 (Q1)	0	20		
Audit areas to be confirmed			20	20
Total Pension Services	21	43	41	41
AUDIT UNIVERSE				
	2023-24	2024-25	2025-26	2026-27
	Revised planned No. of days	Planned No. of days	Planned No. of days	Planned No. of days
Investment and Funding				

Assurance that key controls and adequate processes are in place regarding asset transitions within the ACCESS Pool (Q4)	15			
NPF Budget setting process and budget monitoring - Assurance that key controls and adequate processes are in place with supporting evidence		15		
Areas to be audited – To Be Confirmed			20	20
Total Investment and Funding	15	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	69	84	87	87

Previous Audits

Governance and Strategy

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

2021-22 Assurance that adequate governance controls and decision making were in place during the pandemic

2021-22 High level review on the progress being made with the agreed actions resulting from the Hymans Robertson Future Proofing Review Feb 2019. Management Letter issued.

2022-23 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

2022-23 Compliance with NPF Training Strategy 2020.

Admin processes and systems

Transaction Life Cycles:

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.

2021-22 Receivables – contributions, (AVCs, APCs) transfer values, other receivables, recharges.

2021-22 Review of Mortality and Pension Entitlement screening processes.

2022-23 Payables – regular payroll benefit payments, lump sums, death in service.

Systems:

2016-17 Business Continuity Planning / Disaster Recovery.

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

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.

2021-22 Private Equity, infrastructure and private debt –assurance that the processes and procedures for drawing down distributions are working as expected.

2022-23 New custodian relationship with Northern Trust – Assurance that key controls and adequate processes are in place.

IIA's Risk in Focus 2024 – this year's hot topics

Macroeconomic and geopolitical uncertainty: focus on strategic change

Cyber and data security: strengthening the digital nervous system

Human capital, diversity, talent management and retention: adapting culture

Climate change, biodiversity and environmental sustainability: embrace in the mission

Supply chain: strengthen critical partnerships



Norfolk Pension Fund

Norfolk Pension Fund Service Plan 2024-2027

lgps

Local Government
Pension Scheme

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Mission Statement & Strategic Objectives

Our Mission Statement is:

To manage the Norfolk Pension Fund efficiently, effectively, and fairly on behalf of our stakeholders so that pensions benefits are paid as they are due.

Our Strategic Objectives are:



Customer focus

to design a service around the need of scheme members and employers, supporting their decision making and ensuring that stakeholder views are heard.



Effective and transparent governance

to uphold high standards of effective governance and oversight to ensure compliance with legislation, regulation and best-practice, to effectively manage risk and to support good decision-making in order to deliver our strategic objectives and mission.



High quality scheme manager

to maintain high standards of efficient and effective operational performance and delivery, including maintaining the quality, security and integrity of systems, processes and data and to invest in continuous improvement, embracing innovation and new technologies.



Investment strategy

to maintain an investment approach which delivers returns (commensurate with appropriate levels of risk) and ensures that the Fund can meet both its immediate and long-term liabilities.



Responsible investment

to develop and maintain responsible investment strategies in accordance with the Fund's investment beliefs.



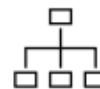
Scheme funding

to maintain a funding strategy that ensures sufficient likelihood of having enough monies to pay future benefits, considering the desire for employer contribution rates to be stable and affordable.



Our fund

to be active and engaged locally and nationally, to understand the issues and advocate on behalf of our scheme members and employers celebrating success, promoting excellence and supporting careful innovation to influence and inform policy, strategy and solutions that deliver benefits for our stakeholders.



Our team

to recruit and retain, invest in and develop a highly skilled professional and motivated workforce to meet the current and future service requirements, committed to our mission and engaged in improving our services.

Background

Norfolk Pension Fund (NPF) administers the Local Government Pension Scheme (LGPS) and manages the assets of the Fund (£4.722 billion as at March 2023), on behalf of 430 participating employers, and around 100,000 members. Employers include Norfolk County Council, district councils, parish councils, academies, as well as a range of charities and increasingly private sector employers who are undertaking work previously done by the public sector.

The LGPS is a national pension scheme, with its own regulator (the Department of Levelling Up, Communities and Housing (DLUCH), which is administered locally. Norfolk County Council (NCC) is the Administering Authority of the Norfolk Pension Fund and delegates responsibility for the management of the Fund to the Pensions Committee, who act as quasi trustees of the Fund. Pensions Committee is responsible for all aspects of strategic management of the fund including the assets and the administration and payment of benefits. The Pension Fund assets are separate from NCC, and all costs associated with the Fund, including staff costs, are accounted for separately and the Fund maintains a separate bank account. The Pensions Oversight Board assists in securing compliance and efficient, effective governance and administration.

This document sets out our plans for the delivery and development of our service over the next three years. It reflects our continuing journey to build and maintain a resilient service, focussed on delivering for our stakeholders.

Norfolk Pension Fund is part of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) investment pool. This is a partnership between Cambridgeshire CC, East Sussex CC, Essex CC, Hampshire CC, Hertfordshire CC, Isle of Wight Council, Kent CC, Norfolk CC, West Northamptonshire Council, Suffolk CC, and West Sussex CC in response to the Government's pooling agenda across the LGPS, governed by an Inter Authority Agreement signed by each administering authority. ACCESS administering authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders while retaining their strategic oversight, scrutiny responsibilities and decision making on their individual Funds' asset allocation.

Norfolk Pension Fund officers fit broadly into three teams: funding and investment, governance and strategy (including the National LGPS Frameworks) and pensions services.

Plan on a Page 2024-25

To be completed once activities, projects
and budgets approved by Pensions
Committee

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Main Activities & Key Operational Projects

Each team has identified their main activities and key operational projects in relation to the eight strategic objectives:

Strategic Objective 1: Customer Focus

To design our services around the needs of scheme members and employers, supporting their decision making and ensuring that stakeholder views are heard.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Gov & Strat	Preparing and publishing news sheets and newsletters with relevant, appropriate, and accurate content.	Feedback from employers and scheme members via surveys.
	Conducting regular surveys to seek feedback from stakeholders and inform our future service delivery.	Feedback received and any issues raised are resolved and changes implemented where appropriate.
	Maintaining NPF website.	<ul style="list-style-type: none"> • Website usage monitored. • Data and information held are up to date and topical.
	Promoting member self-services so that members are aware of the additional facilities available to help manage their pension and plan for their retirement.	Monitor membership usage statistics.
Frameworks	Supporting customers by providing timely and relevant information about the frameworks and how to use them most effectively.	Continual, regular and repeated use of the National LGPS Frameworks with positive feedback and appropriate resolution of any issues raised.
	Regularly reviewing and updating guidance notes, other framework documentation, website and newsletters.	Frameworks users are following best practice and not encountering issues when using the Frameworks.
	Collecting management information from providers and working with users to monitor issues and ensure accurate and timely repayment of cumulative rebates to Founders. (Founders are our partners who collaborate with us in relation to the establishment of a procurement framework.)	Collection, analysis, and confirmation of management information to ensure users receive any cumulative rebate they are entitled to from providers.

Investment	Providing effective support to employers on the understanding and collection of pension contributions and supporting employer requirements on financial reporting (IAS19/FRS102).	Regular (i) monitoring of contribution receipt and (ii) reporting to the management team of late payments.
Investment	Working closely with the Pensions Services (and governance team where appropriate) team, supporting employers in meeting their LGPS responsibilities including delivering the Members Services aspects of the Customer Care and Communications Strategy	Positive feedback.
Pension Services	Supporting scheme members (including potential new members) with their LGPS membership and benefits including delivering the Members Services aspects of the Customer Care and Communications Strategy	Member feedback, including: <ul style="list-style-type: none"> • Survey data • Compliments and complaints KPI targets regularly achieved by Team.
Pension Services	Working closely with the Employer Services team (and the Governance team where appropriate), supporting employers in meeting their LGPS responsibilities including delivering the Members Services aspects of the Customer Care and Communications Strategy	Employer feedback, including <ul style="list-style-type: none"> • Survey data • Compliments and complaints Timely receipt of accurate data as set out in the Pensions Administration Strategy.
Pension Services	To provide help and guidance to employers on the requirements in respect of ill-health Tier 3, 18 month reviews.	Greater engagement from the relevant employers.
Pension Services	Pensioner member “gone away” tracing	Reduction in the number of suspended pensions. Re-activation of payments to Pensioner members we had lost contact with.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Gov & Strat	Working with management team to review and refresh the Communications Strategy.	Signed off by POB and Committee and implementation plan agreed.
	Reviewing and updating the format of Primetime.	Positive feedback received via surveys.
	Refreshing and improving the usage of surveys to better understand the user experience and satisfaction with NPF services - what do people think/need now?	Number and quality of responses received, good engagement from target audience.
Frameworks	Establishing and developing the new website to make best use of refreshed facilities including the new portal for document sharing.	Increased use of the website by framework users; feedback from users.
	Reviewing the news bulletin and way in which this can be delivered.	Reach and readership of the news bulletin increasing.
	Launching of the integrated service provider (ISP) and Data Services Framework, including supporting resources and promotion.	Users will be making effective use of the new framework.
	Launching of the AVC Framework including supporting resources and promotion.	Users will be making effective use of the new framework.
	New Pensions Admin Software Framework: commencing work in line with forward plans.	Founder group established and working towards new framework in readiness for the end of the previous one.
	New Transition Services Framework: commencing work in line with forward plans.	Founder group established and working towards new framework in line with agreed forward plans.
Frameworks	New Actuarial, Benefits and Governance Framework: commencing work in line with the forward plan.	Founder group established and working towards new framework in line with agreed forward plans.
Pension Services	Implementation of Transformative Member Experience ('TME') - new Member Self Service online portal	Successful migration of current users to new product. Increased volume of new registered members. User feedback – survey data.
Pension Services	Deferred Benefit “gone away” tracing (once project completed becomes a BAU activity)	Cases we have lost contact with are successfully traced and encouraged to keep in touch.
Pension Services	To review and refresh the production and distribution of Annual Benefit Statements in line with the updated Communications and Customer Care Strategy	Compliance with the Strategy; customer feedback
Funding & Investment	Implementing the Employer Services Team.	Successful implementation of the Employers Services Team in line with the delivery of the member services review timeline.

Strategic Objective 2: Effective and Transparent Governance

To uphold high standards of effective governance and oversight to ensure compliance with legislation, regulation, and best practice, to effectively manage risk and to support good decision-making in order to deliver our strategic objectives and mission.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Gov & Strat	Maintaining compliance with the governance manual (policies, monitoring, and control framework).	Information circulated to increase awareness within NPF and compliance with regulations. "Acceptable" audit results achieved.
	Supporting pensions committee in their decision making, including setting the strategic direction for all aspects of the service; and supporting them in their wider roles within the LGPS.	Effective decisions are made in a timely manner in accordance with their remit, enabling members to fulfil their responsibilities in line with the Terms of Reference.
	Supporting the work of POB.	As above.
	Ensuring accountability and transparency (e.g., responding to Freedom of Information inquiries, working with external and internal auditors).	Support given to colleagues to respond to information requests within deadlines.
	Supporting the maintenance of an effective risk management framework (including cyber risk); providing regular reports to Committee and POB; identifying and managing risks effectively.	Major issues avoided, risks managed to avoid or mitigate the effect of any issues.
	Ensuring business continuity plans are up to date and exercised regularly.	Business continuity plan exercises completed on time and according to the annual schedule; lessons learnt / continuous improvements updates made. Business continuity plans are kept up to date.
	Supporting compliance with training requirements.	Accurate records kept, compliance with training policies maintained.
Frameworks	Conducting annual meeting with Founders	Attendance and engagement from Founders at the annual meeting where the finances are reviewed, and the forward plans agreed.
	Conducting annual contract monitoring of providers; reviewing and responding to Companies House alerts.	Provider structural changes are identified and managed, and Framework minimum standards contractual terms are complied with.
	Annual financial checks on all provider	Any issues identified are appropriately dealt with and assurance secured.

Funding & Investment	Maintaining an effective control environment	<p>Monthly review of Financial Controls Manager ICR.</p> <p>Effective security controls around investments and cash movements.</p>
	Financial Reporting	Delivering high quality financial reporting including any additional disclosures required in the annual report.

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Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Gov & Strat	Launch of Governance Manual (policies, monitoring, and control framework).	Signed off by management team and added to the Teams channel.
	Review and update of risk management and reporting framework.	Signed off by management team. Feedback from pensions committee and pensions oversight board confirming improved understanding.
	Review and compliance with TPR combined code.	Successful implementation of the requirements of the TPR combined code, in particular in the areas of conflict and cyber risk management.
	Review and compliance with Good Governance requirements, including updated trustee training requirements.	Being able to demonstrate compliance with legislation and best practice.
	Review and updating of cyber security and data management policies.	Effective controls in place. Continue to meet the requirements of the TPR scam pledge.
	Support NPF move to SharePoint.	Successful transfer of files and data completed within the deadlines.
Frameworks	Conduct provider engagement sessions – establish and implement new process	Engagement with existing providers to ensure continued engagement and correct and prompt responses to MI requests

Strategic Objective 3: High quality scheme manager

To maintain high standards of efficient and effective operational performance and delivery, including maintaining the quality, security and integrity of systems, processes, and data and to invest in continuous improvement, embracing innovation and new technologies.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Frameworks	Collecting Management Information from providers and conducting appropriate checks with users.	Collection, analysis, and confirmation of management information to ensure central rebate (typically 1%) is received in good time.
Pension Services	Scheme administration: the efficient and effective administration of pensions records in compliance with LGPS regulations and wider pensions obligations eg dashboards.	Weekly monitoring of KPIs
Pensions Services	To calculate and pay retirement benefits in accordance with the regulations,	Weekly monitoring of KPIs
Pension Services	The administration of the annual Pensions Increase.	All Pensioner Member records successfully updated and increases applied.
Pension Services	To ensure that Annual Benefit Statements (ABS) to Active and Deferred Scheme Members are produced in compliance with regulations and guidance, including meeting statutory deadlines; and including the McCloud rectification information in ABS from 2025 in accordance with regulations and guidance.	ABS are accurately produced and distributed in compliance with statutory deadlines and guidance. All member records updated with the McCloud rectification dataview.
Pension Services	Data Quality: on-going review and maintenance / improvement of data – work with employers to provide high quality, complete data; maintain an ongoing programme of data cleansing and improvement.	TPR Data Quality report will provide an overview of data quality
Pension Services	Supplier engagement and monitoring (relationship and service) to secure early and swift identification of opportunities and any risks. To ensure issues are resolved to our satisfaction.	Ongoing relationship with suppliers to include regular meetings and updates.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Pension Services	Implementation of a new Pension Services Operational Delivery Model to support the Mission and Strategic Objectives.	Successful transition to new delivery model. Successful recruitment of staff to all roles and trained as required. Improvement in retention of trained staff.
Pension Services	Payroll enhancements (to include Pensions Increase, Bank Account Verification and reporting).	Successfully installed and being used by the Team
Pension Services	Preparation for and implementation of the requirements of the Pensions Dashboard, including data quality requirements, the procurement and testing / implementation of an Integrated Service Provider (ISP); preparing an on boarding plan and supporting processes, resources identified and established; comms plan.	On boarding successfully completed in compliance with the statutory requirements
Pension Services	Review and update of processes and procedures to reflect current legislative requirements and deliver efficient working practices.	Consistent service delivery across the Pensions service.
Pension Services	Review, update and roll out of the Pensions Administration Strategy as all Employers are now submitting monthly member data.	Revised PAS agreed with employers and successfully implemented and monitored. Revised PAS to be compliant with any changes resulting from Good Governance and implemented via statutory guidance.
Pensions Services	Implementation of the requirements of the McCloud remedy, including updating systems and processes, and training.	Compliance with regulations

Strategic Objective 4: Investment Strategy

To maintain an investment approach which delivers returns (commensurate with appropriate levels of risk) and ensures that the Fund can meet both its immediate and long-term liabilities.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment	Reviewing strategic allocation	To have completed a review of each investment buckets by the end of 2024 <ul style="list-style-type: none"> • Enhanced Yield • Protection • Growth
	Assessing funding risk Maintaining the appropriate relationship between investment strategy and actuarial valuation.	Measured by regular review of the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS) on a minimum of a three-year rolling basis.
	Maintaining and monitoring policies relating to financially material environment, social and governance (ESG) risks in the management of the investment portfolio.	Six monthly reporting to Committee of voting and engagement and climate risk monitoring.
	Regularly reviewing and rebalancing of liquid asset portfolio and ensuring that private market commitments are made sufficient to maintain strategic allocations.	Review of the quarterly investment allocation presented to committee. Monthly review of cash positions by officers and rebalancing instructions as required.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment	Implementing guidance or statutory provision requirements in relation to the pooling consultation response.	Successful implementation and compliance with new regulations.
	Protection Asset Review.	To have completed the review by July 2024 and conduct implementation of the recommendations by December 2024.
	ACCESS implementation of private market and Norfolk's adoption of these mandates.	Embed real estate transition with CBRE by 30 September 2024. Participate in sourcing of solutions for private equity and private debt for full completion in accordance with agreed ACCESS timetable. Implement sourced private market solutions by 31 March 2026.
Funding & Investment	Investment consultancy procurement under the National LGPS Framework	New contractual arrangements established in time for 1 April 2025.

Strategic Objective 5: Responsible Investment

To develop and maintain responsible investment strategies in accordance with the Fund's investment beliefs.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment	Meeting reporting requirements for the task force on climate-related financial disclosures (TCFD) data collection, management, and reporting.	We will be able to extend bi-annual reporting to include illiquid asset classes by December 2026. We will produce a TCFD report in line with the statutory guidelines by December 2026.
	Maintaining and review NPF's approach to responsible investing (RI).	Pensions Committee to review the Statement on Disinvestment/Exclusions and ESG aspects of Investment Strategy with appropriate professional advice by March 2024.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment	Development of TCFD reporting	We will have identified a suitable approach to manage TCFD data and reporting by April 2025. We will deliver a TCFD report in line with the guidelines by December 2026 for the 2024-25 financial year which includes all asset classes utilising estimates where appropriate.
	ACCESS stewardship and RI review	We will support the review of the ACCESS RI guidelines and promote the development of climate related data through participation in underlying subgroups. We will support the application of ACCESS to the UK Stewardship Code by the end of 2025.

Strategic Objective 6: Scheme Funding

To maintain a funding strategy that ensures sufficient likelihood of having enough monies to pay future benefits, considering the desire for employer contribution rates to be stable and affordable Achievement and maintenance of full funding.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment	Completing required statutory consultation on FSS.	To have completed the consultation with Employers by the 31 January 2026 for final approval by Pension Committee by 31 March 2026.
	Managing employer exit	Ensure that employer exits arising are management with appropriate professional advice (Legal and Actuarial) and in accordance with the provisions set out in the FSS and that Exit credits or funding shortfalls are resolved within appropriate statutory timelines.
	Cash flow monitoring	As part of the 2025 Triennial Valuation undertake review of risks around Cash Flow and Cash Flow projection for consideration by Committee and incorporation into Investment Strategy Considerations by December 2025.
	GAD valuation review under Section 13	Ensure that Norfolk's Valuation is considered compliant by GAD under their obligations in respect of Section 13 of the Public Services Pension Act 2013. To have collaborated with the Fund Actuary to ensure that any issues identified by GAD are resolved within two years of the completion of the valuation.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Funding & Investment Pensions Services	2025 Valuation	Complete valuation planning in consultation with the scheme actuary by 31 March 2025. Receive COMPASS reporting for significant long-term employers and communicate results to those employers by 31 March 2025. Complete Actuarial Valuation including appropriate Governance Steps (committee approval, FSS, etc) by statutory deadline 1 March 2026.

Strategic Objective 7: Our fund

To be active and engaged locally and nationally, to understand the issues and advocate on behalf of our scheme members and employers, celebrating success, promoting excellence, and supporting careful innovation to influence and inform policy, strategy and solutions that deliver benefits for our stakeholders.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
All	Ensure NPF is represented nationally	To actively engage with other Funds, Managers, and other Stakeholders (eg SAB, DLUCH, Pools, POG's).
Gov & Strat	Using our expertise to help develop national policy and respond to consultations to inform scheme development.	Invitations to speak at conferences and sit on various relevant committees and boards.
Frameworks	To be active and engaged with strategic, regulatory, and operational developments across the LGPS / public service and pensions generally, and to build and maintain relationships with all stakeholders to identify current issues and future opportunities and need, so that the National LGPS Frameworks continue to be a relevant and valuable resource across the LGPS.	Stakeholder feedback Forward plans informed by the LGPS community and endorsed by Founders. Founders come forward for new frameworks. Providers continue to engage Remain the 'go to' procurement support for the LGPS
Funding & Investment	Participating within the ACCESS pool	To continue to be contributing members to the ACCESS pool by being represented on the Joint Committee, Officer Working Group, and underlying subgroups to participate in long term strategic decision making for the pool.
Pensions Services	To participate in local and national LGPS officer groups (system user groups, McCloud, Dashboard, SEC SOG etc); to respond to consultations and contribute to national initiatives e.g. with data	Understanding of current risks and issues and best practice; interpretation of regulations; and options / resolutions

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
Gov & Strat	Roll out Norfolk Pension Fund Mission Statement and Strategic Objectives (MS & SO) and ensure team engagement.	Teams are aware and engaged with our MS & SO and include them within their individual PDPs. Service plan is informed.

Strategic Objective 8: Our team

To recruit and retain, invest in, and develop a highly skilled, professional, motivated workforce to meet the current and future service requirements, committed to our mission and engaged in improving our services.

Team	Main activities in support of our service objective	How do we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
All	Carrying out regular 1:1s, PDPs.	Staff develop rewarding careers and retention rates are high. Improved results in the annual NCC staff satisfaction survey.
	Continuous Professional Development	To promote CPD opportunities within the team to maintain and extend knowledge and skills in the delivery of services. To remain up to date with all regulatory and reporting changes.
Gov & Strat	Publishing team news sheets, Spotlight sessions on Teams, facilitate team events.	As above.
Frameworks	Supporting staff through their apprenticeships and professional qualifications	Attainment of relevant qualifications across the team.
Funding & Investment	Implementing the new employer services function	To have effectively integrated the employer services function within the Investment and Funding Team and to have communicated changes with employers to ensure that their experience communicating with the fund remains consistent or improves.
Pensions Services	Delivery of the training and development plan across Pension Services	Feedback and monitoring
Pension Services	Provide technical and legislative resources as needed, including necessary training	Feedback and monitoring Uptake / use of PenTAG product
Pension Services	Continue to support, help and communicate within and across all Teams.	Continuous improvement in communications and interactions with all Teams across the Norfolk Pension Fund.

Team	Key operational projects currently identified for 2024 - 2027 to support service delivery	How will we know if what we have done has had an impact/has been effective? (Include KPIs if relevant)
All	Support the development of the Norfolk Pension Fund Workforce Plan, within the service plan, to anticipate our future needs.	Each individual will have a personal development plan agreed and tracked through the PDP process.
Frameworks	To continue to review the requirements of the team based on future framework set-up and usage	Any structural or resource change required are identified, agreed, and implemented
Pension Services	Development of a training and development plan for Pensions Services (including relevant qualifications)	Consistent training and development across Pensions Services
	Training teams on new / refreshed procedures and processes as they are developed and completed	Consistent delivery across Pensions Services [each move to BAU after initial rollout]

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Summary of Key Projects, Timescales and Resource

Team	Project	Timescales	Lead Officer(s)	Strategic objective	Additional Staff Resource needed?	Additional Budget required (Y/N)
All	Support the development of the Norfolk Pension Fund Workforce Plan, within the service plan, to anticipate our future needs.	e	Glenn Cossey / Mgt Team	Our Team	Working with HR	N
Gov & Strat	Working with management team to review and refresh the Communications Strategy.	Dec 2024	Richard Ewles	Customer Focus	No	Y – in budget
	Reviewing and updating the format of Primetime.	Dec 2024	Richard Ewles	Customer Focus	Working with pensions Services	No
	Refreshing and improving the usage of surveys to better understand the user experience and satisfaction with NPF services – what do people think/ need now?	Mar 2025	Richard Ewles	Customer Focus	Working with Pensions and Employers Services	No
	Launch of Governance Manual (policies, monitoring, and control framework).	Dec 2024	Eunice Walcott	Effective and Transparent Governance	Mat cover in place from 2/24	No
	Review and update of risk management and reporting framework.	Dec 2024	Eunice Walcott	Effective and Transparent Governance	Working with Internal Audit Risk Mgr	No
	Review and compliance with TPR combined code	Complete review / gap analysis Sept 24	Jo Quarterman	Effective and Transparent Governance	No	Y – in budget
	Review and compliance with Good Governance requirements, including updated trustee training requirements.	Dec 24	Jo Quarterman	Effective and Transparent Governance	No	Y – in budget

	Review and updating of cyber security and data management policies.	Dec 24	Eunice Walcott	Effective and Transparent Governance	Maybe	Yes – in budget
	Support NPF move to SharePoint.	July 2024	Chris Brennan	Effective and Transparent Governance	No	No
	Roll out Norfolk Pension Fund Mission Statement and Strategic Objectives (MS & SO) and ensure team engagement.	Dec 2024	Jo Quarterman	Our Fund	No	No
Frameworks	Establishing and developing the new website to make best use of refreshed facilities including the new portal for document sharing.	June 2024	Katie Willson / Jamie Freeman	Customer Focus	No	No
	Reviewing the news bulletin and way in which this can be delivered.	Dec 2024	Katie Willson	Customer Focus	No	No
	Launching of the integrated service provider (ISP) and Data Services Framework, including supporting resources and promotion.	April 2024	Leon Thorpe	Customer Focus	No	No
	Launching of the AVC Framework including supporting resources and promotion.	April 2024	Leon Thorpe	Customer Focus	No	No
	New Pensions Admin Software Framework: commencing work in line with forward plans.	April 2025	Leon Thorpe	Customer Focus	No	No
	New Transition Services Framework: commencing work in line with forward plans.	Dec 2024	Leon Thorpe	Customer Focus	No	No
	New Actuarial, Benefits and Governance Framework: commencing work in line with forward plan.	June 2025	Leon Thorpe	Customer Focus	No	No

	Conduct provider engagement sessions – establish and implement new process	September 2024	Leon Thorpe	Effective and Transparent Governance	No	No
	To continue to review the requirements of the team based on future framework set- up and usage.	March 2025	Jo Quarterman / Leon Thorpe	Our Team	No	No
Pension Services	Implementation of Transformative Member Experience ('TME') – NEW Member Self Service online portal	March 2025	Matthew Crane	Customer Focus	No	Yes – in budget
	Deferred Benefit “gone away” tracing (once project completed becomes BAU activity)	December 2024	Matthew Crane /Patsy Bradley	Customer Focus	No	No
	To review and refresh the production and distribution of Annual Benefit Statements in line with the updated Communications and Customer Care Strategy.	March 2025	Debra Keeling	Customer Focus	Working with Gov & Comms team	No
	Implementation of a new Pension Services Operational Delivery Model to support the Mission and Strategic Objectives	December 2025	Debra Keeling	High Quality Scheme Manager	Working with HR	No
	Payroll enhancements (to include Pensions Increase, Bank Account Verification and reporting).	June 2024	Paul Stimpson	High Quality Scheme Manager	No	No
	Preparation for and implementation of the requirements of the Pensions Dashboard, including data quality requirements, the procurement and testing / implementation of an Integrated Service Provider (ISP); preparing an on boarding plan and supporting processes, resources	Appt ISP April 2024 Implementation plan agreed: June 2024	Debra keeling	High Quality Scheme Manager	No	Yes – in budget

	identified and established; comms plan.					
	Review and update of processes and procedures to reflect current legislative requirements and deliver efficient working practices.	March 2025	Debra Keeling	High Quality Scheme Manager	No	No
	Review, update and roll out of the Pensions Administration Strategy as all Employers are now submitting monthly member data.	July 2024	Debra Keeling	High Quality Scheme Manager	No	No
	Implementation of the requirements of the McCloud remedy, including updating systems and processes, and training.	May 2024	Debra Keeling	High Quality Scheme Manager	No	No
	2025 Valuation (Member data provision and quality to support valuation)	2024- 2025: planning and pre work 2025 – 2026: completion of the valuation	Debra keeling	Scheme Funding	No (work closely with Funding and Investment team)	No
	Development of a training and development plan for Pensions Services (including relevant qualifications)	January 2025	Debra Keeling	Our Team	No	No
	Training teams on new/ refreshed procedures and processes as they are developed and completed.	March 2025	Patsy Bradley	Our Team	No	No
Funding & Investment	Implementing the Employer Services Team.	March 2025	Alex Younger	Customer Focus	No	No
	Implementing guidance or statutory provision requirements in relation to the pooling consultation response.	Dependent upon Government action	Alex Younger	Investment Strategy	No	Y – in budget

	Protection Asset Review.	June 2024	Alex Younger	Investment Strategy	No	No
	ACCESS implementation of private market and Norfolk's adoption of these mandates.	Dependent upon ACCESS timetable (target date March 2025)	Alex Younger	Investment Strategy	No	Y – in budget
	Development of TCFD reporting	Dependent upon Government action	Alex Younger	Responsible Investment	No	Y – in budget
	ACCESS stewardship and RI review	Dependent upon ACCESS timetable	Alex Younger	Responsible Investment	No	No
	2025 Valuation	2024- 2025 : planning and pre work 2025 – 2026 : completion of the valuation	Alex Younger	Scheme Funding	No (work closely with pensions Services team)	Y – in budget
Funding & Investment	Investment consultancy procurement under the National LGPS Framework	March 2025	Alex Younger	Responsible investment	No	Y – in budget

What are the things which might stop us from achieving our objectives?

We currently separate risks into three categories:

- Pensions Services
- Funding and Investment
- Governance and Strategy

The following is a summary of the key known risks which may impact on the delivery of this service plan:

- Recruitment and retention of staff and key person risk.
- Increased workload for administration teams due to the McCloud remedy and Pensions Dashboard solution impacting on the service to scheme members and employers.
- Operational issues with employer internal systems and processes resulting in delays in receiving employer data and placing pressure on administration teams.
- Financial mismatch or failure to meet investment objectives due to market volatility or other external factors.
- Inaccurate actuarial assumptions relating to longevity, early retirement and ill health leading to higher than expected costs.
- Changes to national requirements in relation to pooling leading to required changes to the ACCESS Pool which affect our reputation or achievement of our investment objectives.
- Failure to effectively communicate or engage with scheme employers which would limit their ability to make informed decisions resulting in non-compliance with legislation or best practice.
- Data or asset loss due to a cyber incident or third party failure.
- Service interruption due to a catastrophic event.
- Failure to maintain required knowledge and skills resulting in poor decision making.

Risk management

The Management Team review the risk register regularly. Pensions Committee receive a full risk report twice a year and a report on risk movement each meeting as part of the quarterly performance reporting process. Additional oversight is provided by the Audit Committee with internal audits conducted on a regular cycle, and by the Pensions Oversight Board who are given an update at each quarterly meeting.

What is it going to cost / Budget

Pensions Budget 2024-25

To be completed once activities, projects
and budgets approved by Pensions
Committee

DRAFT

Workforce Plan

Objective

We employ in excess of fifty members of staff. It is our team who delivers our mission, including the regular and project activities set out in this service plan and therefore it is crucial that we support and invest in a skilled, professional, dedicated team.

We are focused on the following three areas and monitor this on our risk register.

- Development of our current workforce to meet the needs of Norfolk Pension Fund
- Retaining a high-quality workforce
- Recruitment for the future

The Main Activities and Key Operational Projects under our 8 strategic objectives, our training strategy and succession planning set out how we will achieve this.

Training

A training strategy has been established to assist the Pension Committee, POB members and officers in performing and personally developing in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.

All staff have an appropriate personal development plan to ensure they are fully supported with gaining the knowledge and skills needed to discharge the duties and responsibilities allocated to them.

Succession Planning

Succession planning is being addressed to help manage key person risk and ensure staff with the necessary skills and expertise are progressing through the organisation or recruited in a timely manner to ensure a smooth transition through any change.

Version Control

Version Number	Revision Date	Change Description	Changed Name	Approved Name	Comments
0.1	19/04/2023	Draft version	Eunice Walcott		
0.2	31/08/2023	Draft version	Maddie Mitchell		
0.3	16/11/2023	Draft version	Elaine Otway		
0.4	22/11/2023	Draft version	Jo Quarterman		
0.5	30/11/2023	Draft version	Eunice Walcott		
0.6	22/01/2024	Draft version	Jo Quarterman		For team discussions
0.7	26/01/20234	Draft version	Jo Quarterman		Post team discussions
0.8	9/2/24	Draft version	EW / JQ		Mgt Team review
0.9	27/2/24	Draft version	JQ		For Pensions Committee review

DRAFT

Norfolk Pension Fund Key Performance Indicators

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-22		Dec-22		Jan-23		Feb-23		Mar-23		Apr-23		May-23		Jun-23		Jul-23		Aug-23		Sep-23		Oct-23		Nov-23		Dec-23		Jan-24		Monthly Average	
		Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
Transfer In Quotes	10	16	100	9	89	21	86	18	94	21	86	3	33	3	100	1	100	23	52	43	86	20	85	22	91	25	80	21	71	18	72	18	82
Transfer Out Quotes	10	39	90	25	88	23	65	29	100	35	94	6	100	4	100	34	97	33	94	26	85	18	100	11	91	4	100	9	56	7	43	20	87
Refund Payments	5	57	100	28	100	71	100	52	100	57	100	39	100	49	100	44	100	55	100	54	100	44	100	64	100	46	100	34	100	45	100	49	100
Estimate of Retirement Benefits	10	94	99	72	96	92	100	123	100	96	98	117	99	98	96	136	100	113	97	121	98	58	100	93	91	194	94	67	96	107	99	105	98
Actual Retirement Benefits	5	158	99	85	100	138	99	108	100	102	95	100	95	123	99	139	100	122	100	147	100	161	99	179	99	162	100	114	100	179	99	134	99
Acknowledge Death of Member	5	79	95	65	97	83	98	96	92	82	94	42	95	76	88	85	100	69	97	72	97	87	95	72	100	63	100	69	97	94	90	76	96
Notify Dependant's Benefits	5	29	100	11	100	18	89	25	56	38	97	27	70	36	86	26	77	37	92	21	95	30	100	32	91	31	100	16	100	29	93	27	90
Notify Deferred Benefits	10	251	92	180	99	212	98	175	99	175	98	79	96	159	99	224	99	149	99	193	99	190	93	247	98	255	99	211	99	226	97	195	98
Altair Housekeeping	5	8	88	9	100	9	100	8	100	9	100	8	100	9	100	9	100	8	50	9	100	9	100	9	100	8	100	9	100	9	100	9	96

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 2024



Norfolk Pension Fund

Report on Data Quality at January 2024

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 26 January 2024.

For more information please contact:

Debra Keeling
Pensions Manager

Tel: 01603 495784

Email: debra.keeling@norfolk.gov.uk

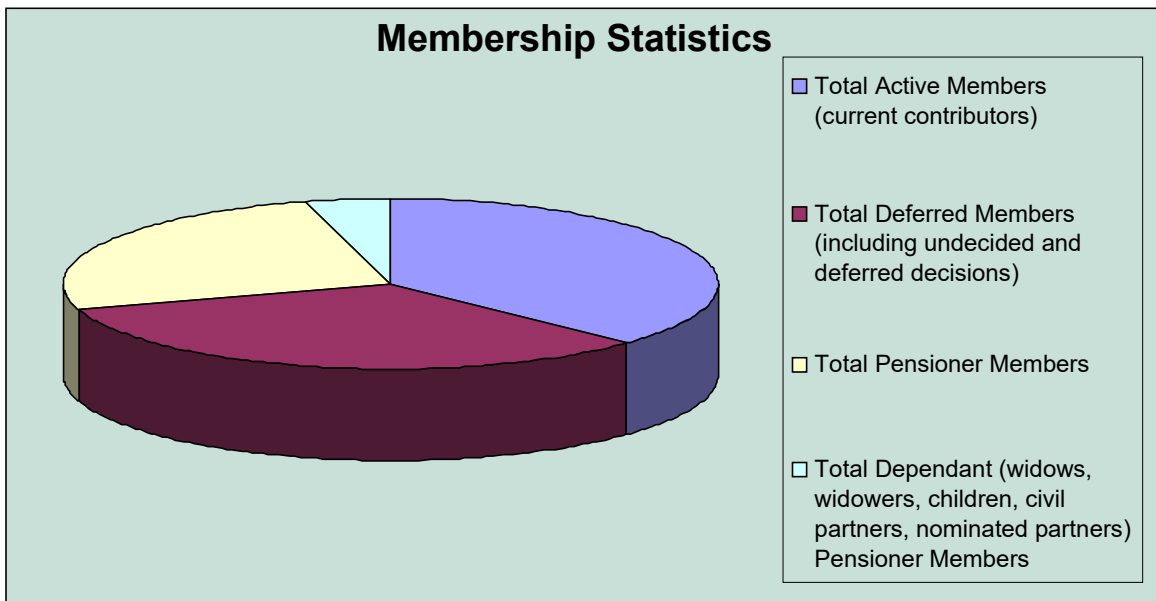
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Numerical Information

1. Numerical information [P391]

1. Membership statistics	
Number of Schemes being managed	2
Total Active Members (current contributors)	32,883
Total Deferred Members (including undecided and deferred decisions)	42,501
Total Pensioner Members	27,973
Total Dependant Pensioner Members (widows, widowers, children, civil partners, nominated partners)	3,666
TOTAL of all members	107,023



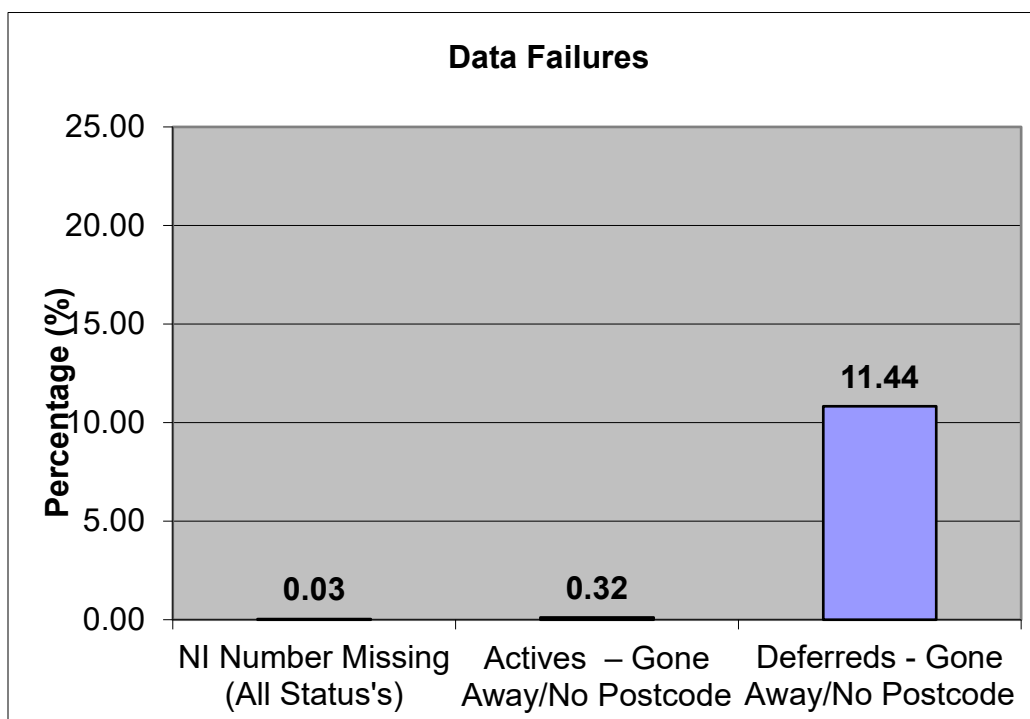
Commentary

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	107,023	32
Surname	107,023	0
Forename/Initials	107,023	0
Gender	107,023	0
Date of Birth	107,023	0
Active Members – Gone Away/No Postcode	32,883	107
Deferred Members – Gone Away/No Postcode	42,501	4,863
Pensioner Members – Gone Away/No Postcode	31,639	50
Total individual fails		5,052
Total number of members failing one or more tests		5,052
Percentage members of total with fail		4.72%



Common data score

This is a measure of all common data items averaged across all items: **95.28%**

Commentary

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

Active Members:

- **National Insurance Number** – This is provided by Scheme employers when posting monthly contribution data. Employers receive updates/corrections to NI Numbers directly from HMRC. Any amendments to NI Numbers would be present in later submissions of data.
- **Surname** – This is provided and checked by employers when posting monthly contribution data.
- **Date of Birth** – This is provided and checked by employers when posting their monthly contribution data. Any anomalies would be rectified in the next submission of data.
- 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 most of 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.

Deferred Members:

- **National Insurance Number** – This is checked with employers when posting monthly contribution data whilst the member to ensure accuracy. Employers receive updates/corrections to NI Numbers directly from HMRC.

- **Surname** – This is provided and checked by employers whilst the member is contributing. Deferred Members are encouraged to register for online services or contact us by email in order to update any new surname.
- **Date of Birth** – This is provided by employers when posting their monthly contribution data. Deferred Members are encouraged to register for online services or contact us by email in order to update any date of birth anomalies.
- 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 most of 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.
- 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.

Pensioner Members:

- HMRC are notified when the member retires and where National Insurance Numbers are incorrect these are notified to us by HMRC. We are also notified of updates/corrections to National Insurance Numbers directly from HMRC during the year or when revised tax codes are issued to us.
- **Surname** – This is provided and checked by employers whilst the member is contributing. Pensioner Members are encouraged to register for online services or contact us by email in order to update any new surname.
- **Date of Birth** – This is provided by employers when posting their monthly contribution data.
- The scheme member themselves are the best placed to ensure that data items are correct. Pensioner Members 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

Deferred Members – Gone Away/No Postcode

- The only significant area of “fail” is Deferred Pensioner Members’ 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 Pensioner Members, the fact that we do not 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 be 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 Pensioner Members’ 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
Active Members – Pay Data [PAY009]	32,883	0
Active Members – Contributions Data [CONT35]	32,883	0
Active Members – CARE Data [CARE001]	32,883	0
Deferred Members – Pensions Increase data [PRES22]	42,501	0
Deferred Members – Passed Due Date [PRES20]	42,501	65
Pensioner Members – GMP data [PENS12]	31,639	0
Total		65

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.

Active Members – 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.

Active Members – 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.

Deferred Members – 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.

Deferred Members – 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.

Pensioner Members – 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

Deferred Members – Passed Due Date:

- The only significant area of fail is "Deferred Members - 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
- Pensioner Payroll (including transfers and refunds of pension contributions) – Bank Account Verification process
- Active Members – monthly checks pay/hours/membership/CARE data
- Pensioner Members – Robust testing and checking of Pensions Increase (PI) calculations
- Pensioner Members – continual chase up of missing GMP data
- Monthly Mortality Screening (Pensioner Members)
- Quarterly Mortality Checks – Fraud Hub (Pensioner Members)
- National Fraud Initiative (NFI) (Pensioner Members)
- Annual address checks (Pensioner Members)
- Annual address checks (Deferred Members)
- Active Members – monthly checks pay/hours/membership/CARE data
- Life Certificates (certain Pensioner Members including Overseas)
- 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.

We have been running regular checks on Deferred Member 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

Active Members – 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.

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

Pensioner Members – 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.

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	Current Status
Suffolk Coastal Services (Norse) to East Suffolk Council	June 2023	By 31 March 2025 (Triennial Valuation Data)	Circa 50 staff have transferred back to East Suffolk Council following the end of the joint venture with the council. The Pension Services team have finalised data with the exiting employer and the actuary is working on the transfer proposal with the Suffolk Fund. The Suffolk Fund is conducting an options exercise with the members to establish if they wish to be included in the transfer or retain a benefit in the Norfolk Fund. The final exit deficit or credit will be calculated as part of the transfer settlement with the Suffolk Fund. We are targeting agreement on financial settlement by 31 March 2025 (the next triennial valuation).

In addition to this transfer, we are also working on a number of outsourcing agreements that potentially involve the transfer of staff under TUPE with both employers being members of the Norfolk Pension Fund.

Officer Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred – some meetings were still ‘virtual’:

GC: Glenn Cossey, **AY:** Alex Younger, **JQ:** Jo Quarterman, **EW:** Eunice Walcott,
DK: Debra Keeling, **LT:** Leon Thorpe, **CA:** Charlotte Alexander, **MT:** Management Team

ACCESS regular meetings

AY / GC (JQ sub) attend Officer Working Group (fortnightly)
 AY/CA attend Investment User Group (IUG) (monthly)
 AY attend Non-Listed Sub-Group (NLSG) (monthly)
 AY attend Active Listed Sub-Group (LSG) (monthly)
 GC/AY attend quarterly Joint Committee meetings.
 AY attends ACCESS Practitioner Group meetings.
 AY/CA attended Responsible Investment Sub-group meetings.

Other regular meetings

DK attends SECSOG (monthly)

Investment / Fund Managers

Monthly updates with GC/AY

National LGPS Frameworks

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

Regular Webinars

LGPS Live Webinar Series

Other meetings and events

Date	What	Who
Dec		
14	PSLA Local Authority Forum	AY (speaker)/JQ
Jan		
18/19	LGA Governance Conference	JQ/EW/JO/FC/DK/SA/BW
18	Fidelity Portfolio Review	AY/CA
18	Capital Portfolio Update (multiple mandates)	AY/CA
18	M&G Portfolio Review (multiple mandates)	AY/CA
19	Insight Portfolio Review	AY/CA
19	Northern Trust Transition Review & Planning	AY/CA
22	Infracapital Quarterly call	AY
31	Mondrian ESG Update	AY/CA
Feb		
1	LAPF Strategic Investment Forum	AY
6	Capital Year-end Review	AY/CA
7	CBRE – Norfolk Transition Meeting	AY
20	ACCESS Service Review	GC/AY
March		
1	CBRE ACCESS transition	AY
7	LA Committee	JQ
13/14	LGC Investment Seminar	AY/SA

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	PSLA - The Pensions and Lifetime Savings Association

Pensions Committee forward programme – as at March 2024

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
11 June 2024	10 September 2024	3 December 2024	11 March 2025	
Administration Report Including: • Internal Audit Annual Report	Administration Report	Administration Report	Administration Report including: • Cash Management Strategy • Internal Audit Plan • Data Quality Report	<ul style="list-style-type: none"> • LGPS Good Governance • tPR's General Code • Protection Assets • TCFD • Pensions Dashboard • 2025 Valuation Planning
Update from Pensions Oversight Board	Update from Pensions Oversight Board	Update from Pensions Oversight Board	Update from Pensions Oversight Board	
ACCESS Pooling Update	ACCESS Pooling Update	ACCESS Pooling Update	ACCESS Pooling Update	
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)	
Draft Accounts	Investment Update	Valuation Planning	Service Plan & Budget	
Investment Update		Investment Update	Valuation Planning	
			Investment Update	
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Pensions Committee

Item No: 5

Report title:	Update from the Pensions Oversight Board
Date of meeting:	12 March 2024
Responsible Director:	Harvey Bullen, Director of Strategic Finance Glenn Cossey, Director of 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). The last update was given at the 5 December 2023 Pensions Committee Meeting.

2. Board membership

- 2.1 Mr Peter Baker has been confirmed as the Retired Member representative on the Board for a second term.
- 2.2 The Board currently has 2 vacancies: non precepting employers; and the Trade union seat representing scheme members.
- 2.3 We continue to engage with Employers and to support the trade unions to fill these vacancies.

3. Pensions Oversight Board meetings

- 3.1 The Board last met on the 27 February 2024. The agenda for this meeting is at Appendix A.
- 3.2 The Board received updates on LGPS reforms, strategic and operational performance, risks, and issues, including an ACCESS update.
- 3.3 The Board received an overview of the Fund's refreshed approach to service planning to support the delivery of the Norfolk Pension Fund's Mission and Strategic Objectives.
- 3.4 The Board also received an overview of The Pensions regulator's new General Code, assessing compliance with the code and the next steps.
- 3.5 The Board received and confirmed the proposed Board budget for 2024 / 2025.
- 3.6 The notes of the Board meeting of the 7 November 2023 are at Appendix B.
- 3.7 The Board next meets on 14 May 2024.

4. Knowledge and Skills

- 4.1 It is a regulatory requirement for POB members to develop and maintain their knowledge and skills. All POB members have access to the LGPS Online Learning Academy (LOLA) and are invited to attend training and webinars alongside Pensions Committee, in line with the Norfolk Pension Fund training strategy.

4.2 Members of the Board joined members of Pensions Committee for the LGA's governance conference in January.

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.

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 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 consider.

8. Data Protection Impact Assessments (DPIA)

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

9. Recommendation

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

10. Background Papers

10.1 Appendix A: POB Agenda 27 February 2024
Appendix B: POB Notes 7 November 2023

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



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Date: **Tuesday 27 February 2024**

Time: **10:00am**

Venue: **Virtual meeting via Teams**

Membership

Chairman

Brian Wigg

Employer Representatives

Cllr Liz Marsham	Loddon Parish Council
Sally Albrow	Norfolk County Council
Vacancy	Employer Rep (non levying)

Scheme Member representatives

Frances Crum	Active / Deferred member
Peter Baker	Pensioner member
Vacancy	Trade Union

Agenda

1. Welcome and Introduction
2. Apologies
To receive apologies
3. Minutes and matters arising
To agree the minutes of the meeting on the 5th September and the notes of the meeting held on the 7 November 2023.
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. Board Membership update
To note latest updates on Board membership and recruitment, and confirmation of ratification of Chairman's appointment from the November 7 meeting.
 6. Items of urgent business
To receive any items of business which the Chairman decides should be considered as a matter of urgency.
 7. Pensions Committee
Feedback from the Pensions Committee meeting on 5 December 2023 and items to be raised at the 12th March 2024 meeting.
 8. LGPS Reform
Update on latest reform
 9. Norfolk Pension Fund operational update
An update on operational performance and issues, including ACCESS update.
 10. Operational Review: Service Planning
An update on the refreshed service planning process to support delivery of the Norfolk Pension Fund's Mission and Strategic Objectives.
 11. Operational Update: The Pensions Regulators General Code
An overview of the new General Code, assessing Norfolk Pension Fund's compliance with the revised code and next steps.
 12. Budget
Confirmation of the proposed budget for POB for 2024/2025.
 13. Risk Management
An update on the Norfolk Pension Fund's risk management framework, to include the latest risk update and heat map.
 14. Internal Audit reports
To receive the latest internal audit reports
 15. Knowledge, skills and training
 16. Forward work programme for the Pensions Oversight Board
 17. Date of next meeting: to confirm the dates of the next meetings

Contact for questions about this agenda: Jo Quarterman, Head of Governance, Norfolk Pension Fund jo.quarterman@norfolk.gov.uk Tel.: 01603 223950 Date agenda published: 22 February 2024

Notes of the Norfolk Pension Fund Pensions Oversight Board meeting held on Tuesday 7 November 2023

Present:

Employer Representatives

Sally Albrow	Norfolk County Council
Cllr Liz Marsham	Levying/precepting employers

Scheme Member Representatives

Frances Crum	Active / Deferred member
Peter Baker	Pensioner member

Also Present

Jo Quarterman	Head of Governance, Norfolk Pension Fund
Glenn Cossey	Director of the Norfolk Pension Fund
Charlotte Alexander	Fund Accountant
Eunice Walcott	Governance Manager
Elaine Otway	Business Support Officer

1. Welcome and Introduction

- 1.1 As Brian Wigg (Independent Chair) was unable to attend the meeting at short notice the Board agreed to meet on an informal basis. Glenn Cossey therefore facilitated the meeting and welcomed everyone to the annual in-person meeting.

2 Apologies for Absence

- 2.1 Apologies were received from Brian Wigg.

3. Minutes and matters arising

- 3.1 There were no matters arising from the minutes of the previous meeting; however, as this was an informal meeting the minutes of the 5 September will be formally agreed at the next Board meeting on 27 February 2024, together with the notes from this meeting.

4. Declarations of Interest

- 4.1 There were no declarations of interest.

5 Board Membership Update

- 5.1 The POB noted there are still two outstanding vacancies on the Board. Efforts continue to fill both the non-precepting employer and Union vacancy. A presentation was made at the last employer forum, two Academies expressed

some interest but did not result in anyone coming forward. Officers continue to engage with Employers and Unison to fill the vacancies as soon as possible.

- 5.2 The Board ratified Pensions Committee's appointment of Brian Wigg for a further 4-year term as Independent Chair of POB; as this is an informal meeting this will be formally confirmed at the next meeting.

6 **Items of Urgent Business**

- 6.1 There were no items of urgent business.

7 **Pensions Committee**

- 7.1 The POB noted that today's meeting would be the subject of a report to the Pensions Committee on 5 December 2023.

- 7.2 In addition to regular standing items, the Pensions Committee on 12 September 2023 had received a report on the draft annual report & accounts 2022 – 2023, the proposed extension of POB Independent Chair for a further 4 years, an update on the employer operational issues, a presentation and consideration of the Pooling consultation and conclusion of the enhanced yield portfolio review.

- 7.3 POB also noted that :

- Pensions Committee appointed William Richmond, as Vice Chair.
- the Liberal Democrat member has been changed, with Cllr Brian Watkins returning to Committee.
- Ben Farmer (Hymans Robertson) has replaced David Walker as Investment Consultant.

- 7.4 The December 2023 meeting of Pensions Committee would receive a progress report on risk management, a presentation from ClearGlass on pooling costs / savings and benchmarking and a presentation from Hymans on post valuation funding. Investment Managers J P Morgan will also attend virtually.

- 7.5 POB members were reminded that they can observe Pensions Committee in person should they wish to.

8 **LGPS Reform**

- 8.1 POB received an update on the ongoing national reform programme and other issues within the LGPS.

- 8.2 Trustee Training provided useful information on a number of these reforms.

- 8.3
- Pooling and levelling up: consultation – our response submitted and circulated to POB for information – possibly referenced in Autumn statement later this month.
 - Climate reporting (TCFD): guidance for reporting still outstanding
 - Good Governance: consultation – possible next year?
 - TPR revised code: implementation – expected soon.
 - McCloud: remedy in progress our administration teams are working through the implementation.
 - Pensions Dashboard: working towards revised implementation plan.

8.4 Trustee Training material has been circulated to POB members which will give more detailed updates.

9 **Norfolk Pension Fund Operational Update**

9.1 Operational update

9.2 POB received the latest Key Performance Indicators.

9.3 ACCESS update – a presentation was included in Trustee Training materials. Joint Committee (JC) meeting 4 September public and private papers were circulated to POB members and Pensions Committee – Cllr Oliver attends for Norfolk.

- Sale of Link to Waystone now complete. A full procurement is underway to ensure continuity of service provision when the current contract with Waystone comes to an end in March 2025.
- ACCESS submitted a response to the Pooling Consultation
- Officers are considering the options raised by Barnett Waddingham following the review of governance and the ASU, and recommendations will be taken to JC in the new year.
- Following the sale of MJ Hudson to Apex, work has recommenced on illiquid Alternative Assets.

9.4 Communications update

- Included in the forward Service Plan will be a review of current Communications Strategy, POB agreed to include this as part of their forward programme.
- In response to a question JQ explained the purpose of the Employer Forums, pensions clinics and other ways we engage with members and employers.
- POB noted Hyman's Robertson and other external speakers' involvement in events and in-person discussions add value.
- It may be appropriate to have more targeted employer forums to focus on relevant issues.

9.5 Employer operational issues

- Update on progress and successful conclusion of the backlog achieved.
- Risk register reduced from red to amber and anticipate will go green.
- Now establishing 'BAU' with monthly data submissions
- POB noted a fantastic achievement by NCC and Pensions admin staff.

9.6 Employer Forum

- Noted the next employer forum is at the end of November, which will be hybrid. The format, content etc will all be reviewed as part of comms strategy review

10 **Operational Update: Good Governance progress**

10.1 POB received a presentation from Eunice Walcott, Governance Manager, that included an overview of progress against compliance with the anticipated Good Governance recommendations; and an update on the new

service planning approach, building on the refreshed Norfolk Pension Fund mission statement and strategic objectives.

10.2 POB acknowledged the significant work done on the project by the Governance Team.

11 **Operational Update: Risk management**

11.1 POB also received a presentation from Eunice Walcott on risk management, including cyber and data security which included a definition of risk, monitoring and reporting, assessing, and understanding risk, training requirements and the sign-up to the Pensions Regulator's pledge.

11.2 Thanks were placed on record to Eunice Walcott for the presentations.

12 **Operational Update: Cost Transparency**

12.1 POB received a presentation on cost transparency by Charlotte Alexander, Pension Fund Accountant on the code, adoption timelines, examples of costs, annual report, and accounts 2022-2023 and benefits to NPF.

12.2 In response to questions Charlotte explained that custody fees are paid separately to transaction fees.

12.3 Thanks were placed on record to Charlotte Alexander for the presentation.

13 **Internal audit reports**

13.1 POB noted there were no new Internal Audit reports since the last meeting.

14 **Knowledge, Skills, and Training**

14.1 Members of POB attended Trustee 2-day training on 1 and 2 November alongside members of Pensions Committee and Officers. POB members found the training overall excellent. POB were invited to share feedback to help inform future planning,

- POB attendees noted there was a lot of engagement during the training and some subjects would have benefitted from more time.
- There was a lot of content to take in.
- Consider a fund introduction to different topics to contextualise sessions.
- POB would appreciate understanding in more detail how various organisations fit together.
- There had been a suggestion that there is benefit in visiting offices of different presenters, rather than basing the day in one office – POB could see some value in being more mobile perhaps but would need to be balanced with the time required for the sessions; and was keen to avoid 'sales pitches'.
- Try to agree dates as soon as possible for diary management

14.2 Thanks were placed on record to the organisers and presenters and the pension fund staff for all their hard work.

14.3 POB are reminded to let Elaine know for training records any training completed / attended (LOLA details are recorded in the system).

14.4 Officers will continue to advise Pensions Committee and POB of upcoming training events that may be of interest.

15 **Forward Work Programme for the Pensions Oversight Board**

15.1 The forward work programme was discussed. POB are invited to advise JQ of any other areas for consideration.

16 **Future Meeting dates**

16.1 The next meeting date is 27 February 2024 (this meeting will be virtual).

16.2 Future meeting dates will be arranged after checking with Democratic Services on future Pensions Committee dates and would be confirmed by email to members.

The meeting closed at 12.30

Report to Pensions Committee

Item No. 6

Report title:	Pension Fund Budget 2024-25
Date of meeting:	12 March 2024
Responsible Director:	Harvey Bullen, Director of Strategic Finance 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 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 2024-25, key items in the budget relate to:

- Staff Costs including the Pension Services operational review.
- The 2025 Valuation pre-work
- Managing the impact of incremental increases in the number of employers joining the LGPS, their diverse needs and ensuring resources are in place to meet demand.
- Managing the impact of regulatory developments (e.g., McCloud and the Pension Regulator's combined code) and public sector pension reforms.

The proposed budget for 2024-25 of £4.715m is made up of the following key budget headings:

Service	Budget 2023-24 (£)	Budget 2024-25 (£)	Change %
Advisory Fees	471,000	506,000	7%
Investment, Accounting and Governance	1,137,000	1,276,500	12%
Pension Services	1,706,000	2,073,500	22%
Facilities & Support Services	230,250	263,500	14%
Projects	462,000	539,500	17%
Pension Board	54,000	55,500	2%
Total	4,060,250	4,714,500	16%

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 7 (plus 13 closed frameworks still generating income). The total 2024-25 Frameworks estimated forecast accumulated surplus is £1,095K. This is retained for further framework development and distribution back to Framework Founders.

Recommendations

The Pensions Committee approves the Pension Fund 2024-25 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 more than 420 employers and over 100,000 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 Plan. Where possible, the Service 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 2024-25, this includes:

- Governance and Compliance
- 2025 Valuation pre-work
- Developing a framework to respond to requirements of the consultation on Climate Related Financial Disclosure (TCFD – aligned for the LGPS)
- New Technological Development (e.g., McCloud, Dashboard Integrated Service Provider)

- 1.4. The proposed budget for 2024-25 of £4.715m includes several significant projects totalling £539.5K.

2. Norfolk Pension Fund Staff Costs

- 2.1. The most significant cost in the Fund budget is staffing; salaries and on-costs contributing £2.741m to the proposed £4.715m budget for 2024-25. This represents 58% of the total proposed budget.
- 2.2. In the 2023-24 budget, the assumed pay award for staff was 3%, whereas the actual pay award received was a flat rate of £1,925 or 3.88% for scale M and above. As a result, all staff received a pay increase higher than the assumption, with the highest relative increase occurring for lower graded staff who make up a larger proportion of the total headcount. A portion of the increase in this year's budget is attributable to a catch up of this effect.
- 2.3. The 2024-25 budgeted salary costs have been prepared based on assumptions in line with those used for the Norfolk County Council budget. There is a 3% assumed pay rise and include current national insurance and pension on-costs. The overall movement, including the catch up for higher than budgeted pay award in 2023-24, is 19.2% (£440.5K). Salary costs contribute to staff costs, which also include budgeted overtime to manage certain peaks in workflow and expenses.

Salary and On Costs	2023-24 Budget	2024-25 Budget	Percentage Increase
Investment, Accounting and Governance	913,909	1,009,363	10.4%
Pension Services	1,387,077	1,732,196	24.9%
Total Staff Costs	2,300,986	2,741,559	19.2%

- 2.4 At the time of approving the 2023-24 budget, we advised Pensions Committee that interim staffing arrangements had been put in place following the departure of two senior managers within the Pension Service team. This provided the opportunity to review and update the Pensions Services operational model (systems, processes, roles, and responsibilities) to accommodate regulatory developments, employer and scheme member demographic changes, new ways of working and address specific service resilience and staff succession risks. With assistance from the HR Organisational Design Team, a business case for a revised team structure and new role profiles has been developed.
- 2.5 The transition from interim to permanent staffing arrangements within the Pension Service team remains ongoing. At the time of the budget preparation, the review of job profiles and grading had been completed for 30 of the 40 impacted headcount (FTE). The impact of this has been included in the Pension Services staff costs. A reconciliation of the movement in Pension Services staff costs is shown below.

	Pension Services
2023-24 Agreed Budget (35.9 FTE)	1,387,077
2023-24 Rebased Actual Pay Award	68,982
2024-25 3% Pay Award Assumption	39,480
New Structure - increase in FTE	145,936
New Structure - grading changes	90,721
Proposed 2024-25 Budget (40 FTE)	1,732,196

- 2.6 The review and subsequent rebasing of the Pension Services staffing budget reflects the transition from an interim structure of 35.9 budgeted FTEs to a new revised structure of 40 FTEs in order to secure future service delivery. All positions in the new structure are budgeted at top of salary grade in line with corporate budgeting methodology. Staffing numbers remain consistent for Investment, Accounting and Governance, but include provision for maternity cover for two roles during the year.
- 2.7 There is sufficient financial provision in the corporate budget methodology relating to vacancies, part time hours and incremental progression that any in year changes arising from completion of the Member Services operational review can be managed within proposed budget arrangements.

3. Efficiency and Value for Money

- 3.1. The Fund has absorbed an increasing workload over the last few years, particularly in respect of scheme member administration and employers. Total Fund membership has increased year on year and the number of employers with active membership has more than doubled since 2015.
- 3.2. At 31 March 2023 there were 32,063 active scheme members, a material increase from 31 March 2022 (29,985). Total membership increased by around 4,000. This turnover provides a significant proportion of the Fund's administration workload in respect of starters and leavers and member transfer arrangements.

	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021	31st March 2022	31st March 2023
Active	27,638	28,030	28,469	28,837	29,067	29,317	30,257	29,985	32,063
Deferred	29,125	32,477	34,216	36,520	36,947	36,700	37,106	28,490	29,762
Pensioner	21,247	22,215	23,220	24,211	25,354	26,343	27,370	40,307	40,379
Total	78,010	82,722	85,905	89,568	91,368	92,360	94,733	98,782	102,204

- 3.3. Total employers with active members in the scheme have also increased alongside the significant increases experienced in member numbers. The number of active employers at 31 March 2023 was 429.

	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021	31st March 2022	31st March 2023
Employers	233	262	322	369	400	414	425	427	429

4. 2024-25 Pension Fund Budget

- 4.1. At the end of December 2023, the assets of the Fund were approximately £5 billion, and the proposed 2024-25 Pension Fund budget equates to 0.09% of this value. The 2024-25 budget includes provision for external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy, accounting, governance, benefits administration and retired members payroll, facilities and support services, one-off projects, and the Local Pension Board. This budget does not include Investment Expenses (£31m 2022-23). These expenses are validated and reviewed as part of the Fund's investment monitoring.

- 4.2. The detailed Norfolk Pension Fund budget for 2024-25 is attached at Appendix 1.

- 4.3. A high-level comparison of the proposed 2024-25 budget with the current approved 2023-24 budget is shown in the following table:

Service	Budget 2023-24 (£)	Budget 2024-25 (£)	Change (%)
Advisory Fees	471,000	506,000	7%
Investment, Accounting and Governance	1,137,000	1,276,500	12%
Pension Services	1,706,000	2,073,500	22%
Facilities & Support Services	230,250	263,500	14%
Projects	462,000	539,500	17%
Pension Board	54,000	55,500	2%
Total	4,060,250	4,714,500	16%

- 4.4. The year-on-year comparison shows an increase in the budget of 16%. A detailed analysis of the movements in the budgets is shown below.

5. Analysis of Budget Movement

5.1. Advisory Fees – Appendix 1a

Category	Budget 2023-24 (£)	Budget 2024-25 (£)	Change (%)
Actuarial Support	150,000	150,000	0%
Investment Consultancy	84,000	104,000	24%
Investment Services	172,000	192,000	12%
Legal Fees	65,000	60,000	-8%
Total	471,000	506,000	7%

- 5.2. The Advisory budget is made up of four main headings, Actuarial Support, Investment Consultancy, Investment services and Legal Fees. For 2024-25 the advisory budget shows an increase of £35K (7%) over the 2023-24 budget.

- 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. Following stability in pricing since Covid, there have been several significant increases in the costs of regular investment consultancy items. This contract is due for re-procurement during the 2024-25 year.
- 5.5. The Investment Services budget shows a net increase of £20K. This is due to an increase in the ACCESS contract management support costs and the cost of third-party performance monitoring. The ACCESS support unit (ASU) is hosted by the Essex Pension Fund and manages the contractual relationship with the pool operator (Waystone) on behalf of the 11 ACCESS funds. There has been an increase to the annual ASU cost which now stands at £152K. Pension Funds are continuing to transfer assets to the ACCESS pool. During the 2023-24 year, Norfolk transitioned Capital Global High-Income Opportunities of circa £195M to ACCESS and moved JP Morgan infrastructure to pool aligned management of £220M. We expect a further net £160M to be transitioned to the ACCESS pool by 31 March 2024 relating to investment grade credit. Norfolk Pension Fund benefits from associated savings on investment costs which are outside of the scope of this budget. Performance Monitoring costs have increased on the closure of Portfolio Evaluation and sale of business to Hymans resulting in a new contractual arrangement.
- 5.6. The budget in respect of legal fees provides for professional and technical legal advice for changes in investments and other technical aspects of the Pension Fund.

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

5.8.

Category	2023-24 Budget (£)	2024-25 Budget (£)	Change (%)
Staff Costs	924,000	1,020,000	10%
Hired and Contracted Services	155,500	184,500	19%
Membership of Organisations and Statutory Levies	48,000	63,500	32%
Internal NCC Recharges	9,500	8,500	-11%
Total	1,137,000	1,276,500	12%

- 5.9. This service is responsible for investment strategy, accountancy, governance, business support and oversight of the Funds' projects. The proposed Investment Strategy budget for 2024-25 reflects an increase of £139.5K (12%) over the agreed 2023-24 budget.
- 5.10. Staff costs are budgeted to increase by £96K. The movement includes the effect of the greater than budgeted pay increase in 2023-24 as well as the assumed 3% pay increase used for all Norfolk County Council budgets in 2024-25. We continue to budget for the roles associated with the Structural Review completed in 2022-23 which expect to be recruited for in 2024-25. Maternity cover provisions have been made at 50% of underlying rate for two members of the team.
- 5.11. There is also an increase of £29K on the Hired and Contracted services. This part of the budget includes External Audit figures which have increased in line with the PSAA Scale Fee Adjustment reflecting increased fees due to scope in 2023-24 and inflationary uplift for 2024-25 to £105K. Membership of statutory bodies have increased by £15.5K reflecting increases to memberships of PLSA, LAPFF and the Scheme Advisory Board following the period of high inflation and fund membership growth.

5.12. Pension Services – Appendix 1c

Category	2023-24 Budget (£)	2024-25 Budget (£)	Change (%)
Staff Costs	1,393,500	1,739,000	25%
Operational Costs	341,000	363,500	7%
Pensions Payroll Income	-28,500	-29,000	2%
Total	1,706,000	2,073,500	22%

5.13. The Pension Services budget for 2024-25 reflects an increase of £368K (22%) over the 2023-24 base budget.

5.14. The increase in Staff costs (detailed in section 2 above) reflects adjustments and assumptions relating to pay awards (£108k) and the increase in FTEs and re-evaluation of job grades linked to the operational review of Pension Services (£237K).

5.15. The Operational Costs budget includes the Heywoods Pension Administration System based on the annual pricing schedule for the maintenance of the system and associated add on modules.

5.16. Pensions Payroll Income reflects additional income for the administration of non-LGPS pension payroll services. This third-party income reduces the net cost of the pensions service.

5.17. Facilities and Support Services – Appendix 1d

Category	2023-24 Budget (£)	2024-25 Budget (£)	Change (%)
Support Services	70,750	73,500	4%
Training & Recruitment	60,500	70,500	17%
Communication Expenses	113,500	130,500	15%
Online Services	7,000	8,000	14%
Income	-21,500	-19,000	-12%
Total	230,250	263,500	14%

5.19. The proposed Facilities & Support Services budget for 2024-25 reflects an increase of £33.25K (14%).

5.20. The Support Services budget includes operational items such as postage, business continuity and IT equipment. The Training and Recruitment budget includes team and technical training and continuing professional development for staff plus Pensions Committee training.

5.21. Communication and Expenses budget costs have increased by £17K relating to increased costs in the re-procurement of Annual Benefit Statement Services to print and post the documents (£15K) due to increases in the number of members, and the costs of paper and postage.

5.22. Training and Recruitment budget costs have increased by £10K reflecting the commitment to training under the refreshed mission and objective of the Pension Fund and procurement of licenses for Pension Training Software PENTag.

5.23. Projects – Appendix 1e

Project	2024-25 Budget (£)
Governance and Compliance	
Governance and Compliance	20,000
Cyber Security	10,000
Governance Mission and Communications Strategy	10,000
Member Services	
Review of Pension Services	20,000

TME Implementation	25,000
Administration Software McCloud Upgrade	10,000
Administration Software ISP	40,000
Investment and Funding	
Task force on Climate-Related Financial Disclosures	80,000
Implementation of ACCESS Private Market Solutions	60,000
LGPS Investment Pooling (ACCESS)	40,000
Investment Consultancy 3 Framework Call Off	10,000
Valuation 2025	
2025 Triennial Valuation pre-work	206,000
Triennial Data Cleansing	8,500
Total	539,500

5.25. Project spend is one-off, non-recurring. The major projects proposed for 2024-25 include:

- Governance and Compliance (£20K) - This budget will support the establishment of governance framework and compliance with latest developments.
- Cyber security (£10K) - This budget will enable specialist advice and training in support of cyber and data risk management in line with The Pension Regulator Code of Practice.
- Governance Mission and Communications Strategy (£10K) - This budget will support a full review of the communication strategy of the fund and including mission and beliefs.
- TME Implementation (£25K) - This budget will support the new Member Self Service online portal, the migration of current users and increases in volume relating to new registered members.
- Review of the Pension Services (£20K) - This budget will facilitate the consultation and implementation of the Pensions Services and wider Strategic review including systems, processes, roles, and responsibilities to deliver new ways of working and build service resilience.
- Administration Software McCloud Upgrade (£10K) - This budget will meet the cost of the software upgrade required to implement the McCloud modules.
- Administration Software ISP (£40K) - This budget will support the development of the Integrated Service Provider for Pensions Dashboard.
- 2025 Triennial Valuation pre-work and Data Cleansing (£214.5K) - Estimated costs associated with initial actuarial work for the 2025 Triennial valuation including stochastic COMPASS modelling and Committee presentation on the approach to the exercise.
- Task force on Climate related Financial Disclosures (£80K) - This budget will support the pension fund response to the Climate Related Financial Disclosure Government Consultation including establishing systems for carbon data, gap analysis and actioning recommendations.
- 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.
- Implementation of ACCESS Private Market Solutions (£60K) - Legal review and onboarding costs associated with the implementation of ACCESS Private Market Solutions including Private Equity and Real Estate.
- Investment Consultancy 3 Framework Call Off (£10K) - This budget will be used to Call Off in respect of this procurement framework.

5.26. **Pension Board – Appendix 1f**

5.27.

	2023-24 Budget (£)	2024-25 Budget (£)	% Increase/ Decrease
Board Development and Training	40,000	45,000	13%
Member Allowances and Costs	2,000	5,500	175%
Secretariat	3,000	0	-100%
Advice and Guidance	9,000	5,000	-44%
Total	54,000	55,500	3%

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. The Pension Oversight Board budget has increased by £1.5K (3%).

5.29 The Board no longer receives Secretariat services from Norfolk County Council; therefore, this cost is reduced to nil. The Special Responsibility Allowance for the Pension Oversight Board Chair has been set at 50% of the Pensions Committee Chair allowance, leading to an increase to Member Allowances. Costs have been redistributed between Advice and Guidance and Board Training to align with the Pension Committee Training budget ahead of the 2025 Valuation.

5.30. **National LGPS Procurement Frameworks Project – Appendix 1g**

5.31.

	Proposed 2024-25 Budget (£)
Expenses	
Net Deficit/(Surplus) Brought Forward	-1,277,532
Staff Costs	408,427
Guidance notes and website	10,000
Procurement	32,000
Legal Fees	30,000
Central O/H	19,180
Specialist Advice	0
Contingency	1,000
Founder Fee Reimbursement	255,542
Subtotal	-521,383
Income	
Founders	-71,000
Joiners	-74,500
Rebate	-428,000
Subtotal	-573,500
Grand Total	-1,094,883
Carry Forward Year End Bal.	1,094,883
Grand Total after C/F	0

5.32. 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 7 (plus 13 closed frameworks still generating income).

5.33. 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.

- 5.34. 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 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.
- 5.35. 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.
- 5.36. 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 2024.
- 5.37. The National LGPS Frameworks - 'by the LGPS, for the LGPS' - are enabling the LGPS to access high-quality value efficiently and effectively 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 £172M, together with over 217 years of effort, since their launch in 2012 to the end of September 2023.

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 2023-24 budget as at 31 January 2024 (period 10). 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 2023-24 will be £3.31M representing a spend of 82% of the budget.

Service	Budget 2023-24 (£)	Actual Spend to Jan 2024 (£)	% Spent
Advisory Fees	471,000	226,604	48%
Investment, Accounting and Governance	1,137,000	559,477	49%
Pension Services	1,706,000	1,626,478	95%
Facilities & Support Services	230,250	174,265	76%
Projects	442,500	101,306	23%
Pension Board	54,000	11,372	21%
Total	4,040,750	2,699,503	67%

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 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 consider.

9.2 Data Protection Impact Assessments (DPIA)

9.3 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 2024-25 budget.

11. Background Papers

11.1. Appendix 1 - Norfolk Pension Fund Budget for 2024-25

Appendix 1a - Advisory Fees

Appendix 1b - Investment Strategy Services

Appendix 1c - Pension 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:

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

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



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Pensions Budget 2024-25

2023-24 (£)	Division	2024-25 (£)
471,000	Advisory Fees (Appendix 1a)	506,000
1,137,000	Investment, Accounting and Governance Services (Appendix 1b)	1,276,500
1,706,000	Pension Services (Appendix 1c)	2,073,500
230,250	Facilities and Support Services (Appendix 1d)	263,500
462,000	Projects (Appendix 1e)	539,500
54,000	Pension Board (Appendix 1f)	55,500
0	Frameworks (Appendix 1g)	0
4,060,250	Total	4,714,500

Advisory Fees Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
	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	50,000
16,000	Committee Attendance & Preparation by Investment Advisor	16,000
12,000	Quarterly Analysis & Reporting to Committee	20,000
16,000	Climate Risk Analysis	18,000
84,000	Subtotal	104,000
	Investment Services	
30,000	Performance Monitoring	40,000
142,000	ACCESS ASU	152,000
172,000	Subtotal	192,000
	Legal Fees	
65,000	External Legal Advice	60,000
65,000	Subtotal	60,000
471,000	Total	506,000

Investment, Accounting and Governance Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
924,000	Staff Costs	1,020,000
924,000	Subtotal	1,020,000
	Hired & Contracted Services	
9,000	Benchmarking Publications and Advice	8,000
75,000	External Audit Fees	105,000
28,000	Internal Audit Fees	28,000
30,000	Internal Legal Fees	30,000
8,000	Treasury Management Fees	8,000
4,000	Accounts Receivable Recharge	4,000
1,500	Accounts Payable Recharge	1,500
155,500	Subtotal	184,500
	Membership of Organisations plus Statutory Levies	
8,000	Local Government Employers Levy	8,500
9,000	LGPS Advisory Board	12,500
10,000	Local Authority Pension Fund Forum (LAPFF) Membership	12,500
21,000	Pensions Lifetime Savings Association (PLSA) Membership	30,000
48,000	Subtotal	63,500
	Internal Recharges (NCC - Corporate Finance)	
9,500	Staff	8,500
9,500	Subtotal	8,500
1,137,000	Total	1,276,500

Pension Services Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
1,393,500	Staff Costs	1,739,000
1,393,500	Subtotal	1,739,000
	Operational Costs	
0	Archive Storage	0
328,000	Heywoods Fees	350,500
13,000	Mortality Screening/Life Certificate/Member Tracing	13,000
341,000	Subtotal	363,500
	Income	
-28,500	Pensions Payroll	-29,000
-28,500	Subtotal	-29,000
1,706,000	Total	2,073,500

Facilities & Support Services Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
	Support Services	
56,000	Postage	57,000
1,000	Business Continuity	1,000
4,000	IT Equipment Purchase	4,500
1,000	Telephones	500
8,750	Copiers/Stationery/Insurance etc	10,500
70,750	Subtotal	73,500
	Training & Recruitment	
30,500	Staff Training	40,500
15,000	Committee Member Training	15,000
15,000	Recruitment	15,000
60,500	Subtotal	70,500
	Communication Expenses	
5,000	Pre-Retirement Courses	5,000
3,000	Events	3,000
105,500	Communications	122,500
113,500	Subtotal	130,500
	Online Services	
7,000	Annual Fee	8,000
7,000	Subtotal	8,000
	Income	
	Pensioners Week Sponsorship	
-21,500	Frameworks Recharge	-19,000
-21,500	Subtotal	-19,000
230,250	Total	263,500

Projects Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
	<u>Governance and Compliance</u>	
20,000	Governance and Compliance	20,000
10,000	Cyber Security	10,000
10,000	Governance Mission and Communications Strategy	10,000
	<u>Member Services</u>	
180,000	Pensions Team Review	20,000
	TME Implementation	25,000
10,000	Admin Software - McCloud Upgrades	10,000
37,500	Admin Software - ISP	40,000
	<u>Funding and Investment</u>	
20,000	2022 Triennial Valuation	0
	2025 Triennial Valuation Pre Work	214,500
80,000	Task force on Climate-Related Financial Disclosures	80,000
25,000	Enhanced Yield Review	0
19,500	Protection Asset Review (Agreed December 23)	0
40,000	LGPS Investment Pooling (ACCESS)	40,000
	Implementation of ACCESS Private Market Solutions	60,000
10,000	Investment Consultancy 3 Framework Call Off	10,000
462,000	Total	539,500

Pension Board Budget 2024-25

2023-24 (£)	Category	2024-25 (£)
40,000	Board Development and Training	45,000
2,000	Member Allowances and Costs	5,500
3,000	Secretariat	0
9,000	Advice & Guidance	5,000
54,000	Total	55,500

Frameworks Budget 2024-25**Appendix 1g**

Category	2023-24 (£)	2024-25 (£)
Expenses		
Net Deficit/(Surplus) Brought Forward Projected	-1,199,683	-1,277,532
Staff Costs	385,352	408,427
Guidance notes and website	25,000	10,000
Procurement	10,000	32,000
Legal Fees	20,000	30,000
Central O/H	18,000	19,180
Specialist Advice	0	0
Contingency	1,000	1,000
Founder Fee Reimbursement	27,160	255,542
Subtotal	-713,171	-521,383
Income		
Founders	0	-71,000
Joiners	-66,500	-74,500
Rebate	-238,500	-428,000
Subtotal	-305,000	-573,500
Total	-1,018,171	-1,094,883
Carry Forward Yr End Bal.	1,018,171	1,094,883
Grand Total after C/F	0	0

Pensions Committee

Item No: 7

Report title:	Corporate Governance and Shareholder Engagement Report
Date of meeting:	12 March 2024
Responsible Director:	Harvey Bullen, Director of Strategic Finance Glenn Cossey, Director of Norfolk Pension Fund

Executive Summary

This report is the six-monthly update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund including Environmental Social Governance matters relating to the ACCESS Pool. The report covers the period 1 July 2023 to 31 December 2023.

Recommendations

The Pensions Committee is asked to consider and note the contents of this report and approve the updated Statement on Divestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment Strategy.

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.
- 1.3 The key themes of the engagement policy are as follows.
- 1.4 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 their impact can be minimised.
 - Monitor risks and opportunities associated with climate change 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 investors.
 - Establish procedures that will incrementally reduce their environmental impact.
 - Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements, for example the Taskforce on Climate-related Financial Disclosures (TCFD).

- 1.5 During the period between July and December 2023, voting has been undertaken by the investment managers in accordance with the ACCESS Pool policy. Key AGM voting, and manager discussion themes are as follows:
- Board structure
 - Chairman independence
 - Executive remuneration
 - AGM proposals
- 1.6 The investment managers used by the Fund continue to engage with companies and markets to improve governance generally. We disclose manager engagement policies on our website including a direct link to the Managers ESG/RI websites.

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 2023 (01 July 2023 to 31 December 2023) there were 23 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meetings (EGMs) etc., covering 459 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"	445
Votes "Against"	10
Votes Abstained from	<u>4</u>
Total Votes	459

- 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. The Fund disinvested from UBS in July 2023. An update of 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 2023. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
12 July 2023	<ul style="list-style-type: none">• Capital Markets - Threats to Quality of UK Listing Regime• FCA UKLA Consultation Draft• Climate Metrics and Executive Pay• Proposed Shareholder Resolution on Human Rights to Mining Companies
04 October 2023	<ul style="list-style-type: none">• Meta's Algorithmic Impact on Promoting Violence Against the Rohingya People in Myanmar• Asia Research Collaborative Engagement Review• Rio Tinto Shareholder Resolution Proposal• Company Progress on Climate Change

7. LGPS Pooling

- 7.1 The Fund's participation in the ACCESS Pool includes the development of corporate governance and socially responsible investment guidelines to enable the pool to continue to discharge its responsibility in respect of LGPS regulations and corporate governance activity.

8. 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 13. The public summary of this reporting is shown as Appendix C to this item. This summary will be available from our website after the date of this meeting.

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

- 9.1 The Committee approved its statement on divestment / exclusion & ESG (Environmental, Social & Governance) Aspects of Investment Strategy in March 2022. The purpose of the statement was to bring together policy matters from multiple sources into a single document and provide additional context and explanation. The aim was to improve communication in this area and enable more efficiency for the Fund in responding to enquiries in this area.
- 9.2 The Statement has been useful to officers and members of the Committee when responding to enquiries and we hope has been valued by other stakeholders as a clear explanation of the position of the Fund and the legal framework under which this is adopted.
- 9.3 We have commissioned our legal advisor Squire Patton Boggs to conduct a further review of the Statement. Following discussion and review by officers the updated draft, including tracked changes, is provided as Appendix D.

9.4 The Committee is asked to consider and approve the suggested updates to the Statement.

10. Financial and other Resource Implications

10.1 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.

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

11.1 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.

12. Data Protection Impact Assessments (DPIA)

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

13. Risk Implications/Assessment

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

14. Recommendations

14.1 The Pensions Committee is asked to consider and note the contents of this report and approve the updated Statement on Divestment / Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment Strategy.

15. Background Papers

15.1 Appendix A – 2023 Q3 & Q4 Voting and Results UK
Appendix B – Engagement 01 July 2023 to 31 December 2023
Appendix C – Summary Climate Risk Analysis 31 December 2023
Appendix D – Draft Updated Statement on Divestment/Exclusion & ESG (Environmental, Social & Governance) Aspects of Investment Strategy

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



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Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote		For		Against		Abstain	Total
20	marks and spencer group plc	additional disapplication of pre-emption rights	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	04-Jul-23	Management	Against	1,202,392,018	91.31%	114,053,456	8.66%	349,436	0.03%	1,316,794,910
15	helical plc	that the directors be given power to sell ordinary shares held by the company as treasury shares for cash	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	13-Jul-23	Management	Against	87,937,404	90.01%	9,756,647	9.99%	0	0.00%	97,694,051
19	experian plc	additional directors authority to disapply pre-emption rights for acquisitions / specified capital investments	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	19-Jul-23	Management	Against	641,603,518	88.71%	81,550,413	11.27%	136,036	0.02%	723,289,967
20	intermediate capital group plc	that, in addition to any authority granted under resolution 19, and subject to the passing of resolution 18, the directors be generally empowered pursuant to section 570 of the act to allot equity securities (as defined in section 560(1) of the act) for cash pursuant to the authority granted by resolution 18 or pursuant to section 573 of the act to sell ordinary shares held by the company as treasury shares for cash, in each case free of the restriction in section 561 of the act, such authority to be limited: a. to the allotment of equity securities or sale of treasury shares for cash up to an aggregate nominal amount of gbp 7,628,246, being 10% of the issued ordinary share capital of the company (excluding treasury shares) as at 24 may 2023 being the latest practicable date before publication of this notice (calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights) such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the directors of the company determine to be an acquisition or other capital investment of a kind contemplated by the statement of principles on disapplying pre-emption rights most recently published by the pre-emption group before the date of this notice; and b. to the allotment of equity securities or sale of treasury shares for cash (in each case otherwise than under paragraph (a) of this resolution 20) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (a) of this resolution 20, such authority to be used only for the purposes of making a follow-on offer which the directors determine to be of a kind contemplated by paragraph 3 of section 2b of the statement of principles on disapplying pre-emption rights most recently published by the pre-emption group prior to the date of this notice, such authority to apply until the conclusion of the next annual general meeting of the company (or, if earlier, until the close of business on 30 september 2024) unless previously renewed, varied or revoked by the company in general meeting but, in each case, so that the company may make offers and enter into agreements before the authority expires which would, or might, require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the company may allot equity securities (or sell treasury shares) under any such offer or agreement as if the authority conferred hereby had not expired	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	20-Jul-23	Management	Against	208,334,275	91.8%	17,241,905	7.6%	1,421,901	0.6%	226,998,081
13	molten ventures plc	authorise issue of equity without pre-emptive rights in connection with an acquisition or other capital investment	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	26-Jul-23	Management	Against	84,861,191	84.26%	15,855,122	15.74%	2,121	0.00%	100,718,434
17	wise plc	to authorise the disapplication of pre-emption rights in the event of financing an acquisition transaction or a specified capital investment	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	07-Sep-23	Management	Against	3,360,771,588	98.81%	40,061,451	1.18%	312,429	0.01%	3,401,145,468
17	auto trader group plc	partial disapplication of pre-emption rights in connection with an acquisition or specified capital investment	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	14-Sep-23	Management	Against	617,758,912	83.88%	117,514,692	15.96%	1,234,747	0.17%	736,508,351
24	ig group holdings plc	authorise issue of equity without pre-emptive rights in connection with an acquisition or other capital investment	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	20-Sep-23	Management	Against	282,511,555	90.11%	27,162,755	8.66%	3,841,240	1.23%	313,515,550
14	games workshop group plc	authorise issue of equity without pre-emptive rights in connection with an acquisition or other capital investment	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	20-Sep-23	Management	Against	20,969,156	84.28%	3,908,557	15.71%	2,845	0.01%	24,880,558
16	bellway plc	that if resolution 14 is passed, the directors be authorised in addition to resolution 15, to allot equity securities for cash as if s.561 did not apply	A Vote AGAINST due to the potential dilution levels not being in the interests of shareholders.	15-Dec-23	Management	Against	96,869,491	51.78%	90,204,701	48.22%	2,124	0.00%	187,076,316

Engagement during the period 1 July 2023 to 31 December 2023

UBS

Norfolk Pension Fund disinvested from UBS in July 2023 so only engagement from quarter three is included in this report.

In quarter three, UBS engaged with Eli Lilly to review expectations around progress on product affordability, clinical trial diversity objectives and disclosure. As Eli Lilly have made strong progress on the affordability of their insulin products and have extensive disclosure on their efforts, UBS felt they can begin to expand this practice to other products, especially those where efforts to increase affordability is already underway. Eli Lilly explained they have had debate on expanding disclosure for other products, remaining wary that it may open them up to risk in terms of negotiations. UBS will continue to discuss potential paths forward on this topic with the team.

Additionally, as the company has stated goals on increasing clinical trial diversity, UBS asked the company to provide more details on the process to do so, as well as progress being made toward those goals. Eli Lilly stated, at present, they are increasing investment to create a more diverse trial pool and it is too soon to have detailed quantitative results. They understand they will need to add these details in the future, and UBS requested, in the interim, examples of progress be included in disclosure in place of quantitative results.

UBS also engaged intensively with Ubisoft in 2023 and have encouraged the company to provide clarity on their business plan and to set medium term targets on key financial metrics. Moreover, UBS identified the need for improvement at Board level in terms of sector knowledge, asking the company to appoint two new independent directors with direct expertise in the videogame sector. UBS also communicated their belief that the Lead Independent Director was not the right person for the role, requesting the company to replace him.

Over the past few months, UBS have had eight meetings with the company at various level and have escalated their concerns in writing with a letter to the Board outlining their requests. UBS teamed up with another investor to interview individuals who may have been valuable Board candidates and participated in a shareholder survey that outlined significant concerns from investors on the company's performance.

In response, Ubisoft appointed two new directors at the 2023 AGM, although their experience in the videogame sector is rather indirect, at least for one of the new nominees. The Lead Independent Director stepped down from the Board and has been replaced by another Board member appointed in 2022. On balance, UBS acknowledge that the company has been responsive to engagement, and has moved somewhat in the right direction, however, more work is needed to restore full comfort in management. Although UBS remain invested in Ubisoft, as confidence level on the outcomes of engagement is not particularly high, they have reduced exposure across a number of strategies.

UBS also had meetings with Drax and visited the Drax power station in quarter three. In the engagement UBS explored sustainability issues related to the company's business model, which involves sourcing of pellets for its power plant in the UK from North America, and its plans for moving towards integration of carbon capture and storage (CCS) via bioenergy with carbon capture and storage (BECCS). The latter has become very controversial and consequently in 2022 the company commissioned a report by independent experts on how

BECCS can be done sustainably. UBS encouraged the company to clarify its position regarding all the conditions outlined in the report, as its initial response published in June was not clear on key questions. UBS also sought updates on an ongoing regulatory investigation and discussed the UK's biomass strategy published in August. As part of their engagement, UBS also visited the Drax power station as an opportunity to better understand the company's BECCS project.

Waystone (previously Link Asset Services) – WS ACCESS 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 2023	Quarter 4 2023
Total Engagements Across Equity Teams:	425	277
Total Engagements with Global Equity strategy-related Companies:	268	150
Total Engagements with Norfolk Portfolio Companies:	22	20

Top Five Engagement Issues Across Equity Teams:	1. Accounting	1. Other Governance
	2. Green Opportunities	2. Ownership
	3. Other Governance	3. Board
	4. Supply Chain	4. Labour
	5. Ownership	5. Accounting
Top Five Engagement Issues with Norfolk Portfolio Companies:	1. Other Governance	1. Green Opportunities
	2. Green Opportunities	2. Labour
	3. Board	3. Pay
	4. Labour	4. Other Governance
	5. Supply Chain	5. Board

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

Waystone (previously Link Asset Services) - WS ACCESS UK Equity Core Fund (Baillie Gifford)

During the third quarter, Baillie Gifford was successful in its reapplication to the UK Stewardship Code and welcomed the opportunity to participate in a consultation by the Financial Reporting Council on proposed changes to the UK Corporate Governance Code.

Baillie Gifford also engaged with Ashtead who had recently published their latest annual report and failed to disclose its Scope 3 carbon emissions despite previous assurance that the information would be published. Baillie Gifford took the opportunity to speak with the head of ESG to understand the reasons for not reporting the relevant carbon data and were also provided with an update on the company's decarbonisation progress. Baillie Gifford emphasised the importance of disclosing Scope 3 emissions, and the expectation that Ashtead would begin reporting in the company's latest annual report. Disclosure of both direct and supply chain carbon emissions enables investors to measure the potential risk a company faces from exposure to carbon taxes.

Ashtead highlighted the difficulty in reasonably estimating both the 'in use' emissions from rented plant equipment and particularly the lifetime emissions once equipment is subsequently sold. Ashtead's asset portfolio involves more than one million items of plant equipment, so the potential for variability in overall estimated emissions is significant. The company worked with a consultant for several years, who had built a custom model for Ashtead to employ in assessing all its greenhouse gas emissions. However, despite working closely together, Ashtead was not entirely satisfied with the assumptions and modelling used by the consultant and ultimately decided to rebuild parts of the model in-house. This led to delays with the previously communicated timeframe and hence the decision to not report data with lower accuracy in estimation.

Baillie Gifford also learnt further details about various initiatives Ashtead is pursuing across its operations to reduce its emissions footprint. These include trialling very large electric trucks in California to expanding the company's use of renewable diesel across the US. Baillie Gifford were reassured by the explanation provided and recognised that Ashtead is continuing to work towards estimating the company's Scope 3 emissions footprint with reasonable accuracy and that the relevant data will be published no later than the next annual report.

Baillie Gifford also engaged with Abcam in this period to consider the outcome of the board's review of strategic alternatives that was initiated in June. The discussion was with the CEO and CFO about the board's decision to recommend an all-cash offer of \$24 per share from

the Danaher Corporation. Abcam is expected to operate as a standalone operating company and brand within Danaher's Life Sciences segment. The Abcam board view was the offer represented a full and fair price and was a good outcome for employees and customers and were told there were no regulatory concerns. Management had not yet spoken with Dr Jonathan Milner, Abcam's founder and a shareholder, who had put on hold his earlier challenge to the board's performance while the assessment of strategic options was underway.

Following clarification of the board's position, Baillie Gifford await detailed documentation relating to the proposed transaction and voting timeline. Since the engagement however, Dr Milner has made known his opposition to the takeover, saying that it undervalues the company. He stated his intention to call an EGM to replace the board, including the Chair, CEO and CFO.

In quarter four, Baillie Gifford engaged with EnQuest spending a day with operational leaders across the business at the headquarters in Aberdeen. This provided an opportunity to discuss how the company is addressing different aspects of energy transition. When EnQuest acquired some of BP's North Sea assets back in 2017, it included a small interest in the Sullom Voe Terminal (SVT) in the Shetland Islands. EnQuest now operates the terminal on behalf of 19 different companies that have ownership interest in the terminal.

Whilst SVT was constructed in the 1970's to handle substantial quantities of oil and gas production, it currently operates with very low throughput. This has left the 1,000-acre site with redundant capacity, including a gas-fired power plant that contributes to the company's direct carbon footprint. Baillie Gifford spoke about forthcoming projects at SVT including decommissioning the power plant by 2025 as the terminal will connect to a large onshore wind farm. EnQuest is also planning to reduce operational capacity at the terminal to match the lower throughput volumes. As a result, the company is considering various brownfield opportunities at SVT to generate commercial revenues aligned to the energy transition.

The most significant is the potential to develop SVT as a carbon capture and storage (CCS) hub. Baillie Gifford learned about EnQuest's ambition to receive via shipment, up to ten million tonnes of captured carbon dioxide (CO₂) every year from UK and European customers. EnQuest has now established a net zero decarbonisation target for its direct emissions by 2040, substantially ahead of the UK government's 2050 target. Baillie Gifford are encouraged by various projects undertaken by EnQuest to reduce the company's direct emission footprint. However, many significant challenges remain. Baillie Gifford will continue to monitor the company's progress and engage with management to support the company's decarbonisation ambitions.

Waystone (previously Link Asset Services) - WS ACCESS Global Alpha Paris-Aligned Equity Fund (Baillie Gifford)

In quarter three, Baillie Gifford spoke with the company's head of ESG engagement to discuss progress and developments in Amazon's climate strategy. With one of the largest value chains in the world, Amazon's sustainability initiatives mitigate risk of supply chain disruptions, support its brand and reputation, contribute to operational efficiencies and long-term cost savings. Amazon has positioned itself as a climate leader by setting ambitious decarbonisation targets and establishing The Climate Pledge to accelerate climate action by the world's top companies. However, recent developments indicate challenges to delivering on its climate strategy.

The discussion included the company's decision to step back from its Science Based Targets initiative (SBTi) commitment. Amazon referred to methodological differences with the SBTi regarding business complexity and differentiated pathways, both organisations' approach to offsets and Amazon's ongoing development as a high growth business. The company are looking at alternative organisations to validate its emissions targets and Baillie Gifford hope a new supply chain standards report, due in 2024, provides more insight into how the company is progressing climate action and sustainability across its value chain.

Finally, Baillie Gifford repeated their encouragement for Amazon to broaden the scope of its targets to include upstream emissions from first-party and third-party sellers on its platform. Given the company's systemic importance, this would be an important catalyst for decarbonisation across the value chain. Baillie Gifford remain supportive of Amazon's long-term aspiration to be net zero by 2040 and understand the pathway to this goal will be challenging. Baillie Gifford asked for greater transparency in how Amazon plans to achieve its objectives and outlined the belief that external validation of its targets is important to ensure accountability beyond its immediate emissions boundary.

Baillie Gifford also engaged with the Swiss luxury holding group Richemont due to board changes and ongoing concerns regarding executive remuneration practices. The concerns related to poor structure and disclosure of remuneration, which undermine the ability to assess pay for performance. This meant Baillie Gifford voted against variable remuneration at the 2022 Annual General Meeting (AGM). Baillie Gifford requested to speak directly with the Lead Independent Director and Chair of the Remuneration Committee ahead of the 2023 AGM but were informed that this would not be possible until after the voting deadline so spoke with an Investor Relations representative instead.

Richemont informed us that it does not want to disclose targets for the Long-Term Incentive Plan (LTIP) remuneration portion for reasons of commercial sensitivity. Baillie Gifford then asked for reflections on the significant dissent on remuneration received from free-float shareholders at last year's AGM. Richemont believed the primary reason for this was the undisclosed executive receiving a special award. This year, Richemont has disclosed the CFO as the beneficiary. Replacement of long-tenured board members is also an ongoing process, and the board is seeking new representatives with an understanding of clientele in the US and Asian markets.

Baillie Gifford escalated voting action to oppose the Remuneration Committee Chair and the variable remuneration component at the 2023 AGM. Remuneration was the subject of significant dissent again this year, with 23% of shareholders voting against executive variable remuneration. The Remuneration Committee Chair also received 9% of votes against their re-election.

In quarter four, Baillie Gifford met with Contemporary Amperex Technology Co Limited (CATL) to deepen understanding of CATL's pathway towards its newly released carbon-neutral targets through a visit to a net zero factory in Yibin, Sichuan province, the first zero-carbon battery factory in the world.

Baillie Gifford have long been monitoring CATL's net zero path, not only because it is a large greenhouse gas emitter but also because of its potential on the battery supply chain to unlock a meaningful energy transition. Interestingly, they were one of only two investors invited on the trip, with the group of 20 attendees predominantly made up of companies in its supply chain who are directly implicated in CATL's net zero transition or journalists. The

person in charge of the zero-carbon factory development at Sichuan CATL thoroughly discussed its methods for reducing scope 1 and 2 emissions. Baillie Gifford learned more details, for example, on how CATL works with its natural gas providers for carbon-neutral gas and whether the measures can be replicated in other factories and also touched upon CATL's contribution to the global battery passport rulemaking and the acknowledgement of green energy under the new EU Batteries Regulation. CATL also answered questions from upstream material suppliers on the verification of carbon-neutral products during the discussion.

The trip provided Baillie Gifford with a better sense of how CATL is making net zero efforts in its factories and throughout the value chain. It strengthened conviction in the important role that CATL will play over the next decade and its commitment to mitigate the inevitable environmental and social impacts of battery making. Given the challenges brought out in meetings on the trip, the company should reinforce supplier training and communication through the procurement department to have a real net zero impact on the supply chain. Baillie Gifford look forward to the unfolding of digital battery passports and the resulting enhanced transparency on the carbon footprint.

Baillie Gifford also met with the CEO of the Olympus Medical Systems Corporation to understand Olympus' status in the diagnosis and remediation of issues raised in recent warning letters from the US Food and Drug Administration (FDA). This meeting sought to cover the underlying drivers of the FDA complaints and establish a starting point for future monitoring and potential engagement. When the CEO assumed leadership, Olympus had three main priorities: innovation for growth, patient safety and sustainability, and productivity. However, following the FDA warnings, patient safety was elevated to the top priority. While partially symbolic, this reorganisation was shared to be an important beacon for refocusing the manufacturing and quality assurance functions at Olympus.

Baillie Gifford questioned the underlying drivers of the FDA complaints, and the CEO shared that part of the cause for the FDA letters was a clash between Japanese manufacturing practices and American regulation, as well as disjointed internal systems that led to longer feedback loops. Olympus is currently working on improving the capacity of the quality assurance and product safety team, which the CEO now believes to be industry leading. The CEO also acknowledged that strengthening internal information flows between teams could have facilitated more effective issue escalation. To fix this, Olympus are implementing new IT tools building faster feedback loops while attempting to enable a culture where the escalation of issues is more acceptable.

Part of the incentives to enable this change include the introduction of product quality-related targets in employee bonuses. There are a lot of moving parts, but Baillie Gifford were glad to hear that the CEO recognised the importance of change management, rooting out the drivers of these issues and monitoring the changes implemented. Baillie Gifford came away from the meeting positive about the directionality of remediation and with a greater understanding of the CEO's efforts to improve patient outcomes. The meeting also provided insight into Olympus' ongoing efforts to address the FDA's concerns and provided some data points for future monitoring.

Waystone (previously Link Asset Services) – WS ACCESS Global Ex UK Fund (Fidelity)

In quarter three, Fidelity engaged with Anglian Water to better understand the reasons for use of storm overflows and their approach to reputational and financial risks on account of pollution incidents caused by these. The engagement was an information gathering exercise to seek assurance that Anglian Water is in a position to manage risks that stem from the use of storm overflows. While Anglian Water's spill data is the lowest amongst all UK water utilities, its recent environmental performance has been negatively impacted by serious pollution incidents. Fidelity engaged to evaluate the measures the company has taken to drive a meaningful improvement in this regard.

The company has identified three main reason for spills to occur which are: deteriorating asset health, blockages and fly-tipping, and surface water inundation and misconnections. The company has a very robust asset health strategy and believes that combined sewer overflows (CSOs) on its network largely operate due to the other two reasons. It has taken a very hands-on approach towards managing these and actively conducts site visits to spread awareness. It has led customer engagements with food establishments to prevent fat oil drainage and invites protesters to visit water recycling plants to make them aware of what is causing blockages and how collaborating can prevent these. Fidelity believe Anglian Water needs to better articulate the measures it has taken thus far to mitigate reputational risks and provide reassurance to the customers and the larger public.

Fidelity also met with the Toyota Motor Company in quarter three. Toyota has lagged peers in the Electric Vehicle (EV) game, supported by its profitable hybrids. However, the current investment environment is increasingly less tolerant of a non-existent EV strategy and a core part of engagement has been on quantifying their 'multi-pathway' approach to the transition, in a way that would increase visibility on the sustainability of their business. The second core item of engagement has been on Toyota's group governance and their large cross-shareholdings. Fidelity thinks this is relevant not just from the perspective of good governance but also for material Scope 3 Category 15 emissions that will need to be accounted for and reported.

While Fidelity supports Toyota's multi-pathway in principle, they have consistently asked them for more to validate their argument quantitatively, e.g., by providing emission simulation in a world with and without Hybrid Electric Vehicles (HEV's). This may have won them the support of shareholders, NGO's and thinktanks alike, avoiding a shareholder proposal like the one seen in June. On group governance, Fidelity have pushed for the unwinding of cross-shareholdings. Unfortunately, the risk materialized in the form of several governance scandals at their group companies. Separately Fidelity shared how the recently released International Sustainability Standards Board (ISSB) guidance suggests material Scope 3 Category 15 [investment] emissions to be disclosed, and how that would impact the overall emission of their cross-shareholding entities.

Continued frank and meaningful dialogue with the company has won their trust and Toyota has sought Fidelity's counsel when they first received the shareholder proposal, and more recently before publishing their director independence criteria and materiality. While the climate-related shareholder proposal only received 15% votes in favour, it has nonetheless been a realization for Toyota that their current disclosure is insufficient and they have ramped up efforts to communicate with the market more directly with the incoming CEO attending investor days, unlike his predecessor. The renewed effort to have a two-way dialogue with the market is a marked change.

In the wake of several scandals at its group companies, they are reviewing their strategic shareholding, including the role of seconded Toyota personnel as directors, with a renewed mindset that they should be providing oversight and trying to enhance the corporate value at these entities. While it is unfortunate that it took these events for Toyota to come to the realisation, nonetheless this is promising outcome for enhanced governance.

In quarter four, Fidelity met Société Générale (SG) following the publication of their Net-Zero Banking Alliance Progress Report. SG had made good progress on its client strategy under the new CEO, including their recent introduction of a stronger oil and gas sector policy. The policy calls for no financing of greenfield upstream activities at project level or midstream infrastructure, making them one of the few European banks to exit new oil and gas financing. Their updated exclusion criteria at client level only applies to private companies (not majority state-owned) that are pure play oil and gas customers.

Prior to the meeting, SG confirmed it had withdrawn its commitment to set Science Based Targets initiative (SBTi)-aligned targets (three other European banks recently withdrew). Fidelity encouraged the bank to provide better disclosure on its client engagement on decarbonisation to help investors track the effectiveness of its engagements, as well as to develop an approach to accounting for emissions facilitated from its capital market activities in line with the Partnership for Carbon Accounting Financial (PCAF) recent guidance and to integrate these into its sectoral emissions reduction targets. Fidelity also recommended better reporting on its public policy engagement activities, including the board's role in overseeing this. Fidelity was pleased to hear that SG intends to publish its material Scope 3 emissions next year according to PCAF guidance.

Notwithstanding the withdrawal of its SBTi commitment, Fidelity continue to view SG as relatively advanced in its climate change approach and have identified several areas where there is scope for improvement, and plan to continue engaging with the bank and monitoring progress.

Fidelity also met with the Australian bank Westpac to encourage an enhanced net zero banking transition plan in relation to their 'Say on Climate' vote. Over the previous twelve months, Fidelity had engaged with Westpac on their Climate Report and their approach to developing sector financed emissions pathways.

Fidelity spoke to Westpac's ESG Reporting team and they highlighted that they were considering undertaking a Say on Climate vote and wanted feedback on the key elements that were important to consider when putting forward the vote. Fidelity provided them with guidance on what elements were critical for a net zero banking transition plan and what criteria would need to be met for them to vote in favour of the resolution. The areas for improvement included developing disclosure and financing restrictions on facilitated emissions (e.g., bond underwriting), incorporating 'just transition' elements into their transition plan, as well as an improved strategy for engaging with clients and assessing their climate transition plans.

In November, Westpac released their 2023 Climate Report with updated sector financed emissions pathways, a new sustainable finance framework as well as launching a new assessment approach for customer climate transition plans. Nevertheless, Fidelity felt that many of the concerns that had previously raised had not been appropriately addressed and Westpac's practices continue to lag domestic and international best practice. As a result, Fidelity decided to abstain from Westpac's Say on Climate resolution, as well as the Market Forces shareholder proposal, requesting greater disclosure on customer transition plans

and financing of new fossil fuel projects. While Fidelity agreed with the asks in Market Forces' shareholder proposal, Fidelity felt that Westpac had made more progress on climate than other domestic peers and had taken the meaningful step to hold a Say on Climate vote, so as a result decided to abstain from the resolution as well. For reference, the Market Forces shareholder proposal received a 20% vote in favour, where previously a similar proposal the year before had received a 9.7% vote in favour.

Waystone (previously Link Asset Services) – WS ACCESS Multi-Credit Fund – Janus Henderson

JanusHenderson engaged with Cheplapharm in quarter three as part of their access and affordability thematic engagement programme in the healthcare sector. Cheplapharm is a pharmaceutical company that focuses on off-patent branded, prescription and niche drugs holding a portfolio of greater than 150 products distributed across 145 countries. The primary aim was to assess how much of future top-line growth was to be driven by pricing versus volume. Given Cheplapharm's positive revenue growth over the past eighteen months, JanusHenderson wanted to ensure that price growth was not going to be the key driver of earnings going forward. This is potentially a greater concern with the niche drugs business considering the absence of competitor drugs to provide price competition.

Cheplapharm's management were very clear that volume and price cutting are the key drivers of future earnings. Volume is driven by introducing existing products into new geographies and price cutting is driven by a renewed focus on the drug product. They highlighted that aggressive price hikes aren't compatible with their business for two reasons. Firstly, the large pharma houses 'entrust' their product to Cheplapharm. Any negative press around aggressive price hikes would be reputationally damaging to the developer pharma house. Cheplapharm 'runs down' drug product 'tail' consequently any reputational damage would be more material considering the body of the earnings have already been collected. This in turn would reduce supply of rights to Cheplapharm going forward. Secondly, Cheplapharm stated that the risk to their licenses is material in the face of aggressive price hikes. Considering the diversification of products an aggressive price would pose more risk to the company than any upside to the topline. JanusHenderson were pleased to hear this confirmation from management and feel confident Cheplapharm is not engaged in aggressive pricing strategies.

Dorna are a private sports management company and the organiser of MotoGP. JanusHenderson decided to engage with Dorna to discuss their action plan to reduce their own fossil fuel consumption as well as encouraging transition across motorcycle racing. The group's management team explained that Dorna sets the championships' technical regulations and engages accordingly with participating teams. Their goal is to encourage use of carbon neutral fuels, but they are not prescriptive whether teams utilise a synthetic fuel or biodiesel to achieve this ambition. Management notes that teams and manufacturers are generally comfortable with exploring fuels to reduce carbon emissions; however, substitutes need to be favourable to the technology currently utilised by the teams, and ultimately conducive to winning.

Dorna's transition plan initially focuses on reducing the amount of virgin fossil fuel consumption. Fully transitioning away from internal combustion engines (ICE) is more challenging given the current lack of impetus from manufacturers – although Dorna is very interested in promoting manufacturers to bring their riders and mechanics together to compete in electric motorcycle racing.

Alongside operational reductions, Dorna believes that it is making sufficient progress to achieve its target of eliminating virgin fossil fuels from bikes on the racing track by 2027. Given that races organised by Dorna tend to be a culture setter, JanusHenderson also asked about any engagement around the marketing of ICE motorcycles. The company is conscious of its influence and does work with manufacturers to promote a green message, although management is cognisant that more can be done. Dorna believes car ICE restrictions will be enforced before those in motorcycles, and as a result, is focusing on sustainable fuels and overall reduction of event emissions for now. JanusHenderson asked Dorna about its electric motorcycle racing. Currently only Ducati has the technology for electric racing bikes and the various teams bring their riders and mechanics to compete.

JanusHenderson are comfortable with Dorna's responses to their questions around virgin fossil fuel elimination. Follow-up topics will include more manufacturers signing up to the electric motorcycle races as their technology improves.

In quarter four, JanusHenderson engaged with INEOS Quattro, a major producer of plastics, as part of a focus on circularity within the petrochemicals industry. JanusHenderson wanted an update on the key challenges involved in the recycling process and what steps the company was taking to mitigate or resolve them. Additionally, they sought to clarify the relationship with the parent company INEOS Group, with a focus on understanding which part of the business sets and implements the ESG framework.

Management detailed its approach to the recycling of styrenics. Quattro is involved in both mechanical recycling and depolymerisation. The former is a basic approach that involves breaking down the product to form a new plastic. However, this material is usually of lower quality and has limited usage. The latter involves chemically returning the material to a styrene form that can then be used to produce specialist styrenic materials. This has the advantage of significant energy savings but requires carefully sorted polystyrene to avoid contamination. Quattro is focused on expanding its involvement in depolymerisation. The company has established a mini plant that it will evaluate before it considers scaling up operations in this area. The company emphasised that the main hurdle is in securing enough feedstock to make larger plants viable. However, it reiterated its commitment to Quattro's 2025 and 2030 recycling targets and indicated the targets could be revised upwards over time.

In response to questions on corporate governance, management explained that INEOS Group sets the overall ESG framework but that each business unit is delegated with coming up with specific strategies to reduce waste and carbon emissions for their own product lines. The parent company monitors the progress of each business against these plans. This evaluation then feeds directly into each management team's variable compensation.

Overall, JanusHenderson believe that Quattro has an effective approach to managing ESG risks and note the limitations of securing sufficient feedstock to expand depolymerisation recycling. However, many of Quattro's clients have recycling targets of their own and this should act as a stimulus to the availability of feedstock. The management of ESG risks seems to be well structured between Quattro and INEOS Group.

JanusHenderson also engaged with management at the German hospital sector company Schön Klinik to evaluate the company's exposure to two key risks: patient safety and fair pricing. In regard to the former, the focus was on evaluating whether the company had the correct procedures and processes in place to ensure the best possible care for patients.

This would necessitate complying both with best practice and all relevant healthcare regulations to minimize the future risk from legal cases and regulatory action.

With respect to fair pricing, JanusHenderson wanted to ascertain that price setting was objective, transparent and competitive in order to limit exposure to regulatory investigations. Schön Klinik stated that it identifies, monitors and evaluates all risks to the company, with measures implemented to avoid or mitigate them. In the case of patient safety, a CIRS (Critical Incident Reporting System) is applied in all hospitals in addition to “systematic case analyses”. Management also emphasised the importance of maintaining a strong “error management culture” and tracking internal key performance indicators (KPIs) such as complications per treatment area, in order to deliver the best possible outcomes for patients and the company. Management explained that prices are set annually, with the base rate adjusted according to each hospital’s cost base. The company noted that the Institute for Hospital Remuneration analyses the cost of all German hospitals. This provides a comparative data set. JanusHenderson were satisfied with the company’s responses to the engagement. And will continue to engage with management on material ESG issues.

Climate risk reporting

APPENDIX C

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-intense 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 primarily 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. The Baillie Gifford fund (Global Alpha Paris-Aligned), into which the Fund invested in late 2022, is the Fund's first strategy with an explicit net-zero target, and is supporting a reduction in the Fund's investment emissions over time.

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 2023

The Committee has carried out analysis of the Fund's listed equity portfolios against the metrics outlined above. For comparison purposes the Committee has also included the corresponding metrics for representative benchmarks and the analysis indicates that the Fund, in aggregate, continues to exhibit 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 2023 are set out in the table below. Since last reported, the fund closed its UBS mandate and opened a new Emerging Markets mandate with Columbia Threadneedle.

	Weighted Average Carbon Intensity (tCO ₂ e/\$m Sales)	Carbon Emissions (tCO ₂ e)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	79.2	60.3	7.2
Benchmark (MSCI ACWI)	128.7	109.9	12.2
<i>Relative</i>	-49.5	-49.6	-5.0

Source: Hymans Robertson using data provided and owned by MSCI ESG Research LLC and its affiliates. Reproduced with permission. MSCI ACWI is the All Country World Index

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.

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 ~~over~~around 100,000 scheme members. The Fund is ring fenced (in other words, it is legally segregated from NCC's other assets and liabilities) 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. The law is clear that the assets of the NPF are solely the responsibility of NCC, and decisions must be made solely in order to pay pension benefits.

The members of the NCC Pensions Committee are subject to fiduciary duties, in a way that is similar to trustees of other pension schemes. In carrying out this responsibility and complying with these duties 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

When taking any investment decisions, the law is clear that the NCC Pensions Committee must primarily act in the best financial interests of the NPF's beneficiaries. Broadly speaking, the NCC Pensions Committee must take financially material considerations into account (i.e. those which may affect investment returns) but cannot take decisions based purely on non-financial factors if investment returns may be affected.

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. While the NPF Pensions Committee can and does take these views into account, it must ultimately give primacy to its fiduciary duties as described above.

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 or based on non-financial factors, may present legal issues and be contrary to the Committee's fiduciary duties – if NPF were to disinvest for non-financial reasons it would not be acting in accordance with its fiduciary duties.

A blanket, unstructured and reactionary approach to divestment ([or one that is set in advance](#)) reduces the investment universe, limits the ability of the fund to act as responsible owners and may impact investment outcomes.

Responsible Investment

[However, this does not mean that NPF is only concerned with financial returns regardless of the behaviour of the companies it invests in.](#) 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 [NCC](#) Pensions Committee formally considers [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 [in those companies or a potential investor](#). [Similarly, for new investments NPF instructs its investment managers to apply the NPF's ESG approach when assessing new opportunities.](#) 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. [Blanket disinvestment policies can be seen as too blunt an instrument that reduces the capacity for making real change.](#)

Climate Risk

Climate risk is a significant focus for governments and society [and therefore for NPF](#).

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 such as](#) utility power generators for domestic and commercial customers, steel and cement producers, airlines, shipping, or other industrial companies.

The [NCC](#) 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]~~ on listed markets with greater transparency², 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](#)

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Pensions Committee

Item No: 8

Report title:	ACCESS Update Unrestricted Items
Date of meeting:	12 March 2024
Responsible Director:	Harvey Bullen, Director of Strategic Finance Glenn Cossey, Director of 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, West 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 4 March 2024. 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 This report briefs Pensions Committee on the unrestricted items considered by the JC on 4 March 2024. The restricted items discussed by the JC are considered elsewhere on this agenda. The JC is due to meet again on 10 June 2024.

2. 2023/24 Business Plan and Budget

- 2.1 The ACCESS Section 151 (S151) Officer Group is responsible for making recommendations to the Joint Committee (JC) on budget and business plan matters and reviewing/advising on budget variations throughout the financial year.
- 2.2 The business plan for 2023/24 was originally agreed by the JC in December 2022. At the same meeting the JC also determined the budget necessary to implement the business plan and recharge the relevant ACCESS Authorities.
- 2.3 Key deliverables within the current year’s 2023/24 Business Plan, include:
 - **Actively managed listed assets:** further pooling of active-listed assets within the Authorised Contractual Scheme (ACS).
 - **Alternative / non-listed assets:** implementation of pooled solutions for illiquid assets.

- **Passive assets:** ongoing monitoring and engagement.
- **Operator Services:** preparations for the re-procurement of Operator services.
- **Governance:** the continued application of appropriate forms of governance throughout ACCESS; the procurement of Responsible Investment reporting for the Pool and the commencement of the second contract for communications support.
- **ACCESS Support Unit (ASU):** consideration of the outcomes following the external review of the ASU and wider ACCESS Governance arrangements.

2.4 The budget for the delivery of the 2023/24 Business Plan (shown in the table below) is estimated to be £1.559m which equates to £142k per ACCESS Authority.

	Budget 2023/2024 £	Actual Costs as at 31 Jan 24 2023/2024 £	Estimated 01-Feb-24 to 31-Mar-24 £	Actual Costs Jan plus Forecast 2023/2024 £	Overspend / (Underspend) 2023/2024 £
ASU					
ASU Salaries (incl. on cost)	499,833	438,612	79,373	517,985	18,152
ASU Operational	23,000	11,606	5,484	17,090	(5,910)
ASU Host Authority Recharge	35,700	29,750	5,950	35,700	0
Technical Lead Recharge Costs	40,000	39,284	14,000	53,284	13,284
ASU Total	598,533	519,252	104,807	624,059	25,526
Professional Costs					
<i>Internal Professional Costs</i>					
JC Secretariat	23,100	16,599	5,936	22,535	(565)
Procurement	145,000	19,000	22,000	41,000	(104,000)
<i>Internal Professional Costs</i>	168,100	35,599	27,936	63,535	(104,565)
<i>External Professional Costs</i>					
Strategic & Technical	602,000	385,500	172,457	557,957	(44,043)
Legal & Governance	190,400	284,337	74,500	358,837	168,437
<i>External Professional Costs</i>	792,400	669,837	246,957	916,794	124,394
Professional Costs Total	960,500	705,436	274,893	980,329	19,829
Total Costs for the Financial Year	1,559,033	1,224,688	379,700	1,604,388	45,355
Cost Per Authority	141,730	111,335	34,518	145,853	4,123

2.5 The budget forecast identifies a small overspend on ACCESS Support Unit (ASU) salary (£18k) and technical lead recharge costs (£13k), partially offset by a reduction (£6k) in the recharge from the ASU host authority (Essex County Council). Several procurements originally planned to conclude in 2023/24 will now conclude in 2024/25. The associated costs will now fall into 2024/25 resulting in an underspend (£104k) in the current financial year, which together with an underspending on strategic and technical costs (£44k), helps offset a forecast overspend (£168k) in relation to legal advice required to support business plan activities.

3. Progress Update – Responsible Investment

3.1 Having been appointed by the JC to assist with Phase II of the Pool’s Responsible Investment Workstream, PIRC will deliver the following areas of activity:

- A review of ACCESS’s RI Guidelines and establishment of a reporting framework
- A review and updating of the Pool’s Voting Guidelines
- The preparation of a UK Stewardship Code submission on behalf of the ACCESS Pool.

3.2 PIRC are currently meeting with individual ACCESS Authorities to discuss RI requirements at a local Fund level.

4. Progress Update – Communications

4.1 Having been appointed as ACCESS’s Communications Partner, Tavistock have been undertaking press office/media liaison functions for ACCESS since the start of 2024, including several press releases covering recent Pool activity on alternative assets.

5. Local Pension Board Observer Status

5.1 Since March 2023 the JC have formally invited two Local Pension Board (LPB) observers from each Authority to attend Joint Committee meetings in person once a year on a rotational basis.

5.2 The original JC decision was to conduct a review of the LPB observer arrangements after a year, which is due now. As a result, each Authority will be approached in late March 2024 seeking opinion and asking for feedback on LPB arrangements. Following receipt of feedback, a report will be brought back to the June JC.

6. Financial and Other Resource Implications

6.1 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.

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

7.1 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.

8. Data Protection Impact Assessments (DPIA)

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

9. Risk Implications/Assessment

9.1 Any risk implications relating to this report will be recorded on the Fund’s risk register.

10. Recommendations

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

11. Background Papers

11.1 A full set of restricted and unrestricted agenda papers relating to the 4 March 2024 meeting of the JC was circulated by email to members of this Committee and the Pensions Oversight Board.

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



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