

Pensions Committee

Date: **Tuesday 25 February 2014**
Time: **9:30am**
Venue: **Edwards Room, County Hall, Norwich**

Membership

Members

Mr J Joyce
Mr S Morpew
Mr D Ramsbotham
Mr M Storey
Miss J Virgo

Co-opted Members

Mr J Fuller
Mr A Waters

Staff Representative

Mr S Aspin

**For further details and general enquiries about this Agenda
please contact the Committee Officer:
Tim Shaw on 01603 222948
or email timothy.shaw@norfolk.gov.uk**

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 3 December 2013.

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 on your Register of Interests you must not speak or vote on the matter.

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:

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare such an interest but can speak and vote on the matter.

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

5. **Share Action – Living Wage Campaign**

Presentation by Share Action Chief Executive, Catherine Howarth

6. Exclusion of the Public (Item 7-11 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 that they involve the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of Schedule 12A to the Act, and that 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.

7. Investment Performance Update by Hymans Robertson (Page 12)

Booklet enclosed for Members of the Committee

8. Fund Manager Report and Presentation

- **Aviva Investors (Page 26)**

Booklets enclosed for Members of the Committee

9. Private Equity

Joint verbal presentation by HarbourVest Partners and SL Capital Partners

Booklets for Members of the Committee will be available at the meeting

10. Fund Managers Report and Presentation (Private Equity)

- **HarbourVest Partners (Page 61)**
- **SL Capital Partners (Page 91)**

Booklets enclosed for Members of the Committee

11. Exempt Minutes (Page 122)

To confirm the exempt minutes of the meeting held on 3 December 2013.

12. Administration Report (Page 124)

Report by the Head of Finance and Head of Pensions

Including updates on:

LGPS 2014, Communications, Replacement of Administration Software and Online Services, 2013 Triennial Valuation, Funding Strategy Statement, Collaborative Working / Value for Money, Knowledge and Skills, Freedom of Information Act, Cash Management Strategy, Admission Agreements, Update on Bulk Transfers and Pension Fund Representation.

13. Public Sector Pensions Reform

Verbal report by the Head of Finance and Head of Pensions

14. Pension Fund Budget Report (Page 136)

Report by Head of Finance & Head of Pensions

15. Corporate Governance and Shareholder Engagement (Page 168)

Report by the Head of Finance and Head of Pensions

Chris Walton
Head of Democratic Services

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Date Agenda Published: 17 February 2014



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Pensions Committee

Minutes of the meeting held on Tuesday 3 December 2013 commencing at 9:30am

Present:

Mr S Morphew
Mr S Aspin
Mr J Fuller
Mr J Joyce
Mr D Ramsbotham
Mr M Storey
Miss J Virgo
Mr A Waters

Officers Present:

Glenn Cossey	Chief Investment Manager
Nicola Mark	Head of the Pension Fund
Tim Shaw	Committee Officer
Peter Timmins	Interim Head of Finance
Alex Younger	Investment and Actuarial Services Manager
Lorraine Woolner	Pensions Administration (Item 5 only)
Daniel Wright	Pensions Administration (Item 5 only)

Others Present:

Richard Bell	Baillie Gifford
Scott Donaldson	Investment Adviser, Hymans Robertson
Ian McCombie	Baillie Gifford
John Wright	Hymans Robertson

1. Apologies

There were no apologies for absence.

2. Minutes

The minutes of the previous meeting held on 24 September 2013 were confirmed as a correct record and signed by the Chairman.

3. Declarations of Interest

The following declarations of interest were received:

- Mr Aspin declared an “other interest” as the Director of Finance for the Norfolk and Suffolk Probation Trust, a scheme employer, and personal membership of the scheme as an employee of a scheme employer.
- Mr Fuller declared an “other interest” in that he had investments of more than £25,000 with Sarasin and Partners, who were the fund managers.
- Mr Morphew declared an “other interest” in that his wife was in receipt of a pension from the scheme.
- Mr Ramsbotham declared an “other interest” as his wife was a member of the scheme.
- Miss Virgo declared an “other interest” in that she was a beneficiary of a teacher “added years” pension administered by the Fund.
- Mr Waters declared an “other interest” because his wife was a member of the scheme.

4. Matters of Urgent Business and Change in Agenda Order

4.1 There were no matters of urgent business.

4.2 It was agreed that items 7,8,11, 12 and 13 would be considered after lunch which took place between 12.45 pm and 1.20 pm. However, Items appear in these minutes in the order in which they appear on the agenda, so as to provide for easier cross referencing between the agenda and the minutes.

5. Administration of the Norfolk Pension Fund.

5.1 The Committee received a detailed presentation by the Head of Pensions (which was laid on the table) about the administration of the LGPS.

5.2 The presentation explained:

- Member Benefits Administration
- The role of the Pensions Staff (three of whom were present for the consideration of this item and helped to answer detailed questions from Members)
- It was noted that the transitional regulations for the new scheme have still not been issued by the government
- Pensions Records
- Pensions Administration: Admission and Support
- The Employers with the LGPS
- Customer Standards

- Care & Communication
- Industry Standards
- Online Services (Members and Employers)
- Employee events and training
- Retired member payroll and payments

RESOLVED-

5.3 To note the presentation.

6. Administration Report

6.1 The Committee received the annexed report (6) which was a quarterly update for the Pensions Committee on all operational and administrative matters relating to the Pension Fund. The report included updates on Public Sector Pension Reform, Communications, Online Services, Year End, 2013 Triennial Valuation, Collaborative Working / Value for Money, Awards, Knowledge and Skills, Freedom of Information Act (FoIA), Admission Agreements, Internal Audit Activity, Monitoring Custodian and Investment Managers Internal Control Reports, Update on Bulk Transfer Values in Progress and Representation on behalf of the Pension Fund.

6.2 In the course of discussion, Members drew attention to the fact that Norfolk was the lead Authority for the National LGPS Procurement Frameworks which were an initiative between LGPS Funds to provide a greater opportunity to efficiently procure services from a range of high quality providers. The National LGPS framework had received an award for the “Best DB Scheme Innovation” at the 2013 Professional Pensions Scheme for the Year Awards. Members placed on record their congratulations to officers on having achieved this award and for being shortlisted in the following categories at the LGC Investment Awards 2013:

- Quality of Service
- Fund of the Year

6.3 In reply to questions from Mr Fuller and comments by Steve Morpew and Alan Waters, the Head of Pensions said that she would continue her dialogue with colleagues at Suffolk about operational matters.

6.4 RESOLVED-

- To note the report and to agree to receive a short presentation at the next meeting from Catherine Howarth, Chief Executive of Share Action, on the initiatives being taken to promote and support a Living Wage Policy.
- The Committee also agreed to receive an update at their next meeting on the latest position regarding the contract for banking services with the Co-op Bank ,for which there were contingency

arrangements in place with Barclays Bank plc.

- The Committee noted the Admission Agreement in respect of Churchill Contract Services (set out at paragraph 10 of the report).

7. Public Sector Pension Reform

7.1 Members received the annexed joint report (7) by the Head of Finance and the Head of Pensions which updated the Committee on the latest position with the reform of public sector pensions and specifically the LGPS.

7.2 RESOLVED

To note the latest progress with the reform of public sector pensions and specifically the LGPS.

8. Risk Register

8.1 Members received the annexed report (8) on the Norfolk Pension Fund Risk Register.

8.2 Members' attention was drawn to a new high risk that had been added to the risk register triggered by the unexpected timing of the withdrawal of the current version of the pensions administration software used by the Fund by the current software provider (Heywood). The provider would no longer support the current product beyond December 2014. It was noted that other pension funds were known to be in a similar position.

Given the timescale and risks presented by this situation Pensions Committee support seeking an interim solution that would enable the Fund to effectively manage the identified risks and issues alongside the introduction of LGPS 2014 with the intention of undertaking a full procurement exercise to establish a longer term solution. Members would be kept informed of developments.

RESOLVED

8.3

To note the contents of the Risk Register and the specific action to be taken regarding pension administration software.

9. Exclusion of the Public (Agenda Items 10-13 only)

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.

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

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

9.1 Item 10 – Triennial Actuarial Valuation at 31 March 2013

The draft valuation report contained business and commercial information including proprietary additional methodology developed by a third party supplier. Disclosure prior to statutory publication could significantly weaken their position in a competitive environment by revealing this methodology to competitors.

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

9.2 Item 11 – Investment performance Update by Hymans Robertson

This report contained commercially sensitive information related to the performance of third party individual fund manager companies which if in the public domain could have a detrimental impact on the companies’ commercial revenue and consequently adverse impact on pension fund performance.

9.3 Item 12 – Fund Manager Report and presentation by Baillie Gifford

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

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

9.4 RESOLVED

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

Public Summary of the Exempt Minutes (Agenda Items 10-13) only.

10. Triennial Actuarial Valuation At 31 March 2013

10.1 The Committee received a presentation from Hymans Robertson.

10.2 RESOLVED

To note the presentation.

11. Investment Performance Update By Hymans Robertson

11.1 Members received a detailed booklet that had been circulated in advance of the meeting. The Investment Advisor summarised the main issues including the investment performance of the previous quarter.

11.2 RESOLVED

That the Committee note the report.

12 Fund Managers Report and Presentation

12.1 Baillie Gifford

Representatives from Baillie Gifford presented a detailed report that had been circulated to Members in advance of the meeting. The representatives from Baillie Gifford introduced the report, summarised the main issues, and responded to detailed questions by the Members.

12.2 The Chairman thanked Baillie Gifford for their presentation.

12.3 RESOLVED

To note the presentation by the Fund Manager.

13. Exempt Minutes of the Previous Meeting

13.1 The exempt minutes of the Pensions Committee meeting held on 24 September 2013 were agreed as a correct record and signed by the Chairman.

The meeting concluded at 2:45pm

Chairman



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Administration Report

Report by the Head of Finance and Head of Pensions

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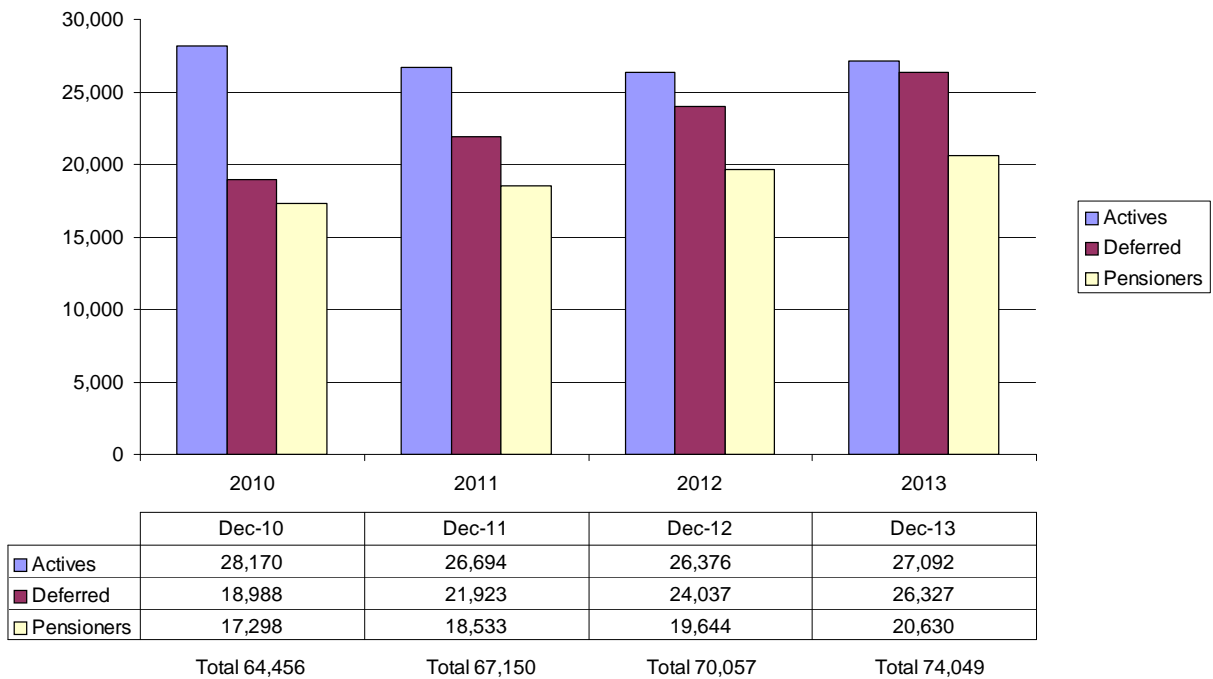
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 - 1.2 Membership details
2. **LGPS 2014 – Preparation and Readiness**
3. **Communications**
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 - 3.8 Employers
4. **Replacement of Administration Software and Online Services**
5. **2013 Triennial Valuation**
6. **Funding Strategy Statement (FSS)**
7. **Collaborative Working / Value for Money**
8. **Knowledge and Skills**
9. **Freedom of Information Act (FOIA)**
10. **Admission Agreement – Lafarge Tarmac**
11. **Cash Management Strategy – Co-operative Bank**
12. **Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme**
13. **Cash Management Strategy for the Pension Fund – Management of Cash Balances**
14. **Update on Bulk Transfer Values in Progress**
15. **Representation on behalf of the Pension Fund**
16. **Other Implications**
17. **Section 17 – Crime and Disorder Act**
18. **Recommendations**

1. Background

1.1 This report is a quarterly update for the Pension Committee on all operational and administration matters relating to the Fund.

1.2 Membership details

1.3 As at the 31 December 2013 there were 74,049 scheme members in the Norfolk Pension Fund. A breakdown of membership and comparison with December 2010, 2011 and 2012 membership is shown in the graph below.



1.4 The average annual pension in payment details are below, with the details from 2012 and 2013 alongside:

	As at January 2014	As at January 2013	As at January 2012
Pension in own right:	£5,039.88 (£420 per month)	£ 5,032.33 (£419 per month)	£4,884.85 (£407 per month)
Dependants pension	£2,668.65 (£222 per month)	£ 2,667.95 (£222 per month)	£2,568.66 (£214 per month)
Average pension:	£4,723.00 (£394 per month)	£ 4,709.47 (£392 per month)	£4,563.58 (£380 per month)

2. LGPS 2014 – Preparation and Readiness

2.1 We are maintaining and delivering against a communication plan to support scheme members, potential scheme members and also employers throughout the transition to the new scheme.

- 2.2 Wherever possible and appropriate we are utilising scheme communication resources produced by the Local Government Association LGPS 2014 project.
- 2.3 Scheme members
- 2.4 Until we receive the final Transition Regulations and the new actuarial guidance (issued by the Secretary of State) we are unable to calculate all the implications for individuals. This untimely delay has been raised with the Department for Communities and Local Government.
- 2.5 While members need take no action, it is important that they understand the changes to the scheme to support their understanding of their pension provision and help them make well informed decisions.
- 2.6 All active scheme members have been invited to attend an 'LGPS 2014 Roadshow'. Starting on the 6 March, events are being held at a number of venues (provided by our scheme employers) across the County to provide access for as many scheme members as would like the opportunity to have the new scheme explained directly to them and ask questions. Currently 25 roadshows are planned running through until April. Further events will be scheduled if there is demand.
- 2.7 Active scheme members will also receive a 'welcome to the new scheme' mailing after 'go live' in 2014 together with a new scheme booklet.
- 2.8 Active scheme members have already received a booklet with their Annual Benefit Statements in September explaining the changes to the scheme, including how it might affect them, the choices they have under the new scheme and revised contribution rates. We also continue to maintain our website with a dedicated area explaining the changes.
- 2.9 Deferred and retired members have been reassured that there is no impact on them as a result of the introduction of the new scheme.
- 2.10 Employers
- 2.11 All employers have been invited to attend small workshops to look in detail at the implications of the new scheme for them and discuss any aspects in more detail.
- 2.12 We have also published an 'Employers Guide to LGPS 2014' together with detailed payroll and HR guides.
- 2.13 Whilst we are doing all we can to support our employers (including providing briefings, newsletters and discussion at employer forums), until we see the final legislation (Transitional Regulations) neither we nor our employers can scope and complete our final preparations.
- 2.14 Internal Preparations
- 2.15 We are acting as a Test Site for Heywood for AXISe (our administration system). This means that we have early access to the system which is helping with familiarisation for the staff.
- 2.16 We have meetings scheduled with Hymans Robertson to review the preparations for LGPS 2014 on their web based services.

- 2.17 Forms, guides and processes are being reviewed and updated. Some reworking may be necessary once final Transitional Regulations are received, as at the moment we are working on assumptions but cannot wait longer for details before we start preparations.
- 2.18 We are endeavouring to ensure that we have staff in key operational and technical areas ready to deal with the implementation of the changes, which will be not insignificant in terms of data and record keeping, alongside supporting scheme members and employers. Six administration team members are attending LGA led training sessions on the new scheme and four members of the technical team are attending Heywood system training.

3. **Communications**

- 3.1 Alongside preparations for the new scheme our normal cycle of communications continues. In accordance with the Fund's communications strategy we make every effort to use electronic means of communication, including; email pensions@norfolk.gov.uk, website www.norfolkpensionfund.org (including employer on-line services) and Twitter [@Norfolkpensions](https://twitter.com/Norfolkpensions).

3.2 **With retired members**

3.3 Retired members forum

- 3.4 Invitations for the next Retired Members events (scheduled for 28 April to 1 May 2014) were sent to all pensioners with their November payslips. The theme for this year is 'Health and Well Being'.

- 3.5 As in previous years sponsorship for this event has been requested from our Custodian, Investment Advisor and Fund Managers.

3.6 Annual Newsletter

- 3.7 The annual newsletter for retired members, Primetime, was published in February. The booklet contained a mixture of articles of interest to retired members, including details of the annual pensions 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 and a summary of the Fund's investments and annual accounts. It also featured our oldest pensioner, who celebrated her 108th birthday last year!

3.8 **With employers**

3.9 Employer newsletter

- 3.10 Following on from the Employers Forum last November, we published our latest Employers Newsletter in December.

- 3.11 Amongst other regular items the newsletter provided updates and information for Employers about:
- LGPS 2014 – latest position; support for scheme members and employers; information about road shows and events; governance update
 - The triennial valuation
 - Accounting reports
 - Wider pension reform, including Fair Deal and changes to the State Pension Age
 - Pension liberation fraud
 - Auto-enrolment
 -
- 3.12 A copy of the newsletter is attached at Appendix A of this report.

4. **Replacement of Administration Software and Online Services**

- 4.1 As agreed at the last Pensions Committee meeting in December, due to the immediate need to reduce unacceptable levels of risk exposure, the Pension Fund sought and received an exemption from Contract Standing Orders. This was in order to procure a two year contract with Heywood to allow us to manage the transition to a new administration system alongside the introduction of the new scheme and fulfil our regulatory obligation to administer the LGPS; and to extend our existing contract with Hymans Robertson for online services for 2 years.
- 4.2 Contractual discussions and project preparations are underway with the aim of completing the transfer to the new software system, Altair, by September 2014. We anticipate a 4 month transition project.
- 4.3 Planning for the full procurement exercise to establish a longer term strategic solution must commence soon. The extensions with Heywood and Hymans Robertson deliver co-terminus contract end dates which will benefit the longer term procurement.

5. **2013 Triennial Valuation**

- 5.1 The Fund Actuary, Hymans Robertson will sign off the formal valuation of the Fund at 31 March 2013 prior to the statutory deadline of 31 March 2014. The Valuation incorporates the assumptions and advice previously agreed by the Committee from Hymans Robertson.
- 5.2 The Valuation includes the certification of employer contribution rates for the three years commencing 1 April 2014.
- 5.3 The Valuation will be published on the Funds website and in accordance with the statutory timetable.
- 5.4 We have completed modelling with the Fund Actuary and held meetings with the major employers subject to the employer contribution rate stabilisation provisions. The modelling has provided these employers with the outlook for future stabilised contributions that reflects changes in their membership and liability profiles. In a number of cases this indicates that the profile of contribution movements will need to change from April 2017 if current financial conditions and trends persist.

6. **Funding Strategy Statement (FSS)**

- 6.1 Following the completion of the statutory consultation with employers the FSS will be updated to reflect the approach taken to the 2013 Valuation and contribution strategy in place.
- 6.2 The revised FSS will be published on the Fund's website.

7. **Collaborative Working / Value for Money**

7.1 **National LGPS Procurement Frameworks**

- 7.2 The National LGPS Procurement Frameworks are an initiative between a number of LGPS Funds, led by the Norfolk Pension Fund and supported by Norfolk Procurement Services and NPLaw. The frameworks generate an income to pay for their ongoing management.
- 7.3 The Global Custody Services Framework went live at the end of last year. A further framework for Legal Services is under development. Call off's from the Actuarial and Benefit Consultancy Framework and also the Investment Consultancy framework are in line with forecast.
- 7.4 Further detail about the National LGPS Procurement Frameworks project is included in the separate Budget Report to this committee at Item 8.

7.5 **Appointment of Global Custodian – joint procurement with Suffolk Pension Fund and the London Borough of Hackney Pension Fund**

- 7.6 The Norfolk Pension Fund's contract with Northern Trust to provide Global Custody services is coming to an end. We are therefore tendering under the National LGPS Framework for Global Custody Services to establish a new contract and appointment to deliver these services.
- 7.7 Because of the value of the contract over its lifetime, the contract must be let in accordance with OJEU regulations. A typical OJEU compliance procurement for a global custodian would require the use of specialist legal and technical advisors and cost in the region of £100K, and take 6-9 months.
- 7.8 Using the framework has removed the need for specialist advisors and reduced the timeframe of the exercise to 2-3 months and the projected costs to £5,000.
- 7.9 In order to try to ensure an efficient and effective procurement exercise and the greatest overall value for money outcome, the Norfolk Pension Fund is undertaking a joint procurement together with the Suffolk Pension Fund and the London Borough of Hackney Pension Fund. The combined assets of the 3 collaborating Pension Funds as at the 31 March 2013 was £5,166m.
- 7.10 We will undertake the evaluation of responses jointly and agree the successful provider but each Fund will then contract individually with the winning provider.
- 7.11 We aim to appoint a Global Custodian in March with a contract commencement date of 1 October 2014.

7.12 **Wider joint working**

7.13 As reported previously to Committee there continues to be press reports and speculation about a number of Funds exploring merging in response to the Minister's Call for Evidence.

7.14 Until the outcome of the Minister's review is clearer we feel that specific work in this area may be premature unless there are obvious and clearly defined benefits for all parties. However where it is in the interests of the Norfolk Pension Fund and its stakeholders we are always keen to explore the potential opportunities for greater collaboration.

8. **Knowledge and Skills**

8.1 The LGPS 'Trustees' conference is expected later in the year and we will provide more information when we have it. This event is organised by the Local Government Association and is specifically developed for elected members with responsibility for the LGPS and addresses issues from a 'trustee' perspective.

8.2 The Code of Practice currently being developed by the Pensions Regulator for Public Service Pension Schemes, following the introduction of the Public Sector Pensions Act, will extend and further define the existing framework for Knowledge and Skills for Officers and Elected Members with LGPS responsibilities,.

9. **Freedom of Information Act (FOIA)**

9.1 Since the last Committee meeting, 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.

9.2

Date Received	Requestor	Details	Status
12/12/2013	Prequin	Details of private equity investments	Responded

10. **Admission Agreement – Lafarge Tarmac**

10.1 We have received application for a new Admission Agreement in respect of Lafarge Tarmac (Lafarge).

10.2 Lafarge is the contractor that has been awarded the re-let of the Norfolk County Council (the Council) highways contract. The Council is a Scheme Employer.

10.3 Prior to this contract the contract was previously held by Kier (May Gurney).

10.4 The staff transfer to the new Lafarge contract will involve approximately thirty employees with current LGPS membership and potentially other staff with retained LGPS membership rights.

- 10.5 The Council is supportive of the application by Lafarge to provide continuity of pension provision for the transferring employees and meet its own obligations regarding the pensions of the transferring employees.
- 10.6 The Admission Agreement will cover staff transferring in respect of this contract only. It will not cover any other employees of the contractor and will be closed to subsequent hires working on the contract.
- 10.7 The Council will be party to the Admission Agreement in the capacity of Scheme Employer (letting body).
- 10.8 In the event that the contractor is unable to meet any of its financial obligations to the Fund, all liabilities will automatically revert to the Scheme Employer. Therefore no liability will fall to other Fund employers if the contractor fails.
- 10.9 The Fund Actuary will calculate an employer contribution rate specific to the transferring employee group. The employer section of the Fund will be 100% funded at outset in respect of past service liabilities. The 100% funding will be measured using the Fund's ongoing valuation basis updated for the financial assumptions at the point of transfer as calculated by the Fund Actuary.
- 10.10 Any risk sharing arrangements between the Scheme Employer and the contractor are matters for those parties outside of the Admission Agreement. This avoids the Fund entering into agreements where it may have a conflict of interest
- 10.11 The initial contract length is seven years with potential extensions of up to five years.

11. **Cash Management Strategy – Co-operative Bank**

- 11.1 The Co-operative bank (Co-op) provides transactional banking services to the Norfolk Pension Fund. A single Co-op bank account is used to collect contributions, pay pensioners and settle transfer values between funds. The banking service is provided under a contract managed by the County Council.
- 11.2 As part of its plans to re-capitalise and simplify its business, the Co-op announced on the 5th November 2013 its intention to withdraw from providing banking services to local authorities. As a result, the Co-op will not be seeking to renew banking relationships with local authorities when current contracts expire. The County Council's banking contract expires on 31st March 2016.
- 11.3 Co-op is allowing early termination of contracts without penalty and has assured local authorities of assistance during their transitional period.
- 11.4 All 7 District Councils in Norfolk are Co-op customers. There is therefore an opportunity for the County Council to work with the District Councils in procuring banking services.
- 11.5 The County Council organised a pre-procurement "concept viability day" in January. All 7 District Councils participated, along with five major UK Banks; Barclays, HSBC, Lloyds, NatWest and Santander with representatives from banking consultancies. Specific questions were put to the Banks on topics such as joint procurement, service transition, service delivery and product innovation. The Banks and banking consultants viewed a County and District joint procurement as an efficient and effective means of procuring banking services. A joint County and District working group has been established to progress the joint procurement of banking services. Under a joint procurement, the County and Districts will agree to appoint the same bank.

- 11.6 The Pension Fund's banking services will be procured as part of the joint County and District exercise.
- 11.7 It is estimated that the total project will take 12 months to complete, 6 months for the procurement process and up to 6 months for the implementation.
12. **Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme**
- 12.1 **Insight Investment (previously Pareto)**
- 12.2 Insight are responsible for half of the Funds dynamic currency hedging programme.
- 12.3 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.
- 12.4 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 Capita Asset Solutions (treasury advisor to the County Council).
- 12.5 The forward contracts within the Insight programme have a quarterly settlement cycle (cash flow +/-).
- 12.6 **Berenberg Bank**
- 12.7 The second half of the dynamic currency hedging programme is managed by Berenberg Bank
- 12.8 Berenberg Bank are the Fund's counter-party on all trades within the programme it undertakes for the Fund. The Fund has agreed asymmetric credit lines of £15 million (the Fund owes Berenberg) and £1.5 million (Berenberg owes the Fund) in respect of any profits or losses on these activities. Both parties are required to post collateral to cover any balance sheet exposure above these limits but with a minimum transfer amount of £0.5 million i.e. a collateral movement would only be triggered when the actual exposure first reached £15.5 million or £2 million.
- 12.9 The process for the daily monitoring of collateral requirements and movement of collateral is undertaken by the Pension Fund Accountancy Team.
- 12.10 The forward contracts within the Berenberg programme have a monthly settlement cycle (cash flow +/-). This assists in diversifying the profile of the two managers employed to implement the dynamic currency hedging programme (see 12.6).

13. **Cash Management Strategy for the Pension Fund – Management of Cash Balances**

13.1 There are two aspects to cash management within the Pension Fund:

- The cash held on the Pension Fund bank account that is managed using a range of term and overnight deposits by the Norfolk County Council (NCC) treasury team
- The “frictional” cash held on managers’ accounts within the Northern Trust custody system. This arises for timing reasons on income, sales and purchases or as a more strategic decision (within mandate limits) taken by the manager

13.2 The management of cash by the NCC treasury team is undertaken in accordance with the treasury management strategy approved by Norfolk County Council, including specified counterparties and maximum individual exposure limits. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council.

13.3 The NCC team may manage the cash using a range of overnight and term deposits and call accounts. The cash balances and returns attributable to the Fund are recorded separately from those of NCC or the other organisations for which the team undertakes treasury management activities.

13.4 There are three options for the frictional cash held by the managers:

- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis. No manager currently elects to use this option
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (identified for Pension Fund use only, as the Administering Authority does not currently make use of money market funds within its own treasury management strategy). Henderson currently uses this option.
- For all other Euro, Dollar and Sterling denominated cash holdings within the Northern Trust custody system, an overnight sweep is undertaken by the custodian into its AAA rated constant NAV (net asset value) money-market funds (Euro, Dollar and Sterling denominated)
- Money market funds form part of the regular review process with the custodian.
- The future use of money market funds may be impacted by upcoming European legislation. Working with the custodian we continue to monitor developments in this area.

13.5 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 Northern Trust Custody system.

- 13.6 As reported to the September 2012 meeting of Committee, since 6th July 2012 the custodian has placed restrictions on the use of the Euro denominated fund reflecting the extremely low interest rates in the euro zone. There are also restrictions in place in respect of Swiss Franc and Danish Krone denominated cash balances for similar reasons.
- 13.7 The Pension Fund seeks to minimise its exposure to all three currencies listed above and has procedures in place to monitor this.
- 13.8 The Fund's cash management activities were last reviewed by Norfolk Audit Services (NAS) during the current financial year and received an "acceptable" rating.
- 13.9 Operational and rebalancing cash is held within the Northern Trust money market funds including monies to meet the liquidity requirements of the private equity programme.
- 13.10 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.
- 13.11 With the approval of Committee it is intended that the Fund follows the 2014-15 Investment Strategy approved by County Council on 17th February 2014.

14. Update on Bulk Transfer Values in Progress

- 14.1 Please see Appendix C for Bulk Transfer Values in Progress.

15. Representation on behalf of the Pension Fund

- 15.1 Please see Appendix D for meetings and events which have taken place since the last Pension Committee and ones which may be of interest to trustees or officers of the Fund.

16. Other Implications

16.1 Equality Impact Assessment (EqIA)

There are no issues relevant to equality in this report.

16.2 Any Other Implications

Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

17. Section 17 – Crime and Disorder Act

- 17.1 There are no implications under the Crime and Disorder Act.

18. Recommendations

- 18.1 It is recommended the Committee approve the 2014-15 Cash Management Strategy, as detailed in items 12 and 13, including the counterparty and collateralisation arrangements for the dynamic currency hedging programmes managed by Berenberg and Insight.
- 18.2 It is recommended the Committee note the contents of this report, in particular:
1. The Admission Agreement in respect of Lafarge Tarmac (item 10)
 2. The update of the Funding Strategy statement (item 6)

Background Papers

- Appendix A – Norfolk Pension Fund Employer Newsletter – Winter 2013
Appendix B – Approved Counterparties Insight Investment (Previously Pareto)
Appendix C – Update on Bulk Transfer Values in Progress
Appendix D – Representation on behalf of the Pension Fund

Officer Contact

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

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

Pension Fund Budget Report

Report by the Head of Finance and Head of Pensions

1. **Background**
- 1.1 The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget. By law, Pension Fund assets are ring-fenced as the Fund is run on behalf of over 150 employers and over 70,000 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 Councils cost reduction targets, or those of any of the other employers in the Fund. Likewise 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 three year Service Development Plan. Where possible the Service Development Plan takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year. For 2014-15, this includes:
 - Implementation of the Local Government Pension Scheme (LGPS 2014) reforms
 - Supporting the increasingly complex service delivery models being used by the public sector
 - The replacement of Pensions Administration software and web-based service platform.
- 1.4 The proposed budget for 2014-15 of £2.653M includes a number of 'one-off' items of spend totalling £400K. These 'one-off' projects, which have previously been highlighted at Committee, include for example; pensions administration software transition from Axise to Altair, the triennial strategic asset review and stakeholder communication in readiness for LGPS 2014. Others cost pressures relate to specific areas of 'high' risk identified in the Fund's Risk Register and include staff resilience and training.

2. Efficiency and Value for Money

- 2.1 The Fund has absorbed an increasing workload over the last few years, particularly in respect of member administration. Total Fund membership has increased by 28% in the last 6 years, while the budget has remained largely static. At 31 December 2013 there were 74,049 scheme members.

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
Active	25,615	27,418	28,405	27,313	25,991	26,439
Deferred	14,877	17,890	18,835	20,909	22,773	24,535
Pensioners	14,662	15,442	16,440	17,563	18,796	19,851
Total	55,154	60,750	63,680	65,785	67,560	70,825

- 2.2 The Norfolk Pension Fund takes part in the annual CIPFA Benchmarking exercise for LGPS administration.
- 2.3 The latest results show that we outperform many of the standard industry performance indicators. A comparison of our cost per member is shown in the table below. We use the detailed data from this exercise to target areas for improvement in our three-year Service Development Plan.

Benchmark	Cost per member (£)
Norfolk Pension Fund	17.29
Club Average	21.38
Outsourced Average	17.94

- 2.4 The agreed efficiency target within the 2014-17 Service Development Plan is 'to remain under the CIPFA cost per member average, but within the upper quartile for performance across industry Key Performance Indicators'.

3. 2014-15 Pension Fund Budget

- 3.1 At the end of January 2014, the assets of the Fund were £2.6 billion. The proposed 2014-15 Pension Fund Budget equates to just 0.1% of this value and is made up of external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy and accounting, benefit administration and retired members payroll, facilities and support services and one-off projects. This budget does not include Investment Management Fees (circa £10m) which are paid directly from cash assets held at the Custodian.
- 3.2 The detailed Norfolk Pension Fund budget for 2014-15 is attached as Appendix 1. A high level comparison of the proposed 2014-15 budget with the current approved 2013-14 budget is shown in the following table:

Service	Approved Budget 2013-14 (£)	Proposed Budget 2014-15 (£)	Change (%)
Advisory Fees	182,000	182,000	0.0
Investment Strategy Services	655,000	655,000	0.0
Administration Services	928,000	1,025,000	10.5
Facilities & Support Services	430,500	391,000	-9.2
Subtotal	2,195,500	2,253,000	2.6
Projects	363,000	400,000	10.2
Total	2,558,500	2,653,000	3.7

3.3 The year on year comparison shows an overall increase of 3.7%. A detailed analysis of the movements in the budgets is shown below.

4. Analysis of Budget Movement

4.1 Advisory Fees – Appendix 1a

Category	2013-14 Budget (£)	2014-15 Budget (£)	% Increase/ Decrease
General Actuarial	50,000	50,000	0.0
Investment Consultancy	80,000	66,000	-17.5
Legal Fees	44,000	60,000	36.4
External Accountancy	8,000	6,000	-25.0
Total	182,000	182,000	0.0

4.2 The General Actuarial budget is used to meet the cost of expert advice and calculations in respect of bulk transfers including negotiations with other funds. It also includes provision for the Actuary's attendance at Committee, advice on legislative change, support on fund policy updates and reviews and attendance at events to promote employer knowledge and understanding of the Pension Fund and specifically the nature and risks associated with pension liabilities. Where costs are specifically generated by an employer, usually advice relating to outsourcing decisions, these fees will be recharged to the employer generating the work. This meets the requirement of our regulator (Department of Communities and Local Government) in respect of employer generated actuarial work.

4.3 The Investment Consultancy budget provides for advice in relation to the Fund's investment mandates including reporting to and attendance at Committee, monitoring and advice in respect of the incumbent investment managers and a provision for advice relating to ad-hoc investment issues. Based on actual experience in 2013-14 and forecast spend next year, budget of £16K has been moved from investment consulting and external accountancy to legal fees to reflect anticipated changes in the mix of advice required. Any specific costs arising from changes to the existing fund manager line-up in 2014-15 will be brought to the Pensions Committee for separate approval during the year.

4.4 The budget for legal fees has been increased to reflect the ever increasing complexity of employer outsourcing / other models of service delivery. These exercises can require professional interpretation of pension's legislation. While the majority of these costs are recharged to the relevant employer, it is important that there is adequate provision for the Fund to take appropriate advice. The budget also covers specialist legal advice that may be required for the implementation of certain investment decisions.

4.5 The External Accountancy budget is for the provision of specialist accountancy advice, for example the recovery of withholding tax in overseas jurisdictions.

4.6 **Investment Strategy Services – Appendix 1b**

Category	2013-14 Budget (£)	2014-15 Budget (£)	% Increase/ Decrease
Staff Costs	444,000	455,000	2.5
Hired & Contracted Services	136,000	115,000	-15.4
Membership of Organisations	29,000	32,000	10.3
Internal NCC Recharges	46,000	53,000	15.2
Total	655,000	655,000	0.0

4.7 This service is responsible for investment strategy, accountancy and business support.

4.8 A reduction in external hired and contracted services, specifically Internal Audit and Legal Services, has resulted in savings of £21K. This saving has been used to cover increased membership fee costs, statutory levies and corporate recharges from NCC, including the time-recorded hours of the Investment Manager which are charged to the Pension Fund.

4.9 **Administration Services – Appendix 1c**

Category	2013-14 Budget (£)	2014-15 Budget (£)	% Increase/ Decrease
Staff Costs	819,000	882,000	7.7
Operational Costs	173,000	206,000	19.1
Pensions Payroll Income	(64,000)	(63,000)	-1.6
Total	928,000	1,025,000	10.5

4.10 It is clear that LGPS reforms will result in fundamental scheme changes, both organisationally and operationally. Significant support for all stakeholders, particularly employers and active scheme members will be required. To address this, vacant posts within the Administration Service's staffing establishment are in the process of being recruited to.

4.11 Our current software provider (Heywoods) has announced its intention to withdraw its AXISe administration software by December 2014. Migrating to the latest product offering, Altar, will lead to a significant increase in software licensing and support costs. The part-year increase included within Operations Costs is £29K (£156K to £185K). In addition to on-going operational costs, one-off transition costs have been identified under the Projects budget at para 4.16.

4.12 Facilities and Support Services – Appendix 1d

Category	2013-14 Budget (£)	2014-15 Budget (£)	% Increase/ Decrease
Facilities	144,500	148,000	2.4
Support Services	100,000	93,500	-6.5
Training & Recruitment	17,500	17,500	0.0
Communication Expenses	149,500	109,000	-27.1
Online Services	34,000	43,000	26.5
Income	(15,000)	(20,000)	33.3
Total	430,500	391,000	-9.2

4.13 Anticipated communication costs to support the introduction of LGPS 2014 have been transferred to the Projects Budget under the heading of LGPS Reforms Stakeholder Communication.

4.14 The online services budget has been increased in line with the revised contractual terms with Hymans Robertson following the end of the initial contractual period and reflects a discounted market rate.

4.15 The increase in income reflects the anticipated support for the retired members events and is based on previous years actuals.

4.16 Projects – Appendix 1e

Project	2014-15 Budget (£)
Triennial Strategic Asset Review	50,000
Online Pensions Development	10,000
LGPS Reforms Stakeholder Communication	40,000
Custodian Framework - NPF Call-off	5,000
Legal Framework - NPF Founders Fee	5,000
Altair Transition	240,000
Admin/Online Services Replacement Procurement	50,000
Total	400,000

4.17 Project spend is one-off, non-recurring. The major projects proposed for 2014-15 include:

- Triennial Strategic Asset Review. This project will examine the Fund's investment structure and asset allocation.
- Stakeholder communication in relation to LGPS 2014. National research has shown that many employers and scheme members do not understand the proposed reforms and what the proposed changes may mean for them. This project budget will support stakeholders in the transition to the new scheme, enabling the Fund to produce additional communications, web-based tools/modellers and organise road shows for employers and scheme members to supplement our normal communication programme.
- Custodian Framework - estimated cost for a full OJEU procurement to appoint a Global Custodian would typically be in the region of £100K. By calling off under the National LGPS Framework for Global Custody these costs will be reduced to £5K.

- Altair transition. As referenced in item 4.11 above, the AXISe product is being replaced. This budget is for the one off project transitional. The budget of £240,000 is made up £187,000 one-off set up costs from the supplier and a further £53,000 for other set up costs such as bespoke report writing and interfacing.
- Admin/Online Services Replacement Procurement. Our contract with Heywood for the administration software and Hymans Robertson for 'online services' will expire in Autumn 2016. In order to comply with OJEU procurement regulations and internal contract standing orders we need to undertake a full procurement exercise for their replacement. Due to the complexity of the procurement and the potentially significant transitional period required to move to an alternate provider, this project needs to start in this financial year

4.18 National LGPS Procurement Frameworks project – Appendix 1f

2014-15 Forecast Expenditure and Income	2014-15 Budget £	2013-14 c/fwd £	Forecast Exp £	Forecast Income £	Carry Forward Yr End Bal. £
Custodian Consultancy Framework	0	-25,500	23,670	-40,000	-41,830
Investment Consultancy Framework	0	-33,800	18,290	-27,000	-42,510
Actuarial Consultancy Framework	0	2,200	15,790	-18,000	-10
Legal Framework	0	500	37,890	-40,000	-1,610
Total	0	-56,600	95,640	-125,000	-85,960

4.19 Income and expenditure associated with the four LGPS National Procurement Frameworks that the Norfolk Pension Fund currently leads on is accounted for under the Projects Budget. The four frameworks are as follows:

- Actuarial and Benefits Consultancy Framework
- Investment Consultancy Framework
- Global Custody Services Framework
- LGPS Legal Services Framework

4.20 Due to the long life span 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.

4.21 Current estimates show that actual income from joiner fees and rebates on contract values "called off" from the frameworks is anticipated to exceed estimated costs over the life of each framework. Costs associated with the set up and ongoing running costs of each framework include direct framework costs for a temporary seconded framework post and bought in services such as procurement advice, specialist advisor and legal fees, publicity, launch costs and website hosting. Norfolk Pension Fund staff support salary costs are also recharged. A summary of the 2014-15 forecast expenditure and income is shown in Appendix 1f. Framework income and expenditure is monitored closely in order to ensure that income over the lifetime of a framework exceeds expenditure and internal controls have been developed to prevent deficits rolling forward for more than two financial years.

- 4.22 On termination of the final contract call off, any surplus generated by each framework will be distributed to its founder members and joiner funds.
- 4.23 An annual outturn position for each framework is produced and reported to its Founder Members. Details of the framework outturn will also be reported to Pension Committee in September.

5. Budget Monitoring

- 5.1 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.
- 5.2 The table below shows actual spend to date against the approved 2013-14 budget as at December 2013. The budget is not profiled to reflect periodic charges such as six monthly and annual invoicing.

Service	Budget 2013-14 (£)	Actual Spend to Dec 2013 (£)	% Spent	Forecast Outturn 2013-14 (£)	% Forecast Outturn
Advisory Fees	182,000	77,663	42.7	140,000	76.9
Investment Strategy Services	655,000	428,721	65.5	648,000	98.9
Administration Services	928,000	684,539	73.8	920,000	99.1
Facilities & Support Services	430,500	239,729	55.7	365,000	84.8
Projects	363,000	133,718	36.8	241,000	66.4
Total	2,558,500	1,564,369	61.1	2,314,000	90.4

6. Resource Implications

- 6.1 There are no additional resource implications resulting from this report beyond those detailed.

7. Other Implications

7.1 Equality Impact Assessment (EqIA)

There are no issues relevant to equality in this report.

7.2 Any Other Implications

Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

8. Section 17 – Crime and Disorder Act

- 8.1 There are no implications under the Crime and Disorder Act.

9. Recommendation

9.1 The Pensions Committee approves the Pension Fund 2014-2015 budget.

Background Papers

Appendix 1: Norfolk Pension Fund budget for 2014-15

Appendix 1a: Advisory Fees

Appendix 1b: Investment Strategy Services

Appendix 1c: Administration Services

Appendix 1d: Facilities and Support Services

Appendix 1e: Projects

Appendix 1f: Frameworks 2014-15 forecast

Officer Contact

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

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**WINTER
2013**

Norfolk Pension Fund NEWSLETTER

Welcome to our latest newsletter for all employers in the Norfolk Pension Fund. As always, we have tried to include information that is relevant, interesting and useful – including the latest on LGPS 2014 and the Triennial Valuation.

In this issue:

- **Getting prepared for LGPS 2014**
 - Support for scheme members
 - Support for employers
- **Formal Valuation at 31 March 2013**
- **Accounting Reports**
- **Fair Deal**
- **Stop Press - Changes to State Pension Age**
- **Scheme Governance Update**
- **Pension Liberation Fraud**
- **Annual Benefits Statements**
- **Pension Clinics**
- **Anticipating Retirements? Help us to help you...**
- **Pre Retirement Courses**
- **Auto Enrolment**
- **Contact us**

As LGPS 2014 approaches our communications for employees picks up - please let us know if you can provide a venue for scheme member briefings (more on page 4).

If you are happy to offer us a venue, please contact Doreen Metcalf

on 01603 222824 or

doreen.metcalf@norfolk.gov.uk.

Also included are details of our employer workshops and how to book a place (page 5).

Do contact us if you want to know more about any of the topics covered in this edition – we'd be very pleased to hear from you.

Nisha



We are pleased to announce that the Norfolk Pension Fund recently won a Professional Pensions award for **Best DB Scheme Innovation**.

The award was recognition of our work leading the National LGPS Procurement Frameworks initiative, which is helping to save LGPS Funds across the country time and money when procuring pension fund services.



If you would like to know more about National LGPS Frameworks, please visit the website at

www.nationallgpsframeworks.org

Getting Prepared for LGPS 2014

April 2014 will soon be with us, bringing with it the new LGPS 2014 scheme.

Those of you able to attend our last Employers Forum heard our Pensions Manager Mark Alexander give an update on how the new scheme is progressing and what you as employers can do to prepare.



If you couldn't make it to the Forum, it's well worth checking out Mark's slides on our website at:

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/Getting%20Prepared%20for%20LGPS%202014.pdf>

The proposed changes

Below is a reminder of the LGA and Trade Unions' proposals for the new scheme:

	LGPS 2014			LGPS 2008		
Basis of Pension	Career Average Revalued Earnings (CARE)			Final Salary (FS)		
Accrual Rate	1/49 th			1/60 th		
Revaluation Rate	Consumer Price Index (CPI)			Based on final salary		
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff			Pay excluding non-contractual overtime and non-pensionable additional hours		
Employee Contribution Rate – Average 6.5% in both LGPS 2008 and LGPS 2014	From	To	Gross Rate	From	To	Gross Rate
	Up to £13,500		5.5%	Up to £13,500		5.5%
	£13,501	£21,000	5.8%	£13,501	£15,800	5.8%
	£21,001	£34,000	6.5%	£15,801	£20,400	5.9%
	£34,001	£43,000	6.8%	£20,401	£34,000	6.5%
	£43,001	£60,000	8.5%	£34,001	£45,500	6.8%
	£60,001	£85,000	9.9%	£45,501	£85,300	7.2%
	£85,001	£100,000	10.5%	More than £85,300		7.5%
£100,001	£150,000	11.4%				
More than £150,000		12.5%				

	LGPS 2014	LGPS 2008
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefit	No
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)	65
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x pensionable pay	3 x pensionable pay
Death in Service Survivor Benefits	1/160 th accrual based on Tier 1 ill health pension enhancement	1/160 th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - immediate payment with service enhanced to Normal Pension Age Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension Age Tier 3 - temporary payment of pension for up to 3 years	Tier 1 - immediate payment with service enhanced to Normal Pension Age (65) Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension Age (65) Tier 3 - temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI	CPI (RPI for pre 2011 increases)
Vesting Period	2 years	3 months

Protections

There are a number of protections for members of the current scheme, including:

- Members with service in the current final salary scheme will retain the link to final salary benefits for all service before 1st April 2014 and the Normal Pension Age as under the current rules
- A guarantee that no member within 10 years of Normal Pension Age at 1st April 2012 will be worse off in the new scheme
- LGPS Members who are compulsorily transferred will retain membership of the scheme

In addition, previously agreed protection will continue. This includes the retirement age provisions for remaining members with **Rule of 85** benefits.



Communications

We have been communicating about LGPS 2014 with scheme members and employers for some time; via these newsletters, Annual Benefit Statements and our website among other things. These communications will continue as we get closer to 1 April 2014, with the following specific support planned.

Support for scheme members

We are preparing some staff briefing sessions and clinics for late February 2014 onwards and **we need your help** with venues and bookings!

Please let us know if you can offer us a venue and if so for what dates. We will confirm dates with you and publish to all employers. Scheme members will book onto the session that suits them by contacting the relevant employer/venue directly.

If you are happy to offer us a venue, please contact Doreen Metcalf on 01603 222824 or doreen.metcalf@norfolk.gov.uk by

Monday 20th January 2014

We will also send scheme members a new scheme guide and welcome pack to their home address in April / May 2014.

In the meantime, scheme members can visit the national LGPS website at www.LGPS2014.org for more information on the new scheme, including videos, member scenarios and frequently asked questions.



There is also information on our website at www.norfolkpensionfund.org, which will update overnight on 31 March / 1 April 2014 with all of the new scheme content.

Support for scheme employers

There is a useful national website at www.lgpsregs.org which includes technical and legal information about LGPS 2014 for employers and administrators.

We have produced a new LGPS 2014 Employers' Guide which tells you what you need to know...and what you need to do!

The guide includes details on contributions, pay, leaver forms and year end 2014/15 among other things. You can download a copy from our website at :

<https://www.norfolkpensionfund.org/Employers/Pages/Formsandguidelines.aspx>



We are still awaiting the Transitional Regulations, from the government, so some of the details in the guide are subject to change; however we thought it was important to create something to start helping you with your preparations.

Once we receive the Transitional Regulations we will update the LGPS 2014 Employers' Guide and also create a revised Guide to Employers' Discretions, including a new Employer Guide and Template.

LGPS 2014 Employer Workshops



We are holding LGPS 2014 Workshops at our Lawrence House offices for Payroll and HR staff who deal with pensions on a day to day basis.

Please contact Lucy Raynes on 01603 495782 or lucy.raynes@norfolk.gov.uk to book a place on one of the following dates:

- Thursday 16th January 2014 (9.15am-1.00pm)
- Wednesday 22nd January 2014 (9.15am-1.00pm)
- Friday 24th January 2014 (9.15am-1.00pm)
- Monday 27th January 2014 (9.15am-1.00pm)
- Tuesday 28th January 2014 (9.15am-1.00pm)



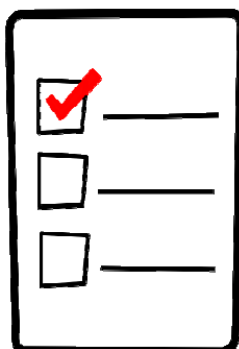
If you would like to attend one of the Workshops but can't make any of the dates above, please give us a call and we will do our best to make alternative arrangements.

LGA Briefing note for Employers

We previously sent you the LGA's 'Briefing Note for Employers' detailing the key requirements for payroll systems from 1 April 2014. You can find a copy of this on our website at

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/LGA%20Briefing%20Note%20for%20Employers.pdf>

Employers – To Do List



- Sign up to Workshops for Payroll/HR staff
- Watch out for the final NPF LGPS 2014 Employers' Guide
- Ensure that your payroll provider is geared up for the new scheme
- Arrange venue for staff briefing or clinics if required
- Ensure your Pensions Policy is updated by 1 July 2014



Employer Hotline...

If you have any questions about the new scheme or would like to find out more, we are here to help.

Please contact Graham Trussell on 01603 222086 or email graham.trussell@norfolk.gov.uk





Formal Valuation at 31 March 2013

The Triennial Valuation of the Fund at 31 March 2013 continues to progress. This statutory process ***must be completed by 31 March 2014.***

Draft individual employer valuation results have been issued to all employers actively participating in the Fund at the valuation date. These include proposed employer contribution rates for the three financial years commencing 1 April 2014.

If you haven't received your results or would like to discuss your individual position in more detail, please do not hesitate to contact Alex Younger on 01603 222995 or alexander.younger@norfolk.gov.uk.

The Actuary attended the recent Employer Forum event to present his findings and discuss the themes which emerged in this valuation round. Understandably there were many questions and a lively debate in the room. The Actuary discussed the approach he had taken and how he meets the statutory requirement for appropriate prudence in setting contribution rates.

As we discussed in the last Employer Newsletter, it has been a challenging three years for all pension schemes and the LGPS is no different. In summary although the assets have delivered good returns over the three year period since the last valuation, falling interest rates have unfortunately meant that the value that must be placed on liabilities has risen at a faster rate.

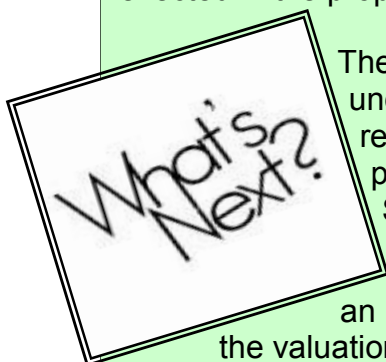
The net result of this, for most employers, has been a worsening funding position and an increase in the level of employer contributions required from 1 April 2014. However, this position is not common across all participants in the Fund, as the circumstances of different employers mean the changes of the last three years impact them in different ways.

At the Forum we looked at the potential to have different funding approaches to reflect the different risk profile of the various employer types within the Fund. This is reflected in the proposed rates included in your valuation results.

The valuation and approach to setting employer contribution rates is underpinned by a series of policies and processes, designed to reduce the risk to the Fund that employers will not meet their pension obligations. They are documented in the Funding Strategy Statement (FSS).

It is a statutory requirement for the Fund to prepare and publish an FSS. Generally the FSS is reviewed every three years as part of the valuation process.

We will be issuing the reviewed and updated FSS to employers for consultation very soon. You should shortly receive this electronically and will have the opportunity to comment until the end of January.



Once this consultation is complete we will write to you in the new year to confirm your employer contribution rates. Our administration team will update documentation for individual employers for the new rates that come into payment from 1 April 2014.

The next valuation of the Fund is due at 31 March 2016 and will set the employer contribution rates paid by employers for the three years commencing 1 April 2017.

**If you have any questions regarding the 2013 valuation please call Alex Younger
on 01603 222995 or email alexander.younger@norfolk.gov.uk.**

Accounting Reports

As the profile of our employer base evolves and grows we are working with the Fund Actuary to produce increasing numbers of accounting reports (IAS19 or FRS17).



Q. What is an Accounting Report?

A. Accountancy standards (IAS19 and FRS 17) require certain employers to disclose in their financial statements details of retirement benefits they are committed to pay in the future and any net pension liability or surplus. The figures used in the accounting reports are based on assumptions made by the Fund actuary and are produced at set periods during the year to coincide with employers' financial year end, for inclusion in their annual accounts.

Our approach is to write to employers we think will require reporting in advance of a known reporting date. In this way we try to capture all those who will require a report. However if it is the first year you will require a report it is always worthwhile getting in touch if you have not heard from us a month or so before the reporting date. Historically most employers have used the standard assumptions proposed by the actuary to produce the reports, covering discount rate, pay and inflation assumptions etc.

While it is the case that the majority of employers continue to work on this basis, over the last couple of years we have seen a number of employers, primarily driven by the auditors, seeking to apply more bespoke assumptions to the calculation. This is entirely in accordance with the financial reporting standards, which define the ultimate responsibility for setting assumption as resting with directors of an organisation.

We are happy to support this, although it is important we know this will be the case prior to the reporting date so the reporting employer can enjoy the considerable cost advantages of being produced in a bulk reporting exercise. Assuming this is the case there will be a small additional recharge for incorporating bespoke assumptions into the calculation.

Fair Deal

HM Revenue and Customs has issued guidance on a 'New Fair Deal' on staff pensions for workers compulsorily transferred from the public sector to independent providers delivering public services under TUPE. The new guidance confirms that where staff who are members of a public service pension scheme:



- are compulsorily transferred out of the public sector under TUPE: and
- remain continuously employed in the delivery of the outsourced service or function;

they will remain eligible to participate in their public service pension scheme. For all new outsourcing exercises the option for a contractor to provide alternative access to a broadly comparable pension scheme has been removed. There's more detail in Hymans Robertson's 60 Second Summary on our website at

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/New%20Fair%20Deal%20-%2060%20Second%20Summary.pdf>

If you have any questions please contact Alex Younger on 01603 222995 or alexander.younger@norfolk.gov.uk.

Changes to State Pension Age

STOP PRESS

One of the headline announcements in the recent Autumn Statement from the Chancellor was some detail around how the State Pension Age will increase in the future.

The defining principle is that, on average, people should expect to spend one third of their adult life in receipt of their State Pension. This means the age at which people can receive their State Pension should increase with rising longevity and therefore provide a control on State Pension costs.

In future the State Pension Age will be reviewed every Parliament, with the first review due to occur early in the next Parliament.

The Statement indicated that, if this principle is followed, the increase in the State Pension Age to 68 is likely to be brought forward from the current date of 2046 to the mid 2030s, and the State Pension Age is likely to increase to 69 by the late 2040s (this still requires formal review and approval by Parliament however).

If there are changes to the State Pension Age this will directly impact on LGPS benefits under the 2014 Scheme, where the normal retirement age is linked to State Pension Age.

The change will affect post 2014 service for younger members only, who are not covered by any protections. In cost terms the estimated impact on aggregate employer contributions rates is relatively minor. It has been estimated as a reduction in the future service contribution rate of 0.1% to 0.2% of pensionable pay.

As is the case for so many of the things we think about at valuation time, the impact will vary for individual employers based on their membership profile, and in particular the number of younger employees affected by the change.

It is not the intention of the Fund Actuary to take this recent announcement into account in the 2013 Valuation, given the uncertainty and lack of detail on the actual changes which may take place. The actual changes, when applied, will be reflected in the 2016 Valuation.

Scheme Governance Reform

Public Service Pensions Act 2013

DCLG have been consulting on LGPS scheme governance arrangements and how best to comply with the requirements of the Public Service Pensions Act. This will mean changes in our Governance arrangements; however details are not yet clear.

We have submitted our response to the consultation and are awaiting the outcome. Once agreed, any changes will be implemented in 2015.

You can view a copy of our consultation response on our website at
<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/LGPS%20New%20Governance%20Arrangements%20Discussion%20Paper.pdf>

Call for evidence

Over the summer, the Minister for Local Government Brandon Lewis issued a call for evidence on the future shape and size of local government pension schemes.

You can view our response to the call for evidence on our website at
<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/Call%20for%20Evidence%20on%20the%20Future%20Structure%20of%20the%20LGPS.pdf>

DCLG are in the process of analysing the evidence and we are expecting the Minister to make an announcement in May 2014.

If you would like to discuss either of these consultations, please contact Nicola Mark on 01603 222171. If there is sufficient interest we will organise a workshop for you to explore the options and implications in more detail.

Pension Liberation Fraud ...

You may have seen reports in the press recently on an activity called Pension Liberation Fraud.

This is where scheme members are being approached by unscrupulous companies with the promise of instant cash sums and/or early access to their pension, as long as they transfer their pension savings to them.



The number of these cases thankfully remains small; however they are on the increase. We have added some explanatory wording for scheme members on our website at

<https://www.norfolkpensionfund.org/Deferreds/takingmybenefits/Pages/Transferringbenefitsout.aspx>

If you would like to know more about Pension Liberation Fraud, please visit the Pensions Advisory Service website at
www.pensionsadvisoryservice.org.uk.

Annual Benefit Statements

We sent an Annual Benefit Statement to over 44,000 active and deferred members at their home address in September.

Each member received a personalised booklet, along with a leaflet about the upcoming scheme changes as part of LGPS 2014. We also included state pension forecasts this year, provided by the DWP.

You can view a sample of the Annual Benefit Statement on our website at:

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/STATEMENT%20sample%20active.pdf>

and the new scheme leaflet at

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/The%20LGPS%20is%20changing.pdf>

Pensions Clinics

Our very popular annual Pension Clinics for scheme members took place at the end of October and beginning of November. Scheme members were able to pre-book an appointment during the Clinics for a one-to-one discussion with our pensions team about their LGPS pension.

This year the clinics were held in Norwich, Kings Lynn, Great Yarmouth and Thetford. Thanks to the employers who kindly provided us with rooms and hospitality on our travels!

LGPS 2014 Briefing Sessions

As mentioned on page 4, we are planning further staff briefing sessions and clinics from late February 2014 onwards.

Scheme members don't need to wait for a clinic to contact us though - we are here to help all year round!

If you are happy to offer us a venue for LGPS 2014 scheme member briefings, please contact Doreen Metcalf on 01603 222824 or email doreen.metcalf@norfolk.gov.uk.

Anticipating retirements? Help us to help you...

In 2012/13 the Norfolk Pension Fund dealt with nearly 3,000 retirements and paid out over ¼ million individual pension payments. We also provided over 2,000 retirement estimates to scheme members and employers.

When requesting retirement estimates, please remember to include:

- *the reason for retirement*
- *the expected retirement date*
- *an estimate of final pay.*

You can ring our **general helpline on 01603 495923** to request an estimate.

Need a large number of estimates or not quite sure what to ask for? Please contact Debra Keeling, on 01603 495784 or debra.keeling@norfolk.gov.uk.

Please remember to let us know in advance of a retirement as soon as you can. You can use our form R25 or contact us in the usual ways. The R25 form can be downloaded from our website at

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/FORM%20R25.PDF>

PRE RETIREMENT COURSES

Pre-Retirement courses are run each month to help scheme members prepare for retirement. The course is aimed at people who will be, or who are considering retiring in the next 18 months to 2 years.

The course includes:-

- Creating a new future and managing change
- Leisure and learning opportunities
- Maintaining health and fitness
- Information about the Local Government Pension Scheme
- Investment options / financial advice
- Estate planning and wills
- Opportunities in the voluntary sector.
- Unison retired members branch

Norfolk County Council manage and run the courses on our behalf, which are open to all scheme members.

2014
21 January
29 February
24 March



To find out more and book these courses please contact:-

HR Direct Norfolk County Council
Telephone: 01603 222212
HRdirect@norfolk.gov.uk



Auto Enrolment

Auto Enrolment continues to be a challenge for all employers, so you may be interested to know the Department of Work and Pensions have announced changes to the legislation, aimed at simplifying the process for employers.

Simplification changes introduced

The majority of these changes came into force on 1 November 2013, with changes to the joining window and registration deadlines coming into force from 1 April 2014.

In the meantime, many of you have your staging date approaching and we are keen to support you as best we can in meeting your obligations.

You can access a slimmed down version of the LGA's comprehensive guide to Auto Enrolment on our website at

<https://www.norfolkpensionfund.org/pensionsWeb%20Documents/GUIDE%20LGPC%20Automatic%20enrolment%20brief.pdf>

Need to know more?

The Pensions Regulator has comprehensive information about Auto Enrolment on their website at

<http://www.thepensionsregulator.gov.uk/employers.aspx>

Please contact **Graham Trussell** on **01603 222086** or email graham.trussell@norfolk.gov.uk if you have any questions about Auto Enrolment.

**Any questions or want to know more?
Please contact us...**

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E-mail: pensions@norfolk.gov.uk**

**Investment, Accountancy and Strategy
Enquiries: 01603 222824
Fax: 01603 228898
E-mail: doreen.metcalf@norfolk.gov.uk**

**Website:
www.norfolkpensionfund.org**



**If you would like this newsletter in large print,
audio, Braille, alternative format or in a
different language, please contact -
Doreen Metcalf on 01603 222824
(minicom 01603 223833).**

**Approved counterparties Insight Investment (Previously Pareto)
(dynamic currency hedging programme) – Current List**

1. Barclays Bank PLC
2. Deutsche Bank AG
3. HSBC Bank PLC
4. JP Morgan Chase Bank N.A
5. Royal Bank of Canada
6. Royal Bank of Scotland PLC
7. UBS AG
8. Westpac Banking Corporation
9. Citibank, N.A.

Update on Bulk Transfer Values in Progress

Name	Transfer Date	Estimated Completion Date	State of Play
Norfolk County Council to NHS	November 2008	Admission Agreement is in place. The NHS are currently offering admission to the staff that originally transferred.	We await the outcome of the options exercise to allow confirmation of the transfer cash flows required between the two schemes (NHS Pension Scheme and Norfolk LGPS).
To Cambridgeshire Pension Fund		Ongoing - too early to assess completion date.	As part of its partnership arrangement with LGSS (delivery vehicle for Northamptonshire and Cambridgeshire County Councils), Norwich City Council have transferred approximately 130 staff with current membership of the Norfolk Pension Fund to Cambridgeshire County Council where they will become members of the Cambridgeshire Pension Fund (as employees of Cambridgeshire County Council). We have issued an Actuary's Letter to the Actuary of the receiving fund setting out the terms under which a bulk transfer will be made. The Actuary's advising both funds have begun the process of reviewing and agreeing data. We are currently awaiting a response to the proposed terms from the Cambridgeshire Fund Actuary. In order to support this response the actuary to the Norfolk Fund has provided details of the funding level (solvency) of the ceding employer at the date of transfer.

<p>Transforming Rehabilitation (Probation)</p>	<p>1 July 2014</p>	<p>Post 1 July 2014</p>	<p>We responded to a consultation on the impact of wholesale reform and restructure of the delivery of rehabilitation (probation) services nationally. The outcome of this consultation is that staff employed in this service nationally are to become members of a single LGPS fund that will assume responsibility for all legacy Probation Service/Trust liabilities. This will lead to a significant transfer out of assets and liabilities to another fund. The preferred receiving fund has now been selected by the Ministry of Justice (great Manchester Pension Fund (GMPF)). GMPF have been in informal contact to begin the transfer process. Nationally the assets of the impacted employers are estimated at £2.6 billion. Based on IAS19 disclosures at 31 March 2013 the asset attributable to the Norfolk & Suffolk Probation Trust were approximately £66 million (around 2.5% of total fund assets).</p> <p>It has now been confirmed that there has been a short period of delay on the transfer of responsibility and that the Pension Trust will continue to actively participate in the Norfolk Fund until 1 July 2014</p>
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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.

Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events took place:

Date	What	Who went
December 2013		
4	HarbourVest Advisory Board (telecon)	Alex Younger
4-6	LAPFF Bournemouth	Nicola Mark
9	M&G – review meeting	Alex Younger, Glenn Cossey
16	HarbourVest Additional Advisory Board (telecon)	Alex Younger
16	Shadow Advisory Board	Nicola Mark
17	Goldman Sachs Asset Management – review meeting	Alex Younger, Nicola Mark
January 2014		
14	CIPFA – Actuarial Summit	Alex Younger, Robert Mayes
16	CIPFA – cost disclosure working party	Alex Younger
16	CIPFA Pensions Panel	Nicola Mark
20	Shadow Advisory Board	Nicola Mark
21	Northern Trust – review meeting	Alex Younger, Glenn Cossey, Robert Mayes
23	NAPF LA Steering Group	Nicola Mark
28	Cabinet Office	Nicola Mark, Jo Quarterman
30	Wellington – review meeting (telecon)	Alex Younger, Robert Mayes
30	Governance Roundtable	Nicola Mark, Jo Quarterman
31	Berenberg – review meeting	Alex Younger, Glenn Cossey, Robert Mayes
February 2014		
3	HarbourVest – review meeting	Alex Younger, Robert Mayes
4-5	Employer Contribution Strategy Meetings	Alex Younger, Gemma Sefton (Hymans Robertson)
6	LAPF Strategic Investment Conference	Alex Younger, Steve Aspin
7	CIPFA accounting workshop	Alex Younger, Robert Mayes
10	ISS (RREV) – review & policy meeting	Alex Younger, Glenn Cossey, Robert Mayes
11	Nomura – transition review meeting	Alex Younger, Glenn Cossey
11	NAPF Defined Benefit Council	Nicola Mark

14	Henderson – review meeting	Alex Younger, Glenn Cossey
18	Aviva – review meeting	Alex Younger, Glenn Cossey

In addition to these meetings we have held a number of meetings with managers with whom we do not have a current commercial relationship, meetings in respect of transition and mandate changes and with various fund employers on individual issues.

The following forthcoming meetings and events have been identified as of possible interest to trustees or officers of the fund:

Date	What
February 2014	
27-28	LGC Investment Conference - Chester
March 2014	
5-7	NAPF Investment Conference - Edinburgh
May 2014	
19-21	NAPF Local Authority Conference – Cotswold Water Park, Gloucestershire

CIPFA – The Chartered Institute of Public Finance and Accountancy

LAPFF – Local Authority Pension Fund Forum

LGC – Local Government Chronicle

NAPF – The National Association of Pension Funds

Pensions Budget 2014-15

2013-14 (£)	Division	2014-15 (£)
182,000	Advisory Fees (Appendix 1a)	182,000
655,000	Investment Strategy Services (Appendix 1b)	655,000
928,000	Administration Services (Appendix 1c)	1,025,000
430,500	Facilities & Support Services (Appendix 1d)	391,000
363,000	Projects (Appendix 1e)	400,000
2,558,500	Total	2,653,000

Advisory Fees Budget 2014-15

2013-14 (£)	Category	2014-15 (£)
	General Actuarial Fees	
40,000	Actuarial Fees	40,000
10,000	Project Club Vita	10,000
50,000	Subtotal	50,000
	Investment Consultancy	
30,000	General Investment Advice	30,000
16,000	Committee Attendance & Preparation by Investment Advisor	14,000
18,000	Quarterly Analysis & Reporting to Committee	12,000
16,000	Fund Manager Pre-Meet Investment Advice	10,000
80,000	Subtotal	66,000
	Legal Fees	
44,000	External Legal Advice	60,000
44,000	Subtotal	60,000
	Other External Advice	
8,000	Accountancy	6,000
8,000	Subtotal	6,000
182,000	Total	182,000

Investment Strategy Services Budget 2014-15

2013-14 (£)	Category	2014-15 (£)
444,000	Staff Costs	455,000
444,000	Subtotal	455,000
	Hired & Contracted Services	
8,000	WM Performance Monitoring Fees	8,000
19,000	RREV Corporate Governance	15,000
5,000	Bank Charges	5,000
3,000	Internal Dispute Resolution Process (IDRP) Fees	3,000
27,000	External Audit Fees	27,000
38,000	Internal Audit Fees	25,000
24,000	Internal Legal Fees	20,000
7,000	Treasury Management Fees	7,000
4,000	Accounts Receivable Recharge	4,000
1,000	Accounts Payable Recharge	1,000
136,000	Subtotal	115,000
	Membership of Organisations plus Statutory Levies	
6,000	Local Government Employers Levy	6,000
2,000	Financial Reporting Council (FRC) Levy	2,000
8,000	Local Authority Pension Fund Forum (LAPFF) Membership	8,000
8,000	National Association of Pension Funds (NAPF) Membership	9,000
5,000	CIPFA Pensions Network Membership	7,000
29,000	Subtotal	32,000
	Internal Recharges (NCC - Corporate Finance)	
43,000	Staff	50,000
3,000	Departmental Costs	3,000
46,000	Subtotal	53,000
655,000	Total	655,000

Administration Services Budget 2014-15

2013-14 (£)	Category	2014-15 (£)
819,000	Staff Costs	882,000
819,000	Subtotal	882,000
	Operational Costs	
4,000	Archive Storage	3,000
156,000	Heywoods Axise Fees	185,000
10,000	Mortality Screening/Life Certificate/Member Tracing	10,000
3,000	Pensioner Payslip Stationery	3,000
0	Other Advice	5,000
173,000	Subtotal	206,000
	Income	
-64,000	Pensions Payroll	-63,000
-64,000	Subtotal	-63,000
928,000	Total	1,025,000

Facilities & Support Services Budget 2014-15

2013-14 (£)	Category	2014-15 (£)
	Facilities	
80,000	Rent	80,000
23,000	Rates	25,500
16,000	Service Charge	17,500
7,500	Utilities	8,500
11,000	Cleaning/Refuse	9,000
3,000	General Maintenance	3,000
1,500	Buildings Insurance	2,000
2,500	Norfolk Property Services Fees	2,500
144,500	Subtotal	148,000
	Support Services	
21,500	ICT Network /Telephones	20,000
14,000	Copiers/Stationery	13,000
3,000	Courier/Post Collection	2,000
55,000	Postage	55,000
3,000	Business Continuity	1,000
3,500	IT Equipment Purchase	2,500
100,000	Subtotal	93,500
	Training & Recruitment	
15,000	Training	15,000
2,500	Recruitment	2,500
17,500	Subtotal	17,500
	Communication Expenses	
25,000	Pre-Retirement Courses	5,000
39,000	Events	37,000
85,500	Communications	67,000
149,500	Subtotal	109,000
	Online Services	
34,000	Annual Fee	43,000
34,000	Subtotal	43,000
	Income	
-15,000	Pensioners Week Sponsorship	-20,000
-15,000	Subtotal	-20,000
430,500	Total	391,000

Projects Budget 2014-15

Projects	2014-15 (£)
Triennial Strategic Asset Review	50,000
Online Pensions Development	10,000
LGPS Reforms Stakeholder Communication	40,000
Custodian Framework - NPF Call-off	5,000
Legal Framework - NPF Founders Fee	5,000
Altair Transition	240,000
Admin/Online Services Replacement Procurement	50,000
Total	400,000

2014-15 Forecast Expenditure and Income	Custodian Consultancy Framework £	Investment Consultancy Framework £	Actuarial Consultancy Framework £	Legal Framework £
Estimated Bal B/fwd from FY 2013/14	-25,500	-33,800	2,200	500
Framework Post Temporary Secondment	6,860	6,860	6,860	6,860
Framework support Costs - NPF	7,720	5,220	4,720	12,220
Framework support Costs - Bought in	9,090	6,210	4,210	18,810
Founders Fee	0	0	0	-40,000
Potential Joiners	-40,000	-25,000	-8,000	0
Rebate	0	-2,000	-10,000	0
14/15 Forecast Surplus	-41,830	-42,510	-10	-1,610
	Surplus	Surplus	Surplus	Surplus
(Creditor)/Debtor to Carry Forward Yr End Bal.	41,830	42,510	10	1,610
Grand Total after carry forward	0	0	0	0

Corporate Governance and Shareholder Engagement Report

Report by the Head of Finance and Head of Pensions

1. Background

- 1.1 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 the Norfolk Pension Fund Statement of Investment Principles (SIP) in Appendix 4 and 5 respectively. A copy of the SIP can be found on our website at www.norfolkpensionfund.org (type SIP into the 'Site Search' box)
- 1.2 The voting policy (Appendix 4 in the SIP) seeks to ensure that good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The 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. Key AGM voting and manager discussion themes are as follows:
- Board structure
 - Chairman independence
 - Executive remuneration
 - AGM proposals
- 1.3 The key themes of the engagement policy (Appendix 5 in the SIP) 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 environmental impacts and take all reasonable and practical steps to reduce environmental damage.
 - Make regular and detailed reports of progress on environmental issues available to shareholders.
 - Openly discuss the environmental impacts of their business with shareholders.
 - Establish procedures that will incrementally reduce their environmental impact.
 - Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.
- 1.5 Voting has been undertaken in accordance with the Pension Fund's policy by the Research Recommendations and Electronic Voting organisation (RREV). The Fund's investment managers have continued to engage with companies and markets to improve governance generally.

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 Norfolk Pension Fund does not vote in share blocked markets. Share blocking restricts the ability of managers to sell shares for a period around the time of company meetings and may impact on their ability to carry out timely transactions. Much progress has been made in this area over the last few years e.g. in Europe only three countries have some residual restrictions regarding share blocking.
- 2.3 During the third and fourth quarters of 2013 (1 July 2013 to 31 December 2013) there were 27 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc, covering 463 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.

Votes "For"	439
Votes "Against"	22
Votes Abstained from	2
Total Votes	463

- 2.4 Votes against the management of UK companies only are shown in Appendix 1.

3. **Engagement**

- 3.1 Norfolk Pension Fund expects the fund managers to engage with the companies in which we invest, with a particular emphasis on environmental issues. The fund managers have supplied us with highlights of their engagement, which is summarised in Appendix 2.

4. **Voting and Engagement - Pooled Funds**

- 4.1 Fidelity and L&G invest in pooled 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 agreed that these managers operate a high quality programme of corporate governance. An update of their activity is included in Appendix 2.

5. **Local Authority Pension Fund Forum**

- 5.1 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.

5.2 The Norfolk Pension Fund attended the LAPFF Business Meeting in October 2013 and January 2014. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
16 October 2013	<ul style="list-style-type: none"> • Strategy on Executive Pay • Responsible Investment in Alternative Asset Classes • Blacklisting on Construction Projects • Tobacco Engagement
22 January 2014	<ul style="list-style-type: none"> • Strategy on Executive Pay • Responsible Investment Carbon Collaboration • Employment Standards and Practices • Financial Reporting

5.3 Following growing media attention and at the request of members, LAPFF’s Executive Committee recently discussed corporate tax avoidance. Given that tax avoidance has the potential to cause significant reputational brand damage, which can be detrimental to companies and their long-term shareholders, it was decided that tax management will be discussed when engaging with companies.

5.4 The Head of the Pension Fund also spoke at the 18th Annual LAPFF Conference on the 5th December 2013 on the topic of National LGPS Procurement Framework - ‘How to save your fund time and money’. Other conference topics included “licence to operate” and “holding companies to account”.

5.5 Living Wage

5.6 In November officers from the Pension Fund together with the Chair and Vice Chair met with the Chief Executive of Share Action to discuss Living Wage. A presentation from Share Action is included elsewhere on this agenda.

5.7 LAPFF have stated in their 2014 work plan, that they will use their experience of engaging on employment issues to continue to raise the issue of the Living Wage in meetings where relevant.

5.8 Asset Owners Disclosure Project Survey – Climate Risk Management

5.9 LAPFF encouraged its LGPS members to participate in the Asset Owners Disclosure Project Survey on Climate Risk Management. The Pension Fund submitted its own data together with climate change information from the Administering Authority.

5.10 Out of 458 asset owners worldwide who completed the survey, Norfolk was awarded an “AA” rating and was ranked 13th. The highest placed LGPS scheme in the index is the Environment Agency which is awarded an “AAA” rating and ranked 1st in the index.

6. **Other Implications**

6.1 **Equality Impact Assessment (EqIA)**

There are no issues relevant to equality in this report.

6.2 **Any Other Implications:**

Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

7. **Section 17 – Crime and Disorder Act**

7.1 There are no implications under the Crime and Disorder Act.

8. **Recommendation**

8.1 The Pensions Committee notes the contents of this report.

Background Papers

Appendix 1 – 2013 Q3 & Q4 Voting and Results UK

Appendix 2 – Engagement 1 July 2013 to 31 December 2013

Officer Contact

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

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

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
5	SABMiller plc	Re-elect Geoffrey Bible as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	96%	4%	0%
7	SABMiller plc	Re-elect Dinyar Devitre as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	95%	5%	0%
10	SABMiller plc	Re-elect John Manser as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	97%	3%	0%
12	SABMiller plc	Re-elect Miles Morland as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	96%	4%	0%
14	SABMiller plc	Re-elect Carlos Perez Davila as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	97%	3%	0%
15	SABMiller plc	Re-elect Alejandro Santo Domingo Davila as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	96%	4%	0%
17	SABMiller plc	Re-elect Howard Willard as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	25/07/13	Management	Against	97%	3%	0%
9	SSE plc	Re-elect Lady Rice as Director	Vote AGAINST non-idependant NED sitting in Remuneration Committee	25/07/13	Management	Against	49%	1%	50%
13	National Grid plc	Re-elect Maria Richter as Director	Vote AGAINST non-idependant NED sitting in Audit Committee	29/07/13	Management	Against	96%	4%	0%
1	Investec plc	Re-elect George Alford as Director	Vote AGAINST non-idependant NED sitting in Audit Committee	08/08/13	Management	Against	85%	15%	0%
7	Investec plc	Re-elect Bradley Fried as Director	Vote AGAINST non-idependant NED sitting in Remuneration Committee	08/08/13	Management	Against	79%	21%	0%
8	Investec plc	Re-elect Haruko Fukuda as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	08/08/13	Management	Against	96%	4%	0%
10	Investec plc	Re-elect Ian Kantor as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	08/08/13	Management	Against	79%	20%	1%
12	Investec plc	Re-elect Peter Malungani as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	08/08/13	Management	Against	90%	10%	0%

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote	For	Against	Abstain
14	Investec plc	Re-elect Peter Thomas as Director	Vote AGAINST The Company does not respect the Combined Code recommendation that the board comprises at least half of independents non-executive directors.	08/08/13	Management	Against	76%	17%	7%
16	Investec plc	Elect David Friedland as Director	Vote AGAINST non-idependant NED sitting in Audit Committee	08/08/13	Management	Against	80%	20%	0%
9	Ashtead Group plc	Re-elect Hugh Etheridge as Director	Vote AGAINST non-idependant NED sitting in Remuneration and Audit Committee	04/09/13	Management	Against	95%	5%	0%
2	Imagination Technologies Group plc	Approve Remuneration Report	Vote AGAINST where the remuneration policy is not consistent with best practices.	20/09/13	Management	Against	75%	2%	23%
9	Imagination Technologies Group plc	Re-elect David Hurst-Brown as Director	Vote AGAINST non-idependant NED sitting in Remuneration Committee	20/09/13	Management	Against	70.70%	27.75%	1.55%
10	Imagination Technologies Group plc	Re-elect Ian Pearson as Director	Vote AGAINST non-idependant NED sitting in Remuneration Committee	20/09/13	Management	Against	70.70%	27.75%	1.55%
3	Renishaw plc	Re-elect Sir David McMurtry as Director	Vote AGAINST any individual that's serves as the joint chairman/chief executive	17/10/13	Management	Against	88%	12%	0%
9	Associated British Foods plc	Re-elect Charles Sinclair as Director	Vote AGAINST the board chairman who chairs the Remuneration Committee.	06/12/13	Management	Against	99%	1%	0%

Engagement during the period 1 July 2013 to 31 December 2013

Baillie Gifford

Baillie Gifford reported direct engagement with the following companies in the second half of 2013:

Company	Discussion Topic
IG Group Holdings	Executive Remuneration
British American Tobacco	Executive Remuneration
Burberry Group	Executive Remuneration
Ashtead Group	AGM proposals
Vodafone Group	AGM proposals
BG Group	Executive Remuneration
BHP Billiton	Executive Remuneration
Hays	Executive Remuneration

In quarter three, Baillie Gifford met with the IG Group who offer spread betting and other financial derivative products to retail customers in the UK and international markets. The company has recently had a consultation about a new remuneration scheme. Initially it proposed 20% pay rises for the executive management. Baillie Gifford was one of a number of investors that did not support the large increase and the re-balancing of remuneration towards fixed pay. This was subsequently reduced to a 7.5% pay rise with additional changes to the variable pay.

In the fourth quarter, Baillie Gifford participated alongside other shareholders in a collaborative engagement organised by the Association of British Insurers (ABI) with British American Tobacco (BAE). BAE was proposing an increase to the annual bonus opportunity for senior management by introducing an individual performance multiplier. Management are already very well remunerated relative to peers and shareholders were concerned that the amendments were unnecessary and would not provide appropriate pay-for-performance. Following discussions, the Remuneration Committee decided to incorporate the bonus multiplier within the existing plan, therefore maintaining the quantum of awards at current levels.

Capital International Limited

In the third quarter of 2013, Capital representatives participated in the Asia Corporate Governance Association's investor delegation to China where the focus was on corporate governance reform for state and privately owned companies in China. One of the senior lawyers at Capital participated in a working group reviewing the recommendation by Professor John Kay to establish an investor forum to facilitate collective engagement by investors in UK companies.

In the fourth quarter of 2013, Capital engaged with oil services company Fugro following the unexpected departure of the chief executive and the chair of the audit committee following an internal whistleblower's letter claiming financial misconduct. Capital reviewed the outcome of an independent investigation resulting in improved financial processes and found no indication that the claims of financial misconduct were warranted.

Capital engaged with the following companies on a range of environmental, social and governance issues between July and December 2013 including the Home Retail Group, Thomas Cook, Richemont, Greene King, Unilever, Siemens, HSBC, Wolseley and Prudential.

Fidelity

Fidelity engaged with the following companies between July and December 2013:

Company	Discussion Topic
McKesson	Executive remuneration
Naspers	Executive remuneration
Ryanair Holdings	Long term incentive remuneration
Carnival	Emission reductions
Danone	Formula milk promotion
Twenty First Century Fox	Chairman independence
Oracle	Executive remuneration
Jin	Auditor independence

In quarter three, Fidelity monitored the evolution of the shale gas industry and the potential effects it will have on the environment and on society, in particular, the industry in the US and monitoring the new regulatory environment evolving in the country. Fidelity engaged with several Bangladesh companies on their supply chain management and also continued to focus on the outcomes and repercussions of the Bangladeshi factory collapse in April. Fidelity also engaged with Carnival about their ability to meet the air pollution standards set by the International Maritime Organisation (IMO), which will come into effect from 2015. To comply with new standards set by the IMO for 2015, ship operators can chose to either invest in scrubbers or switch to low-sulphur diesel fuels.

In quarter four, Fidelity engaged with the Prysmian Group who is a leader in the energy sector to discuss their renewable energy footprint and their investment in new renewable energy products. Fidelity also attended a European Investment Bank (EIB) road show hosted by Bank of America Merrill Lynch (BoAML) discussing green bonds which are investment vehicles that integrate the fiduciary element of Fixed Income products with climate mitigation and adaptation awareness, giving mainstream investors access to climate-related investment opportunities.

L&G

L&G engaged with the following companies between July and December 2013:

Company	Discussion Topic
Royal Dutch Shell	Succession planning & performance
Vodafone	Stake in Verizon Wireless & tax issues
Dell	Mergers & acquisitions
G4S	Sustainability
RSA	Risk management & board structure
JP Morgan	Risk management & board structure
Apache	Remuneration
Renault	Board structure
Lonmin	Sustainability
Centrica	Shale gas exploration

In the third quarter of 2013, L&G met the Secretary of State and the Department for Business, Innovation & Skills (BIS) members to discuss ways to improve diversity, particularly gender, on boards. L&G also wrote letters to the Chairmen of the Remuneration Committees of the FTSE 350 about the Remuneration Reporting Regulations that came into force in October. L&G also met several local investors in Amsterdam to discuss ESG issues and to share knowledge to see how to collaborate in the future.

In quarter four, the Director of Corporate Governance represented L&G as a speaker at the Annual Local Authority Pension Fund Forum (LAPFF) conference. He gave a presentation on the essential qualities for a good director and the activities of the L&G Corporate Governance team. The Director is also leading the governance structures implementation team of the 'Investor Forum' which promotes shared commitment to long-term strategies and sustainable wealth creation among asset owners, managers and companies.

Sarasin

In quarter three, Sarasin initiated a dialogue with senior executives at Yum! Brands Inc (Yum) in the US, to gain greater comfort over its internal system for ensuring product safety and their public communication of these efforts. Yum has suffered from a series of food safety concerns in recent years, most notably in December 2012 where its KFC restaurants were hit by a scare over alleged excessive levels of antibiotics and growth hormones in its chicken products. Sarasin is seeking to better understand how management is addressing these concerns.

Sarasin has also, together with a coalition of long-term investors, called for greater transparency, an outer limit on audit firm tenure of 15 years and limits on the volume of non-audit work the auditor can undertake for management. The aim is to restore auditor accountability to shareholders and independence from management.

In quarter four, Sarasin engaged with Primark whose reputation was hit by the tragic loss of life when the building of one of its supply factories. In total 1,100 people died, and unacceptable failures in the building's safety standards were blamed. Sarasin have been reassured by actions taken to date to ensure proper compensation for victims, and whilst the impact for Primark's sales was limited, it is believed the disaster heightened concerns around the company's supply chain and reputation management. Any repetition of such a failure in safety could lead to regulatory restrictions in operations, fines / penalties, and shopper boycotts. MSCI increased their Intangible Value Assessment (IVA) rating on the company to 'A' during the quarter in response to their leading efforts to improve factory safety in low cost locations.

Wellington

In quarter three, Wellington engaged with senior representatives from a large US oil and gas company on various Environmental, Social and Governance (ESG) issues including political contributions, reporting, executive compensation, and hydraulic fracturing practices. The company discussed its participation in the Centre for Sustainable Shale Development (CSSD) and the various outcomes from this partnership.

Wellington attended the ESG Investor Briefing hosted by the Johannesburg Stock Exchange (JSE) and the Government Employees Pension Fund (GEPIF) in collaboration with the UN Principles for Responsible Investment (PRI) in Cape Town, South Africa. As part of the event, a number of companies listed on JSE's Socially Responsible Investment Index presented to investors on how they integrate ESG issues into their core business model. In addition to having a separate index, JSE requires all listed companies to integrate ESG disclosure into their annual reports on a comply or explain basis.

Wellington also engaged with the lead director of a large US company to discuss management incentive arrangements focussing on the CEO's employee agreement and pension benefit. While the company has recently adopted a number of compensation best practices there were remaining concerns with the alignment of the CEO's incentives and shareholder value creation on account of certain provisions in the CEO's employee agreement.

In quarter four, Wellington attended the UN Principles for Responsible Investment (PRI) Annual Event in Cape Town, South Africa alongside 400 other PRI signatories. Topics included ESG considerations in fixed income, short-termism in financial markets, investment implications behind water scarcity, and stock exchanges updating listing requirements to include ESG. Wellington also attended the Responsible Investment Association Australasia (RIAA) Conference in November 2013.

Wellington also met with senior members of a chemicals company to discuss various ESG issues including food safety including their outlook on US regulations regarding genetically modified organisms (GMOs) and a national food retailer's decision to include GMO labels on all relevant products within the next few years plus food safety issues in China and other potential high-risk countries.