

Pensions Committee

Date: **Tuesday 21 March 2023**
Time: **9:30am**
Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership

Members

Cllr Judy Oliver – Chair

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

Co-opted Members

Cllr John Fuller
Cllr Alan Waters – Vice Chair

Member Representative

Steve Aspin

Advice for members of the public:

This meeting will be held in public and in person.

It will be live streamed on YouTube and members of the public may watch remotely by clicking on the following link: [Norfolk County Council YouTube](#)

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

We have amended the previous guidance relating to respiratory infections to reflect current practice but we still ask everyone attending to maintain good hand and respiratory hygiene and, at times of high prevalence and in busy areas, please consider wearing a face covering.

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

A g e n d a

1 To receive apologies - (please note that owing to the Trustee Status of this Committee, substitute members are not allowed)

2 Minutes

(Page 5)

To confirm the minutes of the meeting held on 6 December 2022

3 Members to Declare any Interests

If you have a **Disclosable Pecuniary Interest** in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

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

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

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

4 Administration Report

(Page 17)

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

5 Update from the Pensions Oversight Board

(Page 107)

Joint Report by the Executive Director of Finance and Commercial

Services and the Director of the Norfolk Pension Fund

6 Pension Fund Budget 2023-24 (Page 118)

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

7 Corporate Governance and Shareholder Engagement Report (including summary climate risk monitoring report) (Page 136)

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

8 Exclusion of the Public (Items 9-16 only)

The Committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involve the likely disclosure of exempt information as defined by Paragraphs 3 and 5 of Part 1 of Schedule 12A to the Act, and the public interest in maintaining the exemptions outweighs the public interest in disclosing the information.

The Committee will be presented with the conclusion of the public interest test carried out by the report author and is recommended to confirm the exclusion.

Comfort break

9 Employer Operational Issues (Page 149)

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

10 ACCESS Update - restricted items (Page 153)

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

11 2022 Triennial Valuation – Final Valuation Report & Funding Strategy Statement (Page 201)

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

12 Hymans Quarterly Performance Report (Page 302)

Presentation

13 Enhanced Yield Portfolio Review (Page 321)

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

14 Investment Update (Page 361)

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

15 Investment Manager presentation (Page 383)

Presentation by Fund Manager

16 Exempt Minutes (Page 425)

To confirm the exempt minutes of the meeting held on 6 December 2022

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

Date Agenda Published: 13 March 2023.



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Pensions Committee

Minutes of the meeting held on Tuesday 6 December 2022 commencing at 9:30 am and held at County Hall, Norwich

Present:

Cllr J Oliver (Chair)
Mr S Aspin
Cllr A Birmingham
Cllr W Richmond
Cllr J Fuller
Cllr M Storey

Officers Present:

Glenn Cossey	Director of the Norfolk Pension Fund (NPF)
Alex Younger	Head of Funding & Investment, NPF
Jo Quarterman	Head of Governance, NPF
Debra Keeling	Pension Member Services Manager, NPF
Madeline Mitchell	Project and Policy Management Officer, NPF
John Baldwin	Assistant Director of Finance, Norfolk County Council
Elaine Otway	Business Support Officer, NPF
Charlotte Alexander	Norfolk Pension Fund Accountant
Tim Shaw	Committee Officer

Others Present:

Julie Baillie	Investment Adviser, Hymans Robertson
Rob Bilton	Fund Actuary, Hymans Robertson
Brian Wigg	Chair of the Pensions Oversight Board
Henry Barstow	M&G Investments (participating via Microsoft Teams)
Richard Ryan	M&G Investments (participating via Microsoft Teams)

1 Apologies for Absence

1.1 Apologies for absence were received from Cllr D Roper and Cllr A Waters.

1.2 Apologies were also received from Simon George, Executive Director of Finance and Commercial Services and Eunice Walcott, NPF Governance Manager.

2 Minutes

2.1 The minutes of the previous meeting held on 27 September 2022 were

confirmed as a correct record and signed by the Chair.

3 Declaration of Interest

The following declaration of interest was received:

- Cllr A Birmingham declared an “other interest” because she was a member of the scheme.

4 Administration Report

4.1 The annexed report (4) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report was the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This followed the last full quarterly report to Pensions Committee in September 2022.

4.2 The Committee’s attention was drawn to the following:

National picture

- Lee Rowley MP confirmed as Minister with responsibility for the LGPS
- The Pensions Regulator’s Combined Code expected to come into force early next year
- The Governance & Reporting of Climate Change Risks (TCFD) consultation - responses submitted (covered under Item 16 of this agenda).
- Pensions Dashboard – end date for Local Government Pension Scheme (LGPS) data to be live is September 2024; rollout to users 2025
- Good Governance recommendations – consultation anticipated shortly.

Performance

- Pensions Administration Key Performance Indicators (Appendix B, page 28)

Communication and Engagement

- With Scheme Members
 - Annual and Lifetime Allowance statement issued
 - Face to face Clinics in October
 - Prime Time – November (Appendix C, page 29)
- With Scheme Employers
 - Hybrid Employer Forum 29th Nov (actuarial results)
 - Employer Newsletter November issue (Appendix D, page 53)
 - Valuation
 - Employer resources to support scheme members

Accounts and Financial Reporting

- Audit results report – Item 6

Employer Financial Reporting Requirements

- 31 August (Academies) 127 reports issued

Collaborative Working / Value for Money

- National LGPS Frameworks Annual Meeting held on 24 November
- Investment Management Consultancy Services Framework now live; Legal Framework in progress and should be launched early next year
- Shortlisted at LAPF Investment Awards: Outstanding Contribution of the Year category (the Committee placed on record their congratulations)

Knowledge and Skills

- National Knowledge Assessment – results awaited
- Spring training event being looked into

4.3 RESOLVED

That the Committee note the contents of the report.

5 Update from the Pensions Oversight Board

5.1 The annexed report (5) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the work of the Pensions Oversight Board (POB) which had last met on the 8 November 2022. This was their first in person meeting since February 2020.

5.2 The Committee's attention was drawn to the following issues from when the POB met on 8 November 2022:

- Confirmed arrangements for the appointment of a Vice Chair in the absence of the Independent Chair of POB
- Updated on plans for the observation of ACCESS Joint Committee meetings by Local Pension Board representatives
- Updated on 2022 triennial valuation process and planning
- Updated on cyber and data management controls (see also page 126 of the agenda papers)
- Updated on Risk Management framework
- Updated on current operational issues and regulatory reform – noted impact of current employer operational issue which should be assessed and monitored against the Fund's breach policy.

5.3 RESOLVED

That the Committee note the contents of the report.

6 Audit Results Report (ISA 260)

6.1 The annexed report (6) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report set out the Audit Results Report (ISA 260) and explained the mechanism whereby the Annual Report and Accounts would be published on the Funds website prior to or on 1 December 2022 in draft form (without signatures or audit opinion), as required by LGPS regulations.

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

- Timetable for presentation to Audit Committee for approval had changed from previous years
- Page 83 of the agenda illustrated how the events of the last year had impacted upon the Fund. Despite volatility it showed that the assets of the Fund had grown by approximately £400m during the 2021-22 financial year.
- Contribution income was relatively stable.
- For the year ahead some employers would see a rise in contribution rates while others would see a fall in rates. The Committee will receive a presentation on cash flow modelling from the Fund Actuary at item 12.

6.3 It was RESOLVED

That the Committee note the report including the provisional Audit Results Report and make final recommendation to the Audit Committee that the 2021-22 Financial Statements be approved.

7 Risk Register Report and Compliance with Breaches Policy

7.1 The annexed report (7) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. The report updated the Pensions Committee on the Norfolk Pension Fund's Risk Register and Breaches Policy. The summary Risk Heat map was last reported to Pensions Committee in September 2022, and the last full report to Pensions Committee was in June 2022.

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

- An established risk management framework, with regular reports to Committee is in place, which includes:
 - High risk areas and mitigation plans
 - Risk movement
 - Breaches

- Risk Management & Movement (Appendix B - Heat Map, page 124)
 - Employer Operational Issues increased to High, and consequently the risk that we may not meet Administration Regulatory and Performance requirements has also increased (remains Amber at this time)
 - Insufficient skilled resource (Funding and Investment) has moved out of High Risk
 - Insufficient skilled resource (Governance) has reduced further

- Areas of High Risk:
 - Employer Operational Issues (Administration) – Item 11. This concerned an employer operational issue that has become high. New starters were protected within the regulations.
 - Cyber and financial crime. Pensions are a prime cybercrime target

- Compliance with Breaches Policy
 - One data protection incident since the last report. This related to the distribution of annual benefit statements where there were 12 reported cases (out of 56,000) of the seal on the envelope being undone. which had been reported to the Information Management team.

7.3 In reply to questions, it was pointed out that when the Pension Fund moved to a hybrid way of working, home working advice and guidance was issued to staff on how they should organise their home working environment to maintain security.

7.4 It was RESOLVED

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

8 ACCESS Update Unrestricted Items

8.1 The annexed report (8) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund was received. This report provides an update to the Pensions Committee on the work of the ACCESS Pool which last met on 5 December 2022.

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

- **Business Plan and Budget 2022-23**
 - Business plan and budget for 2022-23 agreed by JC in December 2021
 - The approved budget is £1.366m (£124k per ACCESS authority)

- There is currently a forecast underspend of £102k due to the timing procurements
- **Business Plan and Budget 2023-24**
 - Business plan and budget for 2023-24 considered by s151 officers and recommended to JC
 - Proposed budget of £1.559m (£142k per ACCESS authority)
 - Budget growth being driven by professional service costs to support planned procurements
 - Assets under management in the pool totalled between £31-32 billion
- **Amendments to Inter Authority Agreement (IAA)**
 - The IAA defines the governance and cost sharing arrangements of the ACCESS Pool and is signed by all 11 participating authorities
 - Amendments agreed and in process of being signed-off by individual authorities:
 - ✓ allowing observers from Local Pension Boards to attend JC meetings
 - ✓ greater flexibility for authorities nominating JC member substitutes and s101 Committee Member attendance at JC meetings
 - ✓ allowing the JC to recommend the adoption and content of guidelines.

8.3 RESOLVED

That the Committee note the contents of the report.

9 Exclusion of the Public Items 10-18 only

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

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

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

9.3 Item 10- ACCESS Update – Restricted items

This report contains financial, business, and commercial information

including details about third party company operations which could significantly weaken their position in a competitive environment by revealing this activity to competitors.
Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

9.4 Item 11- Employer Operational Issues

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

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

9.5 Item 12- 2022 Triennial Valuation –Risk Management Review (Fund Cashflow and Ill-Health Policy)

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

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

9.6 Item 13- 2022 Triennial Valuation – Funding Strategy Statement

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

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

9.7 Item 14 - Hymans Robertson Quarterly Performance Report

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

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

9.8 Item 15 - Enhanced Yield Portfolio Review (Interim Update)

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

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

9.9 Item 16 - Investment Strategy Update

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

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

9.10 Item 17 - Investment Manager presentation

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

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

9.11 Item 18 – Exempt Minutes

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

9.12 RESOLVED

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

10 ACCESS Update – Restricted items

10.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that updated Members on a confidential basis on investment and governance matters pertaining to the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires). The work of the ACCESS pool was governed by a Joint Committee made up of one Councillor from each Committee's Pensions Committee.

10.2 RESOLVED

That the Committee note the contents of the report.

11 Employer Operational Issues

11.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund about employer operational issues as a result of which the risk of failure to meet Pensions administration regulatory and performance requirements had increased.

11.2 RESOLVED

That the Committee note the contents of the report and take appropriate action to resolve the situation.

12 2022 Triennial Valuation –Risk Management Review (Fund Cashflow and Ill-Health Policy)

12.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that set out two pieces of work completed by the Fund Actuary as part of the 2022 Valuation of the Fund.

12.2 The report was accompanied by a detailed report and presentation by the Fund Actuary. The two reports by the Fund Actuary covered: Review of Ill-health Risk Management and Cashflow Projections for the Fund

12.3 RESOLVED

That the Committee note the contents of the report and the presentation.

13 2022 Triennial Valuation – Funding Strategy Statement

13.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the

Director of the Norfolk Pension Fund that presented the draft Funding Strategy Statement (FSS) for the Norfolk Pension Fund. The updated FSS had been prepared as part of the 2022 Triennial Valuation.

13.2 The report was accompanied by a detailed report and presentation by the Fund Actuary.

13.3 RESOLVED

That the Committee note the contents of the report and the presentation.

14 Investment Performance Update by Hymans Robertson

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

14.2 The Investment Advisor summarised the investment performance for the third quarter of 2022 which was set out in the report.

14.3 RESOLVED

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

15 Enhanced Yield Portfolio Review (Interim Update)

15.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that provided the context and background of the Enhanced Yield Portfolio Review and updated on the work done to date.

15.2 The report was accompanied by a detailed report and presentation by the Fund Actuary.

15.3 RESOLVED

That the Committee note the contents of the report and the presentation.

16 Investment Strategy Update

16.1 The Committee received a report (containing exempt information) by the Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund that dealt with the investment strategy and assets of the Fund. It included details about the onboarding of assets to the ACCESS Pool, an update on class actions, and further forthcoming training sessions for Members on investment issues.

16.2 RESOLVED

That the Committee note the content of the report.

17 Investment Manager presentation – M and G Investments

17.1 Two representatives from M and G Investments (who participated in the meeting remotely via Microsoft Teams) presented a detailed booklet, summarised the main issues, and responded to detailed questions by the Members.

17.2 The Chair thanked M and G investments for their presentation.

16.3 RESOLVED

To note the presentations by the Fund Manager.

18 Exempt Minutes of the meeting held on 27 September 2022

18.1 The exempt minutes of the meeting held on 27 September 2022 were confirmed by the Committee and signed by the Chair.

The meeting concluded at 13.30 pm

Chair

Pensions Committee

Item No: 4

Report title: Administration Report

Date of meeting: 21 March 2023

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Glenn Cossey, Director of the Norfolk Pension Fund

Executive Summary

This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund. This follows the last full quarterly report to Pensions Committee in December 2022.

Recommendations

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

- the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 11 and 12).

Two Admission Agreements in respect of:

- Edwards & Blake (Southtown Primary)
- Medequip Assistive Technology Ltd (Integrated Community Equipment Service – Norfolk County Council)

Item	Title:	Appendices
1.	Background	
2.	Governance framework for the Norfolk Pension Fund:	
2.1	Pensions Oversight Board	
2.3	National Scheme Advisory Board	
2.5	Update on Current Issues	
2.6	○ The Pensions Regulator	
2.9	○ The Pensions Dashboard	
2.11	○ Good Governance recommendations	
2.14	○ Hymans Robertsons 'Current Issues in the LGPS' March 2023	Appendix A
2.15	○ Training Strategy	Appendix B
3.	Risk and Data Management	
3.1	○ Risk Heat Map February 2023	Appendix C
4.	Norfolk Pension Fund Team	
5.	Norfolk Pension Fund Performance Data	
5.1	Membership Data	
5.7	Employer Data	
5.11	Key Performance Indicators	Appendix D
5.13	Annual Quality Data Report	Appendix E
6.	Service Plan	
6.1	○ Key projects for 2023 - 2026	Appendix F
6.2	○ Norfolk Pension Fund 'Plan on a Page'	Appendix G
7.	Communication	

7.1	With Scheme Members	
7.2	○ Newsletter for Retired Members	
7.5	With Employers	
7.6	Employer Forums	
7.8	Employer Newsletters	
7.10	Employer Webinars	
8.	2022 Triennial Valuation	
9.	Accounts and Financial Reporting	
9.1	Financial Year End 2021-22	
9.5	Financial Year 2022-23	
10.	Employer Financial Reporting Requirements	
11.	Cash Management Strategy for the Pension Fund – Management of Cash Balances	
11.1	○ Pension Fund Bank Account	
11.4	○ Cash Held by the Custodian	
12.	Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme	
12.1	○ Insight Investment	
12.7	○ HSBC	
13.	Collaborative Working / Value for Money	
14.	Knowledge and Skills	
14.3	○ 2022 LGPS NKA Norfolk Pension Fund Report	Appendix H
	○ 2022 LGPS NKA National Report	Appendix I
15.	Admission Agreements	
15.2	○ Edwards & Blake (Southtown Primary)	
	○ Medequip Assistive Technology Ltd	
16.	Update on Bulk Transfer Values in Progress	
17.	Freedom of Information Act (FOIA)	
18.	Representation on behalf of the Pension Fund	Appendix J
19.	Norfolk Pension Fund – Pensions Committee Forward Plan	Appendix K
20.	Financial and Other Resource Implications	
21.	Other Implications (inc. Equality Impact Assessment (EqIA))	
22.	Data Protection Impact Assessments (DPIA)	
23.	Risk Implications/Assessment	
24.	Recommendations	
25.	Background Papers	
25.1	Appendix A - Hymans 'Current issues in the LGPS' March 2023 Appendix B - Training Strategy Appendix C - Risk Heat Map February 2023 Appendix D - Key Performance Indicators Appendix E - Annual Data Quality Report Appendix F - Key projects for 2023 – 26 Appendix G - Plan on a Page Appendix H - Knowledge and Skills – Norfolk Report Appendix I - Knowledge and Skills National Report Appendix J - Representation on behalf of the Norfolk Pension Fund Appendix K - Pensions Committee Forward Plan	

1. Background

- 1.1 This report is the quarterly update for the Pensions Committee on operational and administration matters relating to the Fund.
- 1.2 This follows the last full quarterly report to Pensions Committee in December 2022.

2. Governance framework for the Norfolk Pension Fund

2.1 Pensions Oversight Board

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

2.3 National Scheme Advisory Board

- 2.4 The National Scheme Advisory Board (SAB) met on 20 February 2023. More information about the work of the Board is available on their [website](#).

2.5 Update on current issues

2.6 The Pensions Regulator

- 2.7 The Pension Regulator (TPR)'s new single Code of Practice has been delayed. The final version of the code is anticipated soon, coming into force later this year.
- 2.8 The new single Code scope is extended to include stronger cyber security guidance. The Norfolk Pension Fund have met the requirements of the TPR to self-certify that we follow the principles of the pledge to combat pension scams.

2.9 The Pensions Dashboard

- 2.10 The Pensions Dashboard Programme has been delayed. The timeline for LGPS funds to be ready to connect and respond to matching requests was 30 September 2024. At the time of writing revised timelines have not been published. Preparations for readiness will continue in the meantime.

2.11 Good Governance recommendations

- 2.12 In February 2021 the SAB provided recommendations to DLUHC as part of the Good Governance project as a way “to further improve the high standards of governance and administration of the scheme on a consistent and measured basis that will better match the standards expected by the Pensions Regulator”.

- 2.13 Whilst the DLUHC consultation on Good Governance has been delayed, many aspects of the anticipated consultation and consequent statutory guidance have been anticipated in the strategic review and subsequent work programme to ensure the Norfolk Pension Fund maintains high governance standards and controls and is well placed to comply with the anticipated statutory guidance. This includes to date:

- Developing and maintaining knowledge and skills in compliance with our training strategy
- Alignment of the LGPS Senior Office with the Director of the Norfolk Pension Fund
- Updated scheme of delegation
- Programme of reviewing and refreshing internal strategies and controls

Further details are set out within the Service Plan at section 6 – which includes a summary of the key projects.

- 2.14 Hymans Robertson's 'Current issues in the LGPS' March 2023 edition (Appendix A) provides an overview of some of the latest issues.

2.15 Training Strategy

- 2.16 The Norfolk Pension Fund training strategy was adopted in December 2020 and is subject to review every 2 years. The Training Strategy has been updated to reflect recent changes (e.g., MHCLG replaced with DLUCH).
- 2.17 A copy of the updated strategy is at Appendix B.

3.0 Risk and Data Management

- 3.1 Since the last report to Committee risks are stable. The latest heat map is at Appendix C. A detailed report on the employer operational issues is presented at Item 9.
- 3.2 A data breach was recorded in January 2023, relating to an incorrect email address. This was reported to the Information Team who confirmed that the appropriate follow up action had been taken and no further action was required. The details have been recorded in the breaches log.

4.0 Norfolk Pension Fund Team

- 4.1 At the end of 2022 Mark Alexander (Pensions Services Manager) and Merv McCune (Technical Services Manager) confirmed that they were leaving the Norfolk Pension Fund. Mark has been the Pensions Services Manager at the Fund for many years, and between them they have over 70 years of LGPS experience.
- 4.2 We are establishing an interim team structure for the next 12 months, to ensure that we have the stability and resources necessary to manage the current operational issues alongside the ongoing LGPS work programme (including the McCloud remedy and other scheme developments).
- 4.3 Under the interim arrangements Debra Keeling is the acting Pensions Services Manager, supported by Matthew Crane as Technical Services Manager and Patsy Bradley as Member Services Manager. This strong and experienced new team provides the continuity and reassurance that it is 'business as usual' for our stakeholders.
- 4.4 In the longer term we are taking the opportunity to review and update the Pensions Services operational model (systems, processes, roles, and responsibilities) to make sure that we make the most of opportunities associated with new ways of working, building service resilience and development, and enhancing integration across the wider Pension Fund team (e.g., Employer Services). This is built into our forward Service Plan (please see section 6).
- 4.5 We maintain our weekly newssheet to help keep the team connected, supported, and informed through hybrid working, alongside regular team meetings and less formal connections.
- 4.6 We are also continuing our regular 'Spotlight' sessions, focussing in different areas of the team.
- 4.7 A whole in person team meeting was held in December.
- 4.8 The National LGPS Frameworks team received the 'Outstanding Contribution of the Year' award at the LAPF Investment Awards in December 2022.

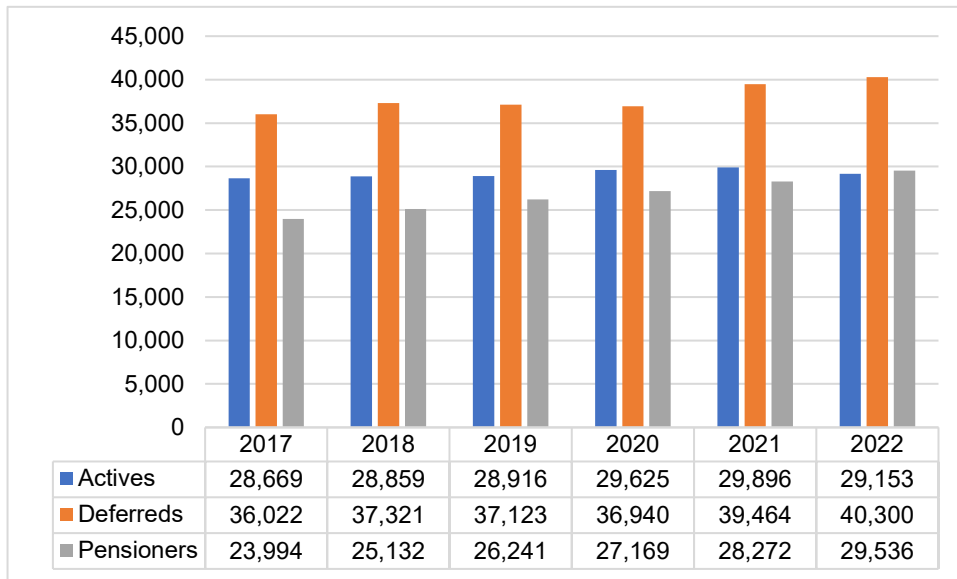
5. Norfolk Pension Fund Membership and Performance Data

5.1 Membership Data

- 5.2 As at 31 December 2022, there were 98,989 scheme members in the Norfolk Pension Fund.

5.3 Total Fund membership has increased by 1.39% in the last year.

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



5.5 The table below shows a comparison of the average pension in payment over the year from 2019 to 2023.

	Jan 2019	Jan 2020	Jan 2021	Jan 2022	Jan 2023
Pension in own right	£5,003.56 (£417 a month)	£5,030.68 (£419 per month)	£5,020.39 (£418 per month)	£4,949.03 (£412 per month)	£5,000.48 (£416 per month)
Dependant's pension	£2,852.78 (£238 per month)	£2,882.94 (£240 per month)	£2,915.80 (£243 per month)	£2,924.70 (£244 per month)	£2,953.08 (£246 per month)
Average pension	£4,747.35 (£396 per month)	£4,776.73 (£398 per month)	£4,775.03 (£398 per month)	£4,715.27 (£393 per month)	£4,767.59 (£397 per month)

5.6 Part time pensionable employees make up 68% of our membership, of which 86% are female, 14% are male.

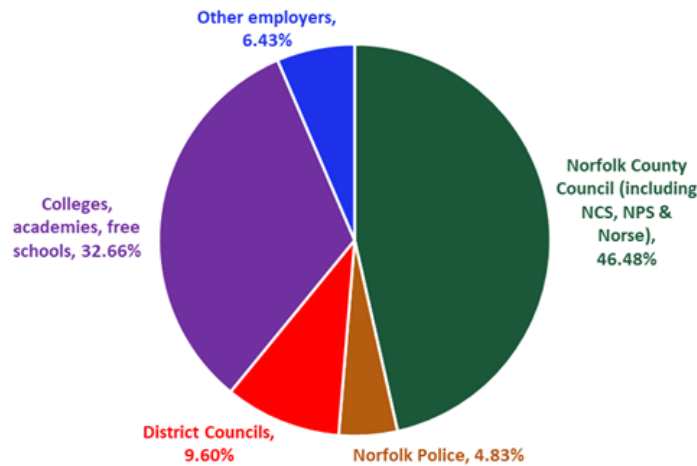
5.7 Employer Data

5.8 As at 31 March 2022, there were 427 active employers in the Fund

5.9 The table below shows the change in the employer numbers from 2014 to 2022.

As at 31 March	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employers	181	233	262	322	369	400	414	425	427

- 5.10 The graph below shows the membership breakdown by employer as at 31 March 2022



5.11 **Key Performance Indicators**

- 5.12 The latest Norfolk Pension Fund Benefits Administration Key Performance Indicators (KPI's) are at Appendix D.

5.13 **Annual Data Quality Report**

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

- 5.15 The report includes scoring for "common data" and "conditional data" which is a requirement of The Pensions Regulator's annual return.

6. **Service Plan**

- 6.1 A summary of the key projects for 2023 – 26 (as currently identified) is at Appendix F. Where appropriate, provision for these is included in the budget paper for 2023-24 at Agenda Item 6.

- 6.2 The Norfolk Pension Fund has prepared its 'Plan on a Page' (Appendix G) which will be incorporated into the NCC forward looking corporate delivery plan.

7. **Communication**

7.1 **With Scheme Members**

7.2 Newsletter for Retired Members

- 7.3 The regular newsletter for retired members, Primetime, will be published in April 2023.

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

7.5 **With Employers**

7.6 Employer Forums

- 7.7 Following the successful hybrid Employer Forum in November 2022, our next Forum will follow a similar format, and is scheduled for Wednesday 12 July.

7.8 Employer Newsletters

- 7.9 The latest Employer Newsletter will be published in March and will provide an update on recent team changes at the Norfolk Pension Fund, the conclusion of

the triennial valuation and what happens next and other current operational issues.

7.10 Employer Webinars

7.11 We will continue to arrange Employer Webinars to support employers as required.

8. 2022 Triennial Valuation

8.1 The 2022 Valuation is now near to completion. The draft valuation report is provided at item 11.

9. Accounts and Financial Reporting

9.1 Financial Year End 2021-22

9.2 Final sign off of the Pension Fund Report and Accounts cannot be completed until the Administering Authority audit is completed and the accounts are signed. This sign off has been further delayed and is now unlikely to be completed prior to the 31 March 2023.

9.3 The Pension Fund Report & Accounts were published in draft form to meet the regulatory deadline of 1 December 2023.

9.4 There are implications to the delay in final sign off after the date that the Fund Actuary signs the 2022 Valuation (31 March 2023). In addition to the usual final sign off procedures with the auditors, we will need to revisit any disclosures that leverage the current valuation reports. For any March reporting employer that has yet to complete its 2021-22 accounts (we understand this applies to a number of councils) they may need to revisit their pension accounting disclosures (IAS19/FRS102), which are prepared by the Fund Actuary on a roll forward basis from the most recent valuation.

9.5 Financial Year 2022-23

9.6 Planning is well underway for the financial close down and preparation of the 2022-23 Report & Accounts

9.7 The Pension Fund accounts will be provided to NCC for inclusion in the draft statement of accounts to be published by 31 May 2023. This is an acceleration of the COVID delayed timetable used in 2021-22.

9.8 We aim to bring the draft Report and Accounts to the September Committee for review.

9.9 The statutory date for publication of the report remains 1 December 2023.

10. Employer Financial Reporting Requirements

10.1 Planning is underway to deliver the 31 March (Councils/Scheduled bodies) IAS19/FRS102 employer financial reporting requirements. The March exercise is the largest in terms of financial risk and is subject to additional audit work as part of the overall fund audit completed by EY.

10.2 In recent years, employer auditors have had significantly higher assurance requirements on the accounting disclosures, and this has created additional queries and work for the Fund.

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

11.1 Pension Fund Bank Account

11.2 The management of the Pension Fund's locally held cash balances is undertaken by the County Council's treasury team in accordance with the Council's

Investment Strategy. The Investment Strategy is approved by Full Council and includes credit rating criteria and maximum exposure limits in terms of value and duration. The arrangement is under-pinned by a formal Service Level Agreement (SLA) between the Pension Fund and Norfolk County Council (NCC).

- 11.3 The NCC team manage the cash using a range of overnight and term deposits, call accounts and money market funds. The cash balances and returns attributable to the Fund are recorded separately from those of NCC.
- 11.4 Cash held by the Custodian
- 11.5 The custodian of the Fund is Northern Trust. There are three options for Sterling and US Dollar frictional cash held by the investment managers within the Northern Trust custody system:
- Each manager has the option of managing the cash as part of their own treasury management operations, using the counterparty list and lending limits provided by the NCC treasury team. The deals undertaken are monitored for yield comparison and compliance with the NCC counterparty list by the Pension Fund Accounting Team on a monthly basis. No manager currently elects to use this option.
- 11.6
- The manager may opt to sweep the cash to an agreed money market fund. Any fund used in this way must be available for Pension Fund purposes on the NCC approved list (and if appropriate, identified for Pension Fund use only).
- 11.7
- For all other US Dollar and Sterling denominated cash holdings within the Northern Trust custody system, an overnight sweep is undertaken by the custodian and deposited through its cash liquidity investment platform into AAA rated constant NAV (net asset value) money market funds (US Dollar and Sterling denominated).
- 11.8 The use of the money market fund avoids a large single exposure to the balance sheet of one institution (Northern Trust) for the cash balances of the Fund held within the custody system.
- 11.9 The approach used by the Fund for the management of Pension Fund cash balances is in accordance with the Management and Investment of Funds Regulations and meets the best practice guidance issued by the regulator.
- 11.10 With the approval of Committee, it is intended that the Fund follows the 2023-24 Investment and Treasury Strategy approved by Full Council on 21 February 2023.

12. Cash Management Strategy – Approved Counterparties for Dynamic Currency Programme

- 12.1 Insight Investment
- 12.2 The external fund manager Insight Investment are responsible for the Pension Fund's 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 Link Asset Services (treasury advisor to the County Council).

- 12.5 The forward contracts within the Insight programme have a quarterly settlement cycle (cash flow +/-).
- 12.6 The Pension Fund allocates non-cash collateral (Gilts), as part of its strategic allocation to protection asset, to cover the variation margin position (notional exchange loss prior to settlement) on foreign exchange currency transitions within the Insight hedging programme.
- 12.7 HSBC
- 12.8 The Pension fund is currently in the process of onboarding through revised arrangements with HSBC a non-collateralised arrangement, utilising the Berenberg signalling model, with exposure on the Balance Sheet of HSBC.

13. Collaborative Working / Value for Money

- 13.1 This year the National LGPS Frameworks are marking their 10th anniversary.
- 13.2 The National LGPS Frameworks operate on a self-funding model, with liability shared between all Founding Authorities. They are hosted by the Norfolk Pension Fund, supported by a dedicated team of professionals with assistance from other external support as necessary (for example, legal and procurement specialists from Norfolk County Council).
- 13.3 Using the National LGPS Frameworks saves LGPS Funds significant time and money by allowing quicker and more efficient procurement of high-quality and value for money services. The frameworks mean users leverage better prices whilst still making local decisions about service requirements. The LGPS is already collectively benefiting from projected savings estimated in excess of £163m, as well as 195 years effort saved to date. £3.4m+ cumulative rebate has been shared between 98 funds as a result of the National LGPS Frameworks programme.
- 13.4 Since the last report to Committee in December 2022, the latest iteration of the Legal Services Frameworks went live in January 2023.
- 13.5 The team is currently working with Founders on an Integrated Service Provider (ISP, required for pensions dashboards) and Member Data Services Framework to support scheme administration; and exploring the viability of an AVC Framework.
- 13.6 We are exploring the potential extension of the current Pensions Administration Software Framework so that the replacement Framework can be let under the new Procurement regulations, which are intended to offer greater flexibility in some areas.
- 13.7 The National LGPS Frameworks received the Outstanding Contribution of the Year award at the LAPF investment Awards 2022.

14. Knowledge and Skills

- 14.1 There is an ongoing requirement for members of the Pensions Committee, Pensions Oversight Board and Officers to evidence a level of knowledge commensurate with the decisions they are making.
- 14.2 Pensions Committee and Pensions Oversight Board took part in the 2022 LGPS National Knowledge Assessment. Participation, which is intended to help assess and evidence knowledge and understanding and will be used to inform future training plans.
- 14.3 A copy of the Norfolk Pension Fund report is at Appendix H, and the national report is at Appendix I.

- 14.4 Whilst we have been unable to deliver the usual 2-day bespoke training for Committee and Board usually held each Autumn due to the pandemic, we plan to reinstate this in the Autumn.
- 14.5 Details of training events, conferences and webinars that may be of interest are shared with members of Pensions Committee and the Pensions Oversight Board; and training records are maintained.
- 14.6 All members of Committee and POB have access to the LGPS online learning academy to support them in gaining and maintaining their knowledge.
- 14.7 All mandatory officer training is up to date.

15. Admission Agreements

- 15.1 There are two additional admission agreements for the Committee to note.
- 15.2 **Admission Agreement – Edwards & Blake (Southtown Primary)**
- 15.3 We have received application for a new admission agreement from the catering contractor Edwards & Blake, as they onboard a new contract win. The contractor has a number of existing admissions with the Fund.
- 15.4 The current admission application is in respect of a catering contract with Waveney Valley Academies Trust at their Southtown Primary site commencing 24 October 2022 for a contract length of 3 years.
- 15.5 The admission agreement will cover 1 member of staff transferring in respect of the contract, with the current right to LGPS membership. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.
- 15.6 The Scheme Employer (Waveney Valley Academies Trust) will be party to the admission agreement.
- 15.7 The admission agreement will be constructed on the “pass through” basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1 October 2018.
- 15.8 The legal agreements will be sealed under Chief Officer powers by the Executive Director of Finance & Commercial Services.
- 15.9 **Admission Agreement – Medequip Assistive Technology Ltd (Integrated Community Equipment Service – Norfolk County Council)**
- 15.10 We have received application for a new admission agreement from the contractor Medequip Assistive Technology Ltd, as they onboard a new contract win.
- 15.11 The admission application is in respect of a service contract with Norfolk County Council commencing 1 April 2023 for a contract length of 5 years with potential extensions for an additional five years.
- 15.12 The admission agreement will cover approximately four members of staff transferring in respect of the contract. The staff are currently in the Prudential Platinum Scheme, as the route used by the previous contractor to provide LGPS equivalent pension benefits. The new contractor is using the LGPS admission route to provide the pension benefits required. The staff will have the option of transferring their benefit accrual with Prudential back to the LGPS. This may result in a bulk transfer process depending on whether the staff chose to exercise this option. It will not cover any other staff of the contractor and will be closed to new hires working on the contract.

- 15.13 The Scheme Employer (Norfolk County Council) will be party to the admission agreement.
- 15.14 The admission agreement will be constructed on the “pass through” basis agreed at the September 2018 meeting of Committee for new agreements with staff transfer dates on or after 1 October 2018.
- 15.15 The legal agreements will be sealed under Chief Officer powers by the Executive Director of Finance & Commercial Services.

16. Update on Bulk Transfer Values in Progress

- 16.1 There are none to report this quarter.

17. Freedom of Information Act (FoIA)

- 17.1 Since the last Committee papers were finalised, we have provided the following responses to Freedom of Information Act enquiries. All responses have been made via the Corporate Freedom of Information Act Officer within statutory deadlines.

ENQ Reference / Requester	Details	Date Received	Action
ENQ-610774-M3M7W3 Global Witness	Information on investments in Russian fossil fuel companies.	25/01/2023	Responded
ENQ-610056-V8L7Z4 Bloomberg	Q2 2022 and Q3 2022 alternative investment portfolio records for close-ended funds	20/01/2023	Responded
ENQ-607507-J1N5C0 Preqin	Commitment, Contribution, Distribution, Value and IRR as of 30 June 2022 and 30 September 2022	10/01/2023	Responded
ENQ-607276-X2C0F4 Mike Davis	Information on investment advisor, AVC provider, administration software, AVC/Fund membership numbers	04/01/2023	Responded
ENQ-602404-H4P6C7 With Intelligence	Disclosure of commitment, contribution, distribution, value and IRR of private equity/venture capital funds	08/12/2022	Responded
ENQ-600615-T0K3G0 Lewis Backon	Companies and value in which the Fund holds directly shares; funds, trackers, pools and CIVs in which the pension fund invests and name of investment manager; companies invested in by the funds, trackers, pools and CIVs providing the market value of each underlying investment; total value of the fund's investment portfolio.	29/11/2022	Responded
ENQ-599297-H5F7L2 Pitchbook	Details of alternative asset holdings for 2Q 2022	24/11/2022	Responded
ENQ-597397-W0N0Z7 factset.com	Q2 2022 fund level performance reports for private equity and real estate portfolio	11/11/2022	Responded

18. Representation on behalf of the Pension Fund

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

19. Norfolk Pension Fund – Pensions Committee Forward Plan

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

20. Financial and Other Resource Implications

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

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

21.1 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.

22. Data Protection Impact Assessments (DPIA)

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

23. Risk Implications/Assessment

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

24. Recommendations

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

- the cash management strategies for the management of the Fund's cash balances and dynamic currency programme (items 11 and 12).

Two Admission Agreements in respect of:

- Edwards & Blake (Southtown Primary)
- Medequip Assistive Technology Ltd (Integrated Community Equipment Service – Norfolk County Council)

25. Background Papers

25.1 Appendix A - Hymans 'Current issues in the LGPS' March 2023
Appendix B - Training Strategy
Appendix C - Risk Heat Map February 2023
Appendix D - Key Performance Indicators
Appendix E - Annual Data Quality Report
Appendix F - Key projects for 2023 – 26
Appendix G - Plan on a Page
Appendix H - Knowledge and Skills – Norfolk Report
Appendix I - Knowledge and Skills National Report
Appendix J - Representation on behalf of the Norfolk Pension Fund
Appendix K - Pensions Committee Forward Plan

Officer Contact

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

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

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



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

Current issues in the LGPS

March 2023

The finish line is in sight for England and Wales...

With less than a month to go to the statutory deadline, the 2022 valuations in England & Wales are nearing a close. Hopefully now it is just a case of dotting i's and crossing t's (also known as dealing with the last few 'complex' employers). We've also just received confirmation of the format of the SAB/GAD dashboard which will be included in every valuation report. It's amazing to think that preparations for the next valuation are likely to start in about 18 months' time. With this in mind, we will be in touch with all our funds to set up a feedback meeting so we can take all the learnings and experiences from the 2022 valuations and build them into plans for 2025.

... whilst the Scottish valuations are underway

The first of our 2023 valuation forums took place on 22 February. This generated some interesting discussion around the funding decisions that Scottish funds will be considering this year. The session centred around the information set out in this note: [What do the 2023 valuations have in store?](#) It was great to have attendees across all of our Scottish funds and we look forward to the year ahead! We have also launched our [LGPS 2023 Valuation hub page](#) and [LGPS 2023 Valuation Toolkit](#).

LGPS consultation responses

Consultation on CARE revaluation

DLUHC recently closed a lightning quick [consultation](#) on moving the date on which CARE benefits are revalued from 1 April to 6 April. The consultation is designed to align the CPI value used to increase CARE pensions with the value used to uplift the value of pension benefits at the start of the Pension Input Period as part of the Annual Allowance calculation. While the move makes sense, the last-minute nature of any changes is likely to cause administrative headaches. You can read more about what the changes mean [here](#).

SAB cost cap consultation response

At end January a [consultation](#) was launched setting out proposed amendments to how the England & Wales SAB's cost management process operates. These changes are in response to changes already being made to HMT's cost management mechanism. The proposals are largely technical in nature and designed to ensure that the SAB process can still input into the HMT mechanism. However there are a couple of points where more detail would be helpful. We set these out in our formal response to the consultation which can be [found here](#).

Increasing focus on the Gender Pension Gap

With reporting on the Gender Pay Gap now common amongst most businesses, the focus is starting to shift to the Gender Pension Gap (GPG). Recently, the Minister for Pensions (Laura Trott) confirmed that the Government is considering [reporting regularly](#) on the GPG. We spent some time at the end of 2022 [focussing](#) on the magnitude and causes behind the GPG in the LGPS and how it can be reduced. If you want to be on the front foot in this space, we can carry out analysis of your membership similar to that discussed in our webinar (please ask your usual Hymans Robertson contact for more information).

Evolving funding risk monitoring - No more valuation – now what?!

As the dust settles on the English & Welsh valuations, funds are gearing up for the inter-valuation period. With high inflation, higher interest rates and turbulent markets since the valuation, there's an increased demand on funds to keep stakeholders informed. In addition, new employer flexibility regulations open up the possibility of DDAs and contribution reviews, and suddenly three years starts to feel like an eternity. To help our funds stay on the front foot and have all these answers at their fingertips, we've overhauled our funding risk monitoring digital solutions. Launching on 1 April, our on-demand, self-service, daily funding and risk analytics will be available via Frontier. More details to follow - watch this space!

Delayed audits and the 2023 LGPS accounting exercise

Preparations are gathering pace as we approach the 31 March 2023 accounting year-end. In our discussions with auditors, it has become apparent that 2021/22 accounts have not yet been signed off in several cases. All 2023 reports will be prepared on the basis that the 2022 accounts have been approved and so it is important that any revisions required to the 2022 accounts (given audit delays) are requested and approved before work commences on the 2023 reports. Please direct any questions in respect of this to LGPSCentralAccountingTeam@hymans.co.uk

LGPS Online Learning Academy (LOLA) – just got bigger and better!

Following the successful launch of our [LGPS Online Learning Academy](#) in June 2021, we have been listening to feedback and added improvements throughout our new version 2.0 learning plan. The key changes will see shortened and refreshed modules (new videos, jargon busters and knowledge checks) and see it mirror the same 8 topics of our [National Knowledge Assessment](#). This means you can have easy alignment between your assessment tools and your training platform – much easier for filling in those knowledge gaps! Funds will also now be able to add their own training documents or fund policies to LOLA, allowing their users to have a 'one-stop' shop for key training material, alongside the introduction of gamification, improved user experience and much more! Please contact [Andrew McKerns](#) if you have any questions or would like a demo.

Introducing our Administrator Training

March sees the launch of our [administrator training](#) modules covering all elements of the administration and management of the LGPS, with the first session providing an introduction to the scheme and taking place on 22 March. If you haven't already registered your interest you can do so [here](#), reserving spaces for members of your administration team for any specific sessions of interest.

Conferences & webinars:

Effective Business Planning in the LGPS

Last month, we hosted the second webinar in our two-part series focused on Effective Business Planning in the LGPS. Kate Dickson talked us through key success measures, creating a plan for implementation and delivery, and monitoring and reporting. If you weren't able to join live, you can now catch the session [on-demand](#).

LGC Investment Seminar, 30-31 March

We're looking forward to once again supporting the annual LGC Investment Seminar at Carden Park. Our very own Susan Black will be joining Euan Miller, Denise Le Gal and David Vallery to discuss the latest in the Good Governance project, workforce issues and training and development. [Click here](#) to book your place.

Hymans Robertson On....

Catch up on our [latest episode](#) of Hymans Robertson On... where Susan Black, our Head of LGPS Governance, Administration and Projects, and Ian Colvin, our Head of Benefits Consultancy, discuss workforce planning with Dan Chessell and Amanda Crawford from Essex Pension Fund. Amanda and Dan share their good news story on the success they've had in restructuring their team and what skills they believe are necessary for LGPS funds in the future.

InflationWatch – what lies ahead?

Ongoing easing in input price inflation from high levels supports the idea that recent falls in headline inflation may be sustained. Year-on-year inflation looks to have peaked in Europe and is well past its peak in the US. Forecasters are confident that headline inflation will come down over the next few quarters, given falls in energy prices. At an underlying level – excluding food and energy – easing supply-chain pressures should contribute to a more general fall in goods inflation. Against that, tight labour markets are leading to strong wage growth on both sides of the Atlantic, and service-sector inflation is likely to be stickier. Against that backdrop, we consider the inflation outlook and the balance of risks around that outlook. You can read our latest quarterly update [here](#).

Deforestation – what does it mean for investors?

Globally, we lose over ten million hectares of forest each year. This contributes to climate change and biodiversity loss as well as having wider economic and social implications. Institutional investors have a key role to play by understanding their exposure to deforestation and engaging with investment managers on this topic. Together with Global Canopy, we have identified the main actions which asset owners can take to understand deforestation and address this issue in their investment portfolios. You can read our paper [here](#). We have also published related articles for investors on the [COP15 biodiversity conference](#) and on [Biodiversity](#).

Excess deaths during 2022

2022 was another unusual year for UK mortality. We again saw more deaths in the UK than expected under pre-pandemic projections. However, the number of deaths mentioning COVID-19 was relatively low. A panel of experts at a recent Club Vita [webinar](#) discussed what may be causing the excess deaths, if the patterns will continue and how the 2022 data might feed into pension fund longevity assumptions. As emerging trends continue, we'll be watching the Club Vita analysis closely to ensure our clients have access to the latest insights on post-pandemic longevity risks.

In brief....

- Pension Increase Order 2023 – a [Written Ministerial Statement](#) confirmed that an increase of 10.1% will be applied in the LGPS in April to inflation linked benefits including CARE pots. The accompanying [Order](#) has now been laid.
- TPR's Code of Practice – the long-awaited new Code has been delayed further. It's currently sitting with the DWP and might become effective during May (but don't hold your breath).
- ESG - the statutory definition of 'greenhouse gas' is being [amended](#) to include nitrogen trifluoride, or NF₃ for the chemists amongst us (it's used in electronics manufacture). This won't immediately affect LGPS climate-risk governance obligations although that may change on review.
- Saving for later life – the House of Commons Work and Pensions Committee has [published](#) the Government's response to its 'Saving for later life' recommendations.
- New Memorandum of Understanding - the DWP and Pensions Regulator have entered into a [MOU](#) about their prosecution of the new offences introduced by the *Pension Schemes Act 2021*. In general, TPR will initiate prosecutions, and the DWP won't (barring 'exceptional circumstances') pursue someone if TPR has decided against it.
- Review of TPR – the DWP has [announced](#) that Mary Starks has been appointed to undertake the scheduled review, with delivery in May this year.
- Transfer checks - the FCA is [encouraging](#) funds to provide it with details of transfer checks that have raised concerns. It hopes to gather intel on things like unauthorized advisers, suspicious numbers of cases involving the same adviser, unsolicited contacts, and so on, via dedicated email addresses for DB-to-DC and DC-to-DC transfers respectively.
- UK asset management regime – the FCA has issued a [discussion paper](#) on updating and improving the aforementioned regime. Comments are welcomed by 22 May.
- McCloud data guidance – the SAB in England and Wales has produced [guidance](#) to help LGPS funds to recreate notional final salary membership for the McCloud remedy period.

Appendix

... whilst the Scottish valuations are underway

https://www.hymans.co.uk/media/uploads/What_do_the_2023_valuations_have_in_store.pdf

<https://www.hymans.co.uk/lgps-2023-valuation/>

https://www.hymans.co.uk/media/uploads/LGPS_2023_Valuation_Toolkit.pdf

Consultation responses

<https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme-lgps>

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-what-a-difference-5-days-makes-dluhc-consult-on-changing-the-date-on-which-care-benefits-are-revalued-in-the-lgps/>

<https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process>

https://www.hymans.co.uk/media/uploads/Consultation_response_-_Local_Government_Pension_Scheme_-_Changes_to_the_Scheme_Advisory_Board_cost_management_process.pdf

Increasing focus on the Gender Pension Gap

<https://committees.parliament.uk/publications/33859/documents/185243/default/>

<https://www.hymans.co.uk/insights/webinars/a-spotlight-on-the-gender-pensions-gap-in-the-lgps/>

LGPS Online Learning Academy (LOLA) – just got bigger and better!

<https://www.hymans.co.uk/services/lgps-online-learning-academy/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/2022-lgps-national-knowledge-assessment-report/>

Introducing our Administrator Training

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

<https://analytics-eu.clickdimensions.com/hymanscouk-atwsv/pages/qfsuqiaee2q0qaisbtesg.html?PageId=fe14fb4180a8ed11aad10022481b5eb2>

Conferences & webinars

<https://www.hymans.co.uk/insights/webinars/effective-business-planning-in-the-lgps-session-2/>

<https://investmentseminar.lgcplus.com/investment2023/en/page/book-now>

Hymans Robertson On....

<https://www.hymans.co.uk/insights/podcasts/good-governance-in-the-lgps-part-2/>

InflationWatch – what lies ahead?

<https://www.hymans.co.uk/insights/research-and-publications/publication/inflationwatch-february-2023/>

Deforestation – what does it mean for investors?

<https://www.hymans.co.uk/insights/research-and-publications/publication/deforestation-what-does-it-mean-for-investors/>

<https://readymag.com/u43676151/4132193/biodiversityconference/>

<https://www.hymans.co.uk/insights/research-and-publications/publication/briefing-note-biodiversity/>

Excess deaths during 2022

<https://www.clubvita.net/uk/events/what-happened-in-2022-the-uk-excess-mortality-conundrum-what-caused-it-and-will-it-continue>

In brief....

<https://questions-statements.parliament.uk/written-statements/detail/2023-02-20/hcws566>

<https://www.legislation.gov.uk/uksi/2023/252/made>

<https://www.legislation.gov.uk/ukdsi/2022/9780348239713>

<https://committees.parliament.uk/publications/33625/documents/183629/default/>

<https://www.squirepattonboggs.com/-/media/files/insights/publications/2023/02/pensions-weekly-update-15-february-2023/memorandum-of-understanding-between-the-dwp-and-tpr.pdf?rev=242a300dfe444015b5656acbc38361c1&hash=73B99E869DCD6EF001EED3B139580EB2>

<https://www.gov.uk/government/news/mary-starks-appointed-to-lead-review-of-the-pensions-regulator>

<https://www.fca.org.uk/firms/defined-benefit-pension-transfers/reporting-transfer-requests>

<https://www.fca.org.uk/publication/discussion/dp23-2.pdf>

https://lgpslibrary.org/assets/gas/ew/McC_data_v1.0.pdf

Norfolk Pension Fund Training Strategy

Introduction

This is the training strategy of Norfolk Pension Fund (“Fund”). It applies to the Pensions Committee, Pensions Oversight Board as well as Officers and sets out how these key roles within the Fund will obtain and maintain the necessary knowledge and understanding in order to fulfil their role.

Objectives

The Funds’ objectives relating to knowledge and understanding are to:

- Ensure the Fund is well managed and that those individuals responsible for its management and administration have the knowledge and expertise required to carry out their roles;
- Ensure that there is the appropriate level of internal challenge and scrutiny of decisions;
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Department for Levelling Up, Housing and Communities (“DLUCH”).

Knowledge and Skills Regulatory Environment

Pensions Oversight Board

There is a legal requirement for members of a Local Pension Board (known in Norfolk as the Pensions Oversight Board) to be familiar with the rules of the LGPS (i.e., relevant Regulations) and Fund policies and have knowledge and understanding of the law relating to pensions and other matters relevant to their role.

Pension Fund Committee

The legal requirement for knowledge and understanding for members of a Local Pension Board does not apply to Pensions Committee. However, it is the Fund’s policy that members of the Pensions Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board. The SAB ‘good governance’ project signals a much stronger future requirement on Pensions Committee members’ knowledge and understanding.

Links to The Scheme Advisory Board’s Good Governance project

In February 2019 the Scheme Advisory Board commissioned Hymans Robertson to consider options for enhancing LGPS governance arrangements to ensure that the Scheme is ready for the challenges ahead and at the same time retains local democratic accountability. Following extensive consultation and engagement with

the LGPS community the SAB made recommendations to DLUCH. The following recommendations relate directly to the attainment of knowledge and skills:

- Key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- A requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
- Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
- Relevant professional bodies to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

Whilst the findings of the Good Governance Review have yet to be formally adopted in statutory form, this Training Strategy recognises the principles behind the recommendations and seeks to embed them into the culture of Norfolk Pension Fund.

The Pensions Regulator

The Pensions Regulator's Code of Practice 14 is focused principally on the knowledge and skills requirements of Local Pension Board members, however, the principles and approaches set out in the Code are equally applicable to members of pension committees.

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*. The toolkit covers 7 short modules, which are:

- Conflicts of Interests
- Managing Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Member Contributions
- Providing Information to Members and Others
- Resolving Internal Disputes
- Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code

of Practice, they do not cater for the specific requirements of the individual public service schemes.

As a result, the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation.

CIPFA Framework

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge; and
- Actuarial methods, standards, and practice.

Under each of the above headings the Framework sets out the knowledge required by those individuals responsible for Fund's management and decision making.

There also exists a specific requirement under MiFID II¹, that those making investment decisions, must be able to demonstrate that they have the capacity to be treated as professional investors.

Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of Local Pension Board members:

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Pensions Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial markets and product knowledge
- Actuarial methods, standards and practices.

¹ Markets in Financial Instruments Directive II (2014/65/EU)

Types of knowledge

LGPS pensions is a dynamic environment and that there will always be new things which a Pensions Committee or Pensions Oversight Board member will be expected to know. For this reason, this policy identifies 3 areas of knowledge which members should be familiar with. These are:

Core information

This comprises the building blocks of LGPS knowledge with which everyone covered by this policy should be familiar. Core information would include:

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Pensions Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial markets and product knowledge
- Actuarial methods, standards, and practices.

Fund specific information

This includes areas of knowledge which are of particular relevance to decisions or areas of work which will form part of the upcoming workplan for the Pensions Committee or Pensions Oversight Board. Some examples of Fund specific information would include:

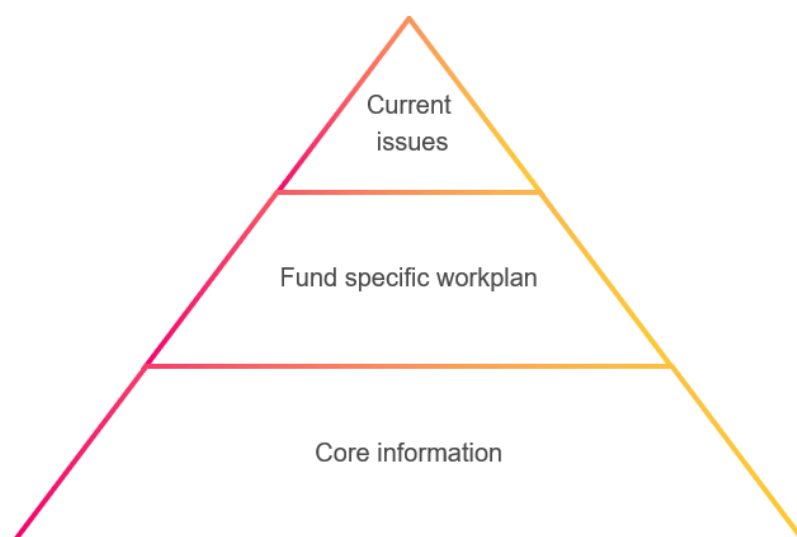
- Training on a particular asset class in which the Pensions Committee will be asked to invest at the next meeting.
- Training on actuarial and funding matters delivered as part of the triennial funding valuation.
- Training on breaches of the law before the adoption of a new policy on reporting breaches.

Current issues

This covers all of the latest issues of relevance to the Pensions Committee and Pensions Oversight Board which may not have been envisaged when the training plan was drawn up. This may include for example:

- Changes to the LGPS or wider pension legislation which have significant impact on funding, investment, or administrative matters
- Political or global events that are significant enough to move investment markets.

The diagram below illustrates the **3 areas of knowledge**



Management and delivery

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and DLUCH.

The implementation of this Strategy and the delivery of the accompanying Training Plan will be the responsibility of the Head of Governance. However, everyone with a requirement to attain knowledge and skills under this Strategy has a personal responsibility to ensure they meet the required standards and must fully engage with the process.

Training Needs Assessment

In addition to Induction and on-going training assessment, Pensions Committee and Pensions Oversight Board members take part in a regular training needs assessment exercise on a regular basis (e.g., by completing the National Knowledge Assessment every 2 years). The results will be used to identify areas of potential strength and weakness and will form of part of developing the Fund's training plan. Officers training needs will be assessed as part of their personal development plans.

Level of knowledge and skills required

In developing the training plan, consideration will be given as to the level of knowledge needed for each group of individuals. For example, the committee and board may require only an awareness or general understanding of some areas while an officer advising them will provide detailed or expert knowledge of the same topic.

There is also a recognition that Committee and Board members will have their individual strengths and areas of expertise. It will appropriate in some cases to consider the collective knowledge of the Committee or Board.

Approach

This Strategy sets out how the Fund will provide training to members of the Pensions Committee and Pensions Oversight Board. The Officers involved in the management and administration of the Fund will have their own team and personal training plans and career development objectives.

- **Induction training** - Pensions Committee and Pensions Oversight Board members will receive induction training to cover the main functions of the Fund and the duties and obligations of Norfolk County Council as the Administering Authority. Induction training will be provided prior to the member attending their first committee or board meeting wherever possible.
- **External courses** - Additionally, a variety of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund managers. Appropriate courses will be selected by the Head of Governance and information circulated to members in advance. Training will be selected for their relevance to the Training Plan.

Conferences - There are also a number of suitable conferences run annually, which will be brought to members' attention where appropriate. These may be in-person or online. Additionally, consideration will be given to various training resources available in delivering training to Pensions Committee and Pensions Oversight Board members.

These may include but are not restricted to:

- In-house and shared training events
- Self-improvement and familiarisation with regulations and documents
- The Pension Regulator's e-learning programme
- Attending courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Regular updates from officers and/or advisers
- Informal discussion and one-to-one sessions
- Formal presentations
- Circulated reading material
- E-learning

Flexibility

When considering training for members of the Pensions Committee and Pensions Oversight Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to offer a variety of training opportunities to support these different learning styles.

Risk Management

The delivery of this training strategy is at risk in the event of -

- Frequent changes in membership of the Pensions Committee or Pensions Oversight Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored, recorded and cross referenced with attendance details and training records by the Head of Governance and reported to the Pensions Committee and Pensions Oversight Board if their impact is likely to prevent Norfolk Pension Fund from achieving the objectives of this Training Strategy.

Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Knowledge and Skills framework has been applied.
- What assessment of training needs has been undertaken?
- What training has been delivered against the identified training needs.

Budget and costs

A training budget will be agreed with the Pensions Committee and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the Fund, provided that prior approval of the Director of the Norfolk Pension Fund's is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Oversight Board/Committee meetings) and appropriate receipts are provided evidencing the expenses being claimed for.

Effective date

This strategy comes into effect from 21 March 2023.

Review

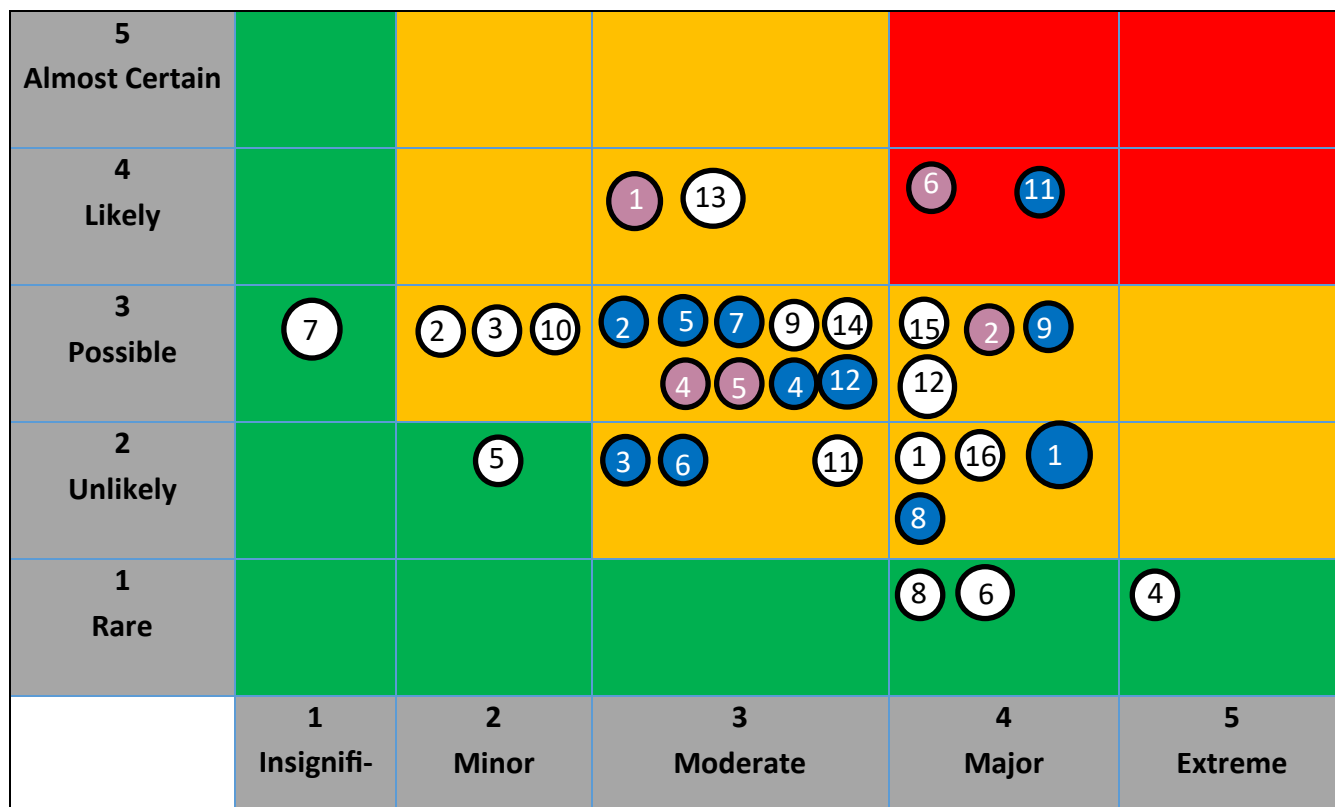
This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

Version Control


Version	Date approved	
1	1 December 2020	Approved and adopted by Pensions Committee
2	21 March 2022	Reviewed by Pensions Committee


Norfolk Pension Fund Risk Heat Map February 2023 showing movement since November 2022


APPENDIX C



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

Becoming more of a risk 

Risk is stable 

Becoming less of a risk 

Admin KPIs

Target = 100%

RAG Status

<75%

76% - 84%

>85%

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

Task	Days	Nov-21		Dec-21		Jan-22		Feb-22		Mar-22		Apr-22		May-22		Jun-22		Jul-22		Aug-22		Sep-22		Oct-22		Nov-22		Dec-22		Jan-23		Monthly	
		Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%	Vol	%
Transfer In Quotes	10	38	95	36	94	21	95	23	87	23	91	29	100	38	97	38	97	29	97	22	100	19	95	20	95	16	100	9	89	21	86	25	95
Transfer Out Quotes	10	57	96	42	95	57	98	41	100	46	93	39	100	54	100	54	100	44	89	50	90	63	94	46	96	39	90	25	88	23	65	45	93
Refund Payments	5	53	100	29	100	55	100	49	100	39	100	46	100	68	100	68	100	68	100	45	100	61	100	42	100	57	100	28	100	71	100	52	100
Estimate of Retirement Benefits	10	141	89	103	100	135	96	116	96	107	97	91	82	94	88	94	88	99	95	99	100	84	94	146	93	94	99	72	96	92	100	104	94
Actual Retirement Benefits	5	141	100	102	100	145	97	113	98	165	99	128	94	166	100	166	100	153	99	171	100	180	100	140	99	158	99	85	100	138	99	143	99
Acknowledge Death of Member	5	69	94	77	88	109	92	78	95	65	98	68	99	103	89	103	89	66	98	63	97	68	94	70	94	79	95	65	97	83	98	78	95
Notify Dependand's Benefits	5	32	97	17	88	23	83	32	91	32	100	21	57	31	90	31	90	22	86	22	95	27	96	31	100	29	100	11	100	18	89	25	91
Notify Deferred Benefits	10	234	100	262	99	260	97	221	97	185	97	166	83	179	89	179	89	134	78	123	93	153	99	138	97	251	92	180	99	212	98	192	94
Altair Housekeeping	5	14	93	13	100	14	100	14	100	14	100	14	64	9	89	9	89	9	78	9	78	8	100	9	100	8	88	9	100	9	100	11	92

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



Norfolk Pension Fund

**Record Keeping
Data Quality**

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

February 2023



Norfolk Pension Fund

Report on Data Quality at February 2023

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

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

The figures and statistics in this report are snapshot figures taken from the Pensions Administration System as at 24 February 2023.

For more information please contact:

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Pensions Manager

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Email: debra.keeling@norfolk.gov.uk

Index

Contents	Section
<i>Numerical information</i>	1
Commentary	
<i>Common data checking</i>	2
Common data score	
Commentary	
- Actives	
- Deferreds	
- Pensioners	
Analysis of tests failed	
Commentary on criticality of data failures	
<i>Conditional data checking</i>	3
Conditional data score	
Commentary	
- Actives – pay data	
- Actives – contributions data	
- Deferreds – pensions increase data	
- Deferreds – passed due date	
- Pensioners – GMP data	
Analysis of tests failed	
- Deferreds – passed due date	
Commentary on criticality of data failures	
<i>Actions required for data cleansing</i>	4
<i>Timescale to complete data cleansing</i>	5
<i>Data quality improvement</i>	6
<i>Glossary</i>	7

Numerical Information

1. Numerical information [P391]

1. Membership statistics	
Number of schemes being managed	2
Total active members (contributors)	29,047
Total deferred members (including undecided and frozen)	40,108
Total pensioners	27,043
Total dependant (widows, widowers, children, civil partners, nominated partners) pensioners	3,600
TOTAL of all members	99,798

Commentary

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

Common data

2. Common data checking [QUAL01]

Data item	Maximum population	Fails
NI Number	99,798	31
Surname	99,798	0
Forename/initials	99,798	0
Gender	99,798	0
Date of birth	99,798	0
Actives – Gone Away/No Postcode	29,047	26
Deferreds – Gone Away/No Postcode	40,108	4,540
Pensioners – Gone Away/No Postcode	30,643	61
Total individual fails		4,658
Total number of members failing one or more tests		4,658
Percentage members of total with fail		4.67%

Common data score

This is a measure of all common data items averaged across all items: **95.33%**

Commentary

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

Actives:

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

Deferreds:

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

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

Pensioners:

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

Analysis of tests failed

Deferreds – Gone Away/No Postcode

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

Commentary on criticality of data failures

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

Conditional data

3. Conditional data checking

Test group	Maximum population	Fails
Actives – pay data [PAY009]	29,047	0
Actives – contributions data [CONT35]	29,047	0
Actives – CARE data [CARE001]	29,047	0
Deferreds – Pensions Increase data [PRES22]	40,108	0
Deferreds – Passed Due Date [PRES20]	40,108	50
Pensioners – GMP data [PENS12]	30,643	0
Total		50

Conditional data score

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

Commentary

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

Actives – pay data:

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

Actives – contributions data:

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

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

Deferreds – Pensions Increase Data:

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

Deferreds – Passed Due Date:

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

Pensioners – GMP Data:

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

Analysis of tests failed

Deferreds – Passed Due Date:

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

Commentary on criticality of data failures

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

4. Actions required for data cleansing

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

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

5. Timescale to complete data cleansing

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

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

6. Data quality improvement

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

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

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

7. Glossary

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

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

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

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

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

Norfolk Pension Fund Service Planning 2023 – 2026: Key Projects

Key operational projects currently identified for 2023 - 2026 to support service delivery in compliance with regulations and best practice, and to mitigate areas of high risk, in order to secure the effective and efficient delivery of Pension Fund responsibilities.

Norfolk Pension Fund (general)

Review and development of Norfolk Pension Fund Mission and Beliefs

Development of Norfolk Pension Fund Workforce Plan (in compliance with the Good Governance requirements – to include recruitment / retention / succession planning / resilience / development / resourcing)

Review Senior team structure in light of new ways of working

Triennial Valuation: preparation and delivery of the 2025 Fund Valuation

Fund Governance and Compliance

Governance and compliance review and update, to include:

- Establishment of Governance Manual (policies, monitoring, and control framework)

- Review and update of risk management and reporting framework

- Review and compliance with TPR combined code

- Review and compliance with Good Governance requirements

- Review and updating of cyber security and data management policies and effectiveness

Strategic engagement and delivery including the review and refresh of the Norfolk Pension Fund communication and engagement strategy to support Fund Mission and Beliefs

Pensions Services

Pensions Services operational review: review and updating of the Pensions Services operational model (systems, processes, roles and responsibilities) to identify opportunities and ensure realisation of benefits associated with new ways of working, building service resilience and development, and enhancing integration with wider Pension Fund team (e.g., Employer Services)

Pensions administration software implementation and transition / benefits realisation including:

- i-Connect – completion of onboarding, reviewing processes, systems and resourcing to optimise service delivery (including supporting employers with data submission)

- SR71/ i-Connect reconciliation: completing the establishment and bedding down of the new SR71/i-Connect reconciliation process

Pensions Payroll: implement enhancements to pensions payroll (to support multiple pension payments)
Pensions Payroll: implement Bank Account verification facility within Pensions Payroll
Management Information: rollout Altair Insights (dashboards) to Management Team, Employer Services Team, Pensions Services and Payroll teams

Reform, regulation, and best practice: contribute to, prepare for, and meet the requirements of all regulatory reform and development as required including:

McCloud: including introduction of new software and adjustments where required to benefits already calculated and member communications

Pensions Dashboard: preparation for the implementation of the national Pensions Dashboard in line with regulatory timescales, including the procurement of an Integrated Service Provider

Funding and Investment

Establishment and integration of the new Employer Service function (resources, supporting systems and processes) including refreshing employer engagement and support

Responding to reform, regulation, and best practice as required including contributing to, preparing for, and meeting the requirements of regulatory reform and development

Stewardship and Responsible investment: maintaining and further developing the Funds on-going commitment to fiduciary responsibilities and environmental, social and governance policies; implementation of climate risk reporting (including LGPS [TCFD](#) reporting)

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

Responding to updated Pooling investment consultation and guidance

Completion of live tranche transitions (Capital and emerging market equity)

Contribute to the implementation of pooled structures for illiquid assets and the Funds use of those structures

Support the procurement and transition to a new operator contract

Procurement of investment consultancy services for the Norfolk Pension Fund via the National LGPS Framework

National LGPS Frameworks

Delivery of the agreed forward work programme including:

New frameworks in 2023 for ISP / Member data services; and AVC providers

Procurement, development, and implementation of a new website for the National LGPS Frameworks

Objectives and priorities for the year:

- Scheme administration, investment and governance for the Local Government Pension Scheme in Norfolk.
- Strategy and oversight of the investment of fund monies and the preparation of statutory fund accounts.
- Support to the Pensions Committee and Pensions Oversight Board.
- Support to scheme members and employers, including the calculation and payment of pensions and collection of contributions.
- Delivery of National LGPS Frameworks.
- Pensions Services operational review

Key deliverables:

- The effective management and governance of the Fund including compliance with all regulatory and best practice requirements.
- Supporting Pensions Committee in their decision making and Pensions Board in their oversight of the Fund.
- To minimise and stabilise the level of pension contributions required to be paid into the Fund.
- Ensuring the Fund has the right resources to deliver the ever increasing complexities of LGPS.
- The proper administration, accounting and reporting of the Fund's financial affairs.
- The accurate and timely calculation and payment of scheme benefits.
- Working collaboratively and in partnership with other LGPS funds and other organisations to deliver high quality pension services including the National LGPS Procurement Frameworks.

Key activities, including:

- **how the delivery of this service contributes to NCC and departmental strategies and objectives, and cross-cutting activities such as net zero and social value**
- **areas for improvement / change / transformation**
- Delivering LGPS scheme administration, investment and strategy functions in a responsive, effective, efficient and equitable way, and in line with our Customer Care and Communications Strategy and Governance Compliance Statement.
- Supporting Pensions Committee (Section 101 Committee, who act as quasi Trustees) in their decision making, including setting the strategic direction for all aspects of the service and supporting Pensions Oversight Board in their oversight role.
- Meeting stakeholder requirements and continually monitoring, reviewing and improving our service delivery to ensure value for money.
- Achieving long term investment returns within a managed risk framework that supports local scheme employers in meeting their pension contributions.
- Setting appropriate investment strategies; having access to high quality investment solutions; and monitoring investment performance, with appropriate action being taken in the event of investment objectives not being met.
- Optimising technology to make processes more efficient and effective, and continually looking at developing services in the most cost effective manner following careful consideration of business cases.
- Maintaining accurate pension records ensuring they meet regulatory requirements, and supporting employers to ensure they provide accurate and timely information.
- Recruiting, training, nurturing and retaining highly motivated staff with the necessary professional, managerial and customer focus skills.
- Hosting the collaborative LGPS National Frameworks project which delivers multi-million £'s savings and benefits across the LGPS and wider public sector pension schemes
- Investment Pooling: Ensuring the continued effectiveness and success of ACCESS
- Stewardship and Responsible investment: maintaining and further developing the Funds on-going commitment to fiduciary responsibilities and environmental, social and governance policies; implementation of climate risk reporting
- Developing the Norfolk Pension Fund Workforce Plan
- Reviewing and updating the Pensions Services operational model to identify opportunities and ensure realisation of benefits. including the establishment and integration of the new Employer Service function

Key risks on Risk Register:

NPF maintains a separate risk register and reports risks to the Pensions Committee and Pensions Oversight Board. Reports can be found in the relevant folders [here](#).

Vital signs and targets (please indicate if this is an existing or new metric):

- Achieve upper quartile performance across pension industry KPIs. (Existing Metric (EM))
- 'Cost per member' remains in-line with the national benchmark average. (EM)
- Achieve or exceed the return on investment assets assumed by the Fund's actuary. (EM)
- The timely payment of pensions and collection of contributions as they fall due. (EM)
- Successful production of statutory accounts with an unqualified audit opinion. (EM)
- No breaches of material significance reported to the Pensions Regulator. (EM)
- The production and distribution of annual benefit statements within statutory timescales. (EM)
- Effective implementation of investment strategy decisions taken by Pensions Committee. (EM)
- Effective support to employers and scheme members affirmed by service questionnaires and feedback. (EM)
- Continued endorsement by DHLUC and HM Treasury of the LGPS National Frameworks. (EM)
- Effective and efficient transition of investment assets to a fully regulated Common Investment Vehicle asset pool. (EM)

Key budget headings:

- £4.041 m operating budget
- £26 m investment management expenses
- £180 m Contributions Receivable
- £175 m Benefits Payable

2022 LGPS National Knowledge Assessment

Norfolk Pension Fund



Contents

Overview	1
The Assessment	2
Overall Results	3
Average Score for Board & Committee	4
Benchmarking	5
Commentary on Results	6
Further Analysis	8
Comparison with 2020 Results	9
Engagement	11
Training Feedback from Participants	13
Training Plan	14
Next Steps	15
Reliances & Limitations	16

Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

Background

The Norfolk Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

The Assessment

The members of the Norfolk Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 5 respondents from the Committee and 4 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

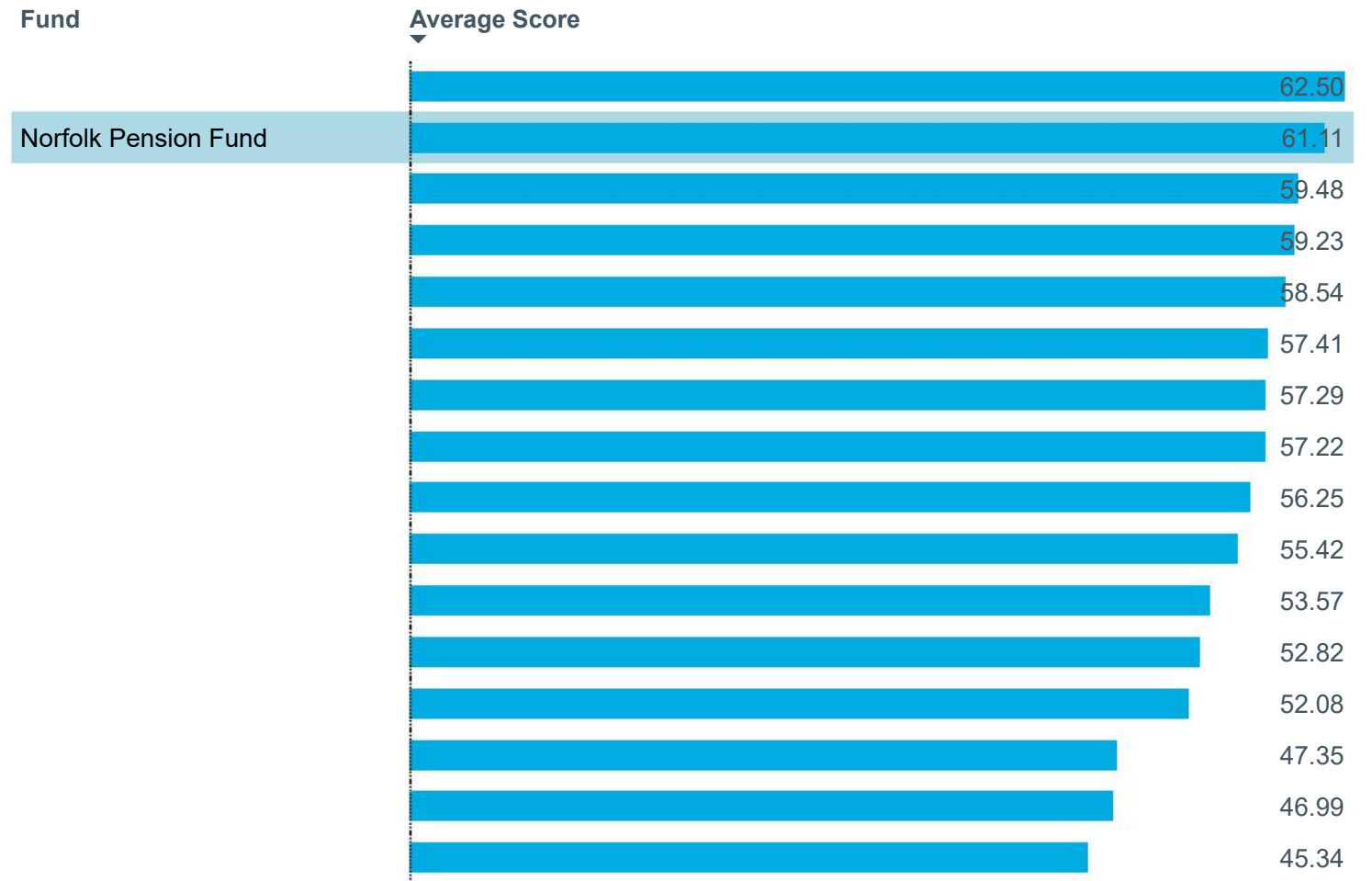
Overall Results

The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

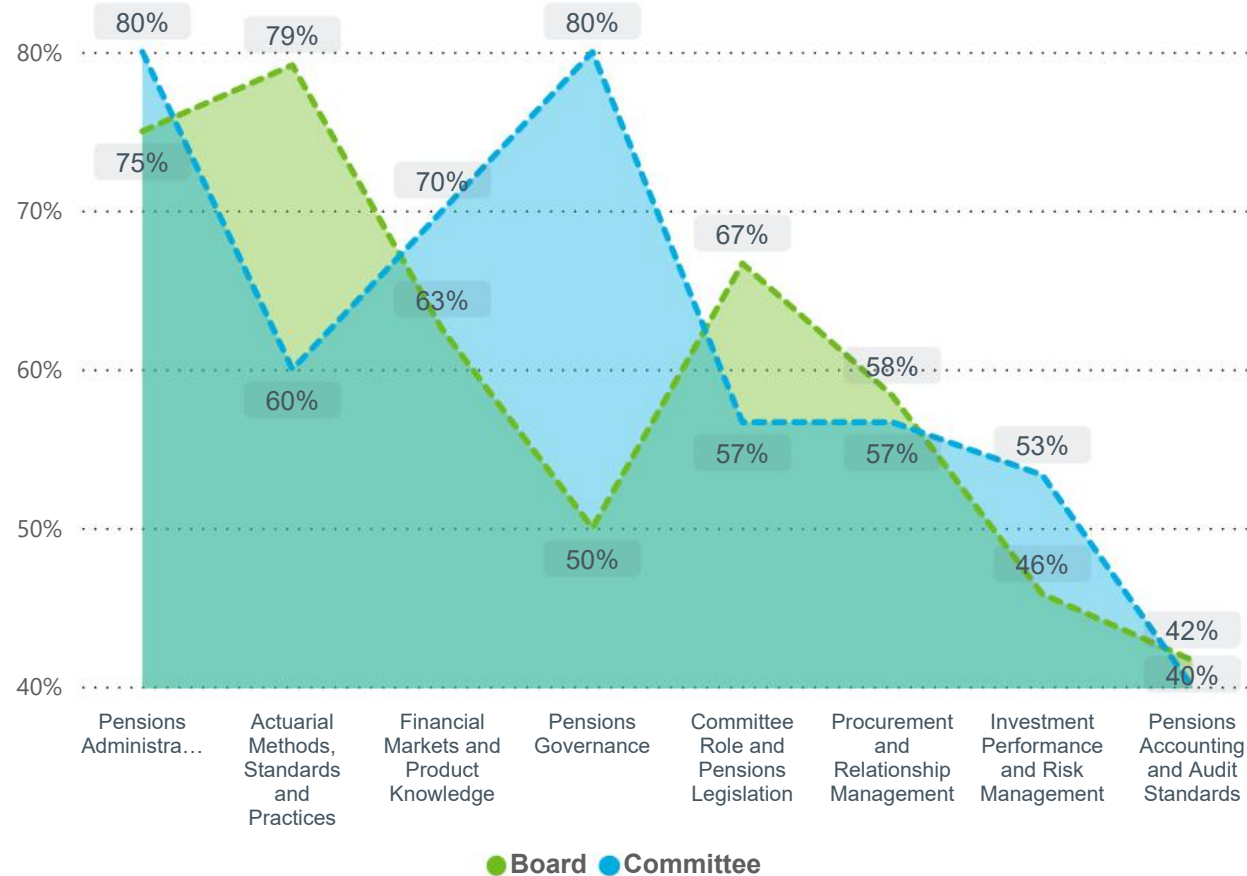
The Norfolk Pension Fund is in 2nd out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.



Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Committee (average overall score of 62 %) was stronger than that of the Board (average overall score of 60 %).
- The performance for the Committee and Board diverged the most in the Pensions Governance section, when Committee results were 30 % higher than the Board.
- The Committee performed most strongly in the area of Pensions Administration and Pensions Governance.
- The board's areas of strongest Knowledge were Actuarial Methods, Standards and Practices and Pensions Administration.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.

Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund’s results compare to those across the average of all funds who have taken part to date.

We’ve provided a comparison of the results for both your Fund’s Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

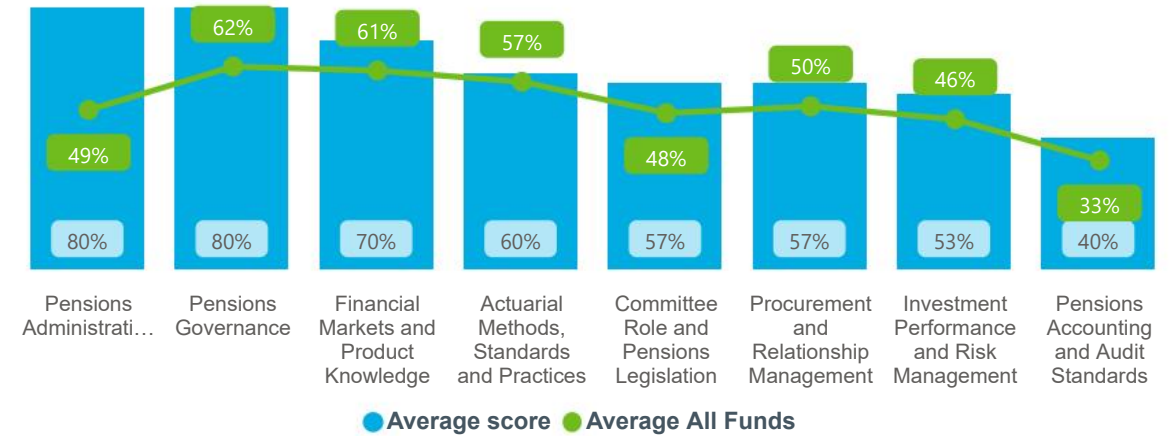
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- It’s pleasing to see that the areas of Pensions Administration and Pensions Governance scored well for the Committee.

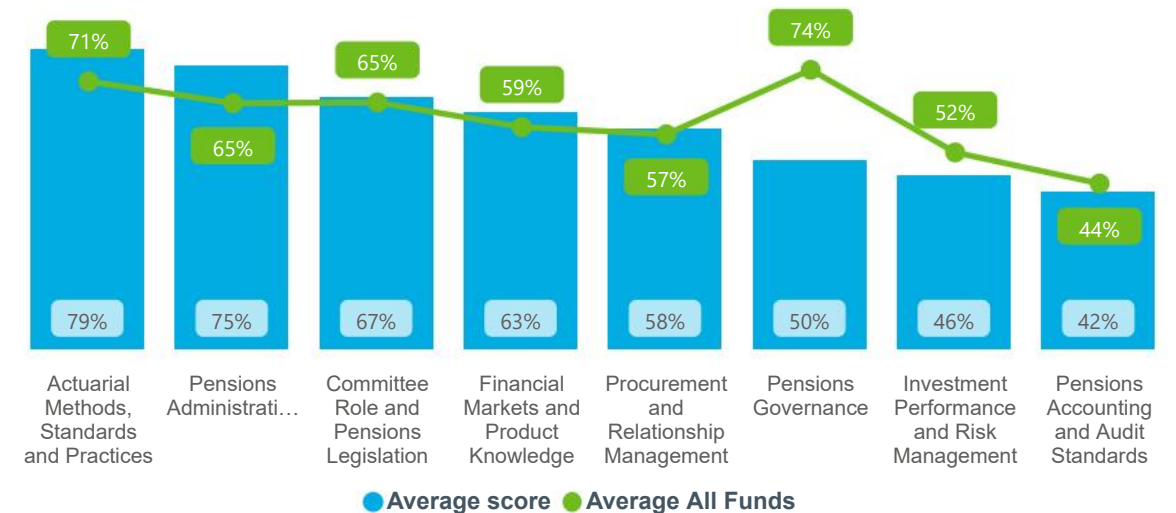
It’s clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Investment Performance and Risk Management and Pensions Accounting and Audit Standards would be a sensible focus of training for the Committee.

- Similarly, from the Board chart it can be seen that the highest scoring areas were Actuarial Methods, Standards and Practices and Pensions Administration.
- The Scores between Norfolk Pension Fund and all other Funds diverged the most in the Pensions Governance, when the Average All Funds was 24 % higher than Average score.
- Across all sections, Norfolk Pension Fund Board score ranged from 42 % to 79 % and the average for all other funds ranged from 44 % and 74 %.

Pension Committee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



Commentary on results

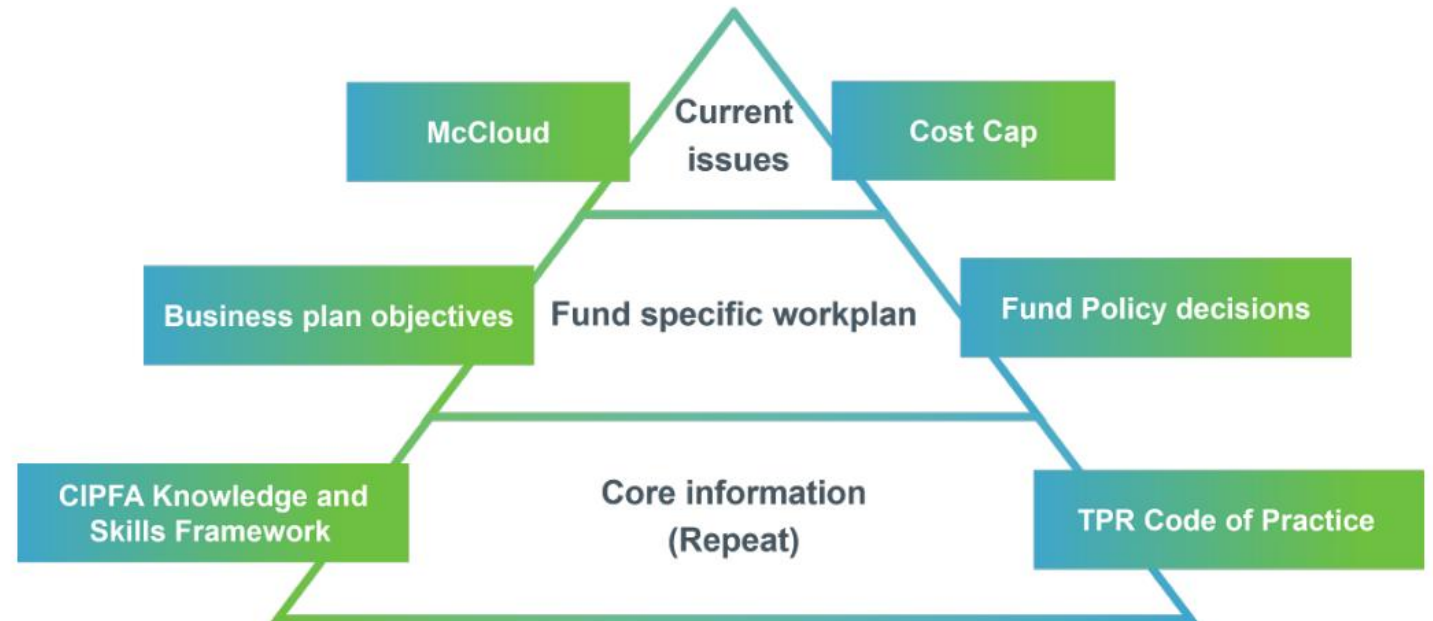
It's encouraging that 9 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Committee

The results show that Pensions Administration and Pensions Governance have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Committee. Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards.

In general, the Committee's performance relative to all other committees was strong.

When looking at the benchmarking results against the other participating funds, the Committee ranked 2 out of 16 Funds' Committee results.

Local Pension Board

The results show that Actuarial Methods, Standards and Practices and Pensions Administration have the highest levels of knowledge, but the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Board.

Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards. The Board's performance relative to all other committees was weak. In terms of benchmarking results against the other participating funds, the Board ranked 10 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



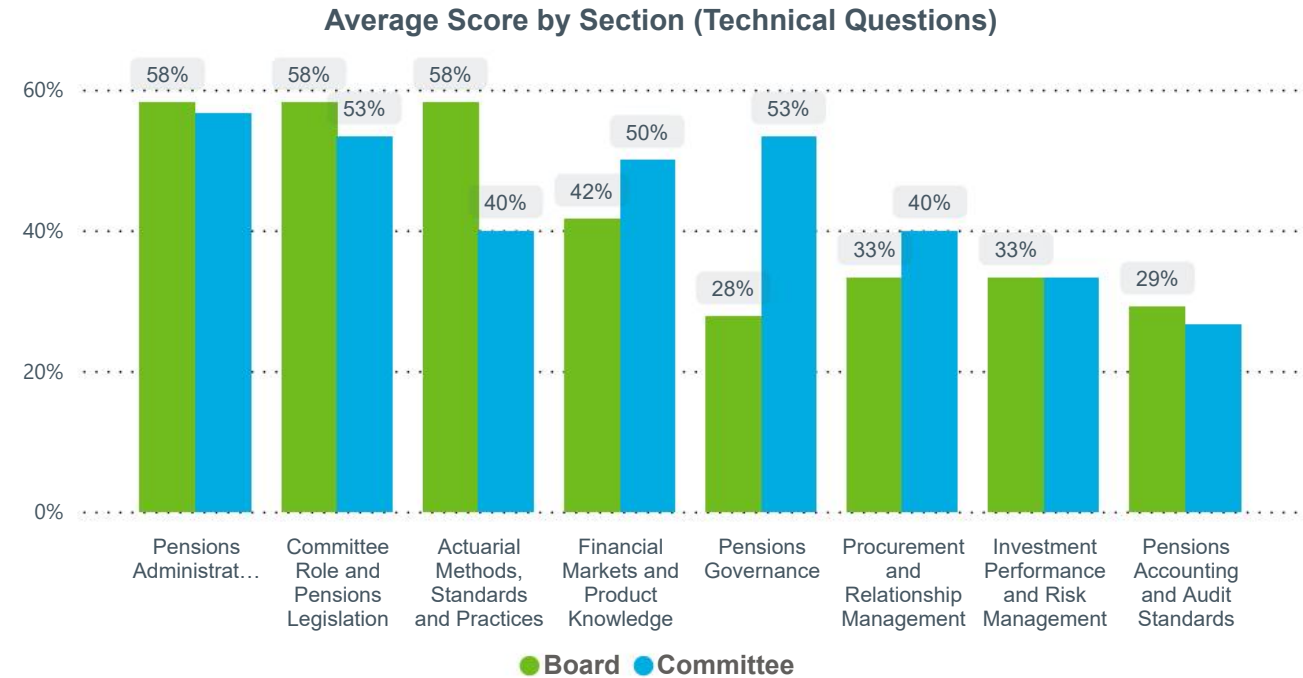
From this chart, the lowest scoring area was Decision Making. Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

Technical – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.



Pensions Accounting and Audit Standards was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

Comparison with 2020 Results

The Norfolk Pension Fund also took part in the 2020 National Knowledge Assessment. The results for each of the 8 topics can be compared to measure progress in each area.

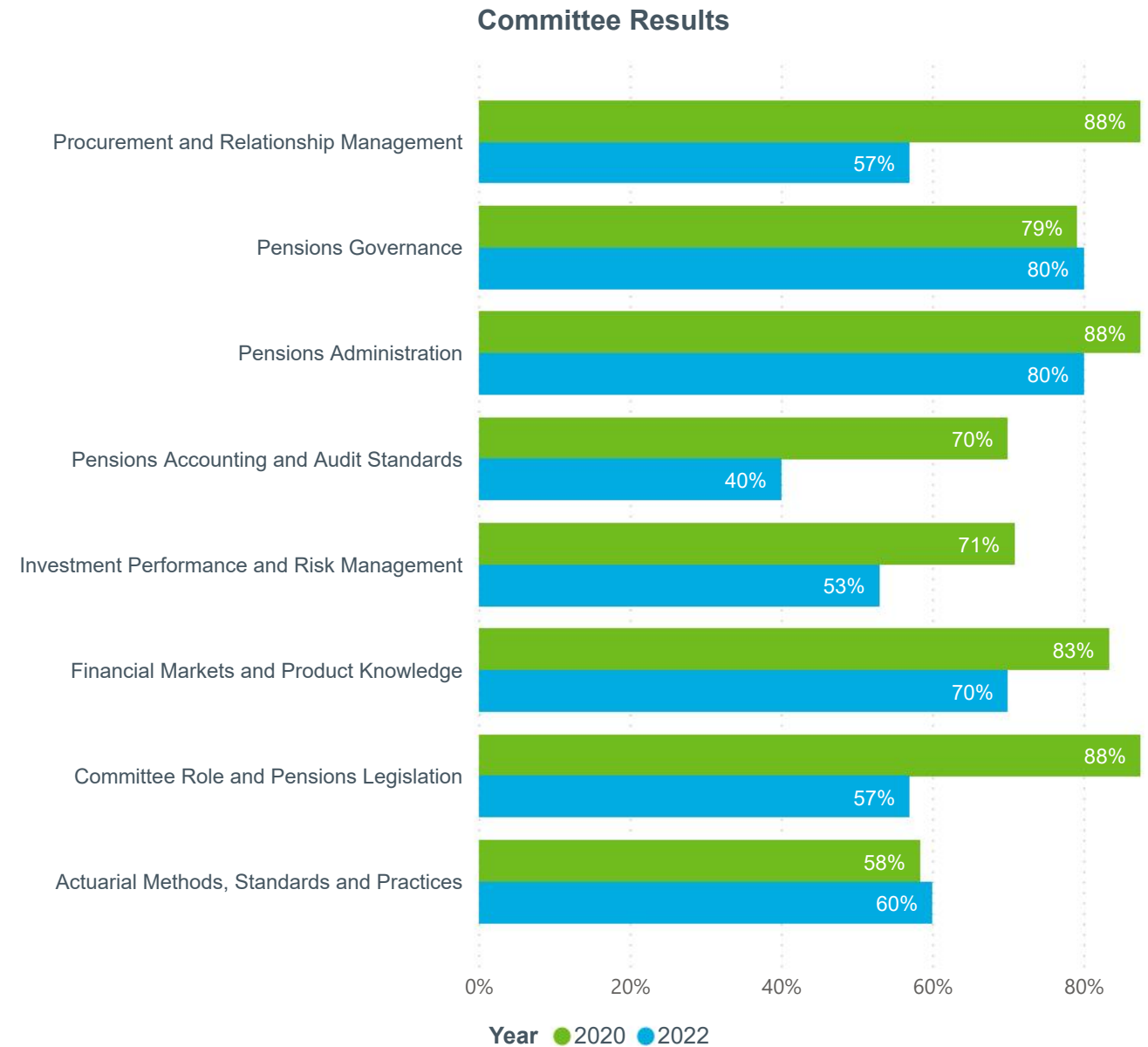
This is shown in the following charts.

The average score for each topic this year is compared with that from the 2020 assessment. This has been broken down to show the results for the Committee and Board separately.

It's worth noting that while there will be differences in the members who actually participated in each assessment, it's the collective knowledge of each group which is important.

The area which knowledge appears to have developed most for the Committee concerns [\[link\]](#) which is encouraging.

On the other hand, knowledge levels seem to have regressed in [\[link\]](#).

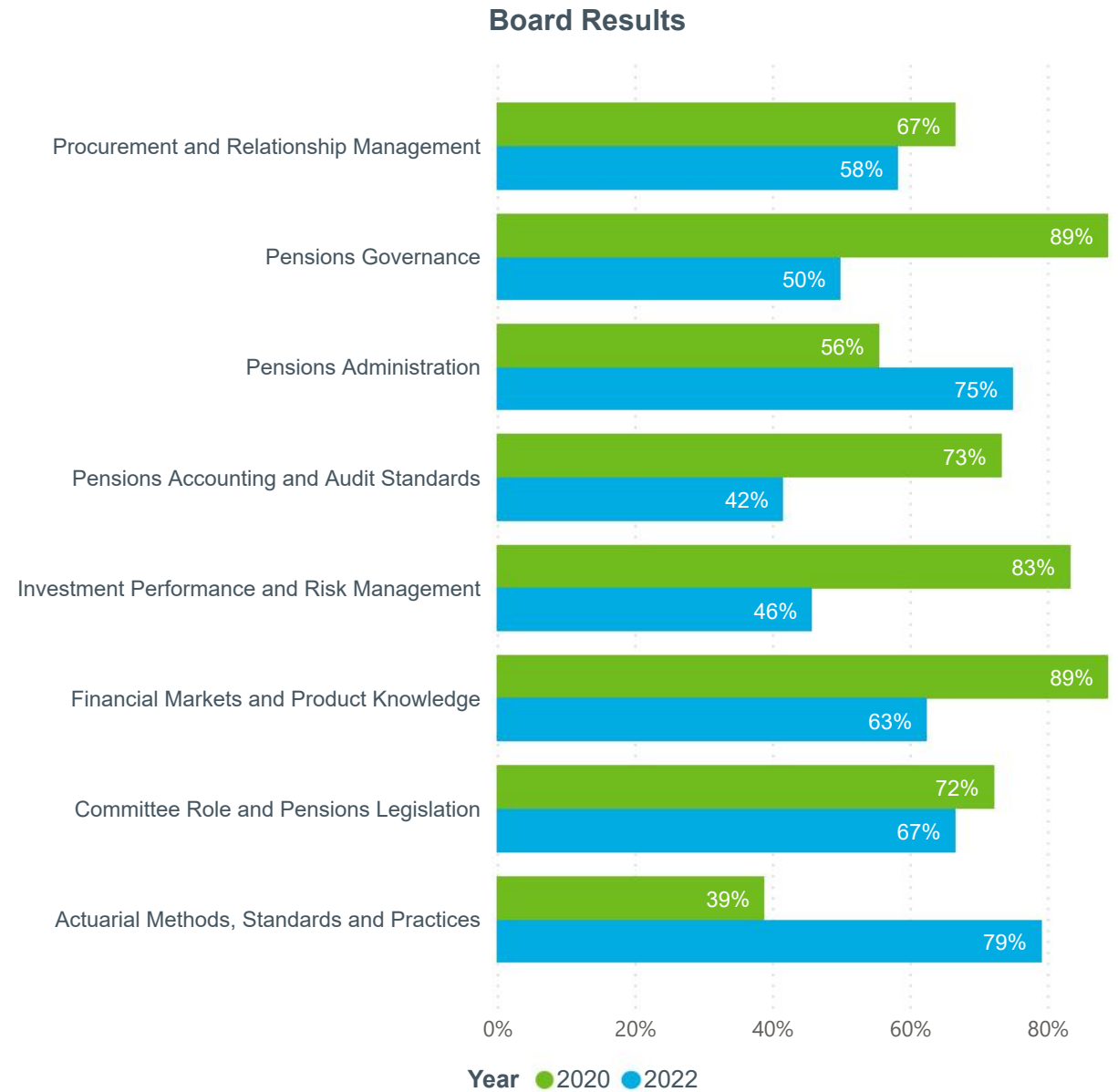


The same comparison can be made for the Board. The chart on the right shows these results.

The area which knowledge appears to have developed most for the Board concerns Actuarial Methods, Standards and Practices which is encouraging. On the other hand, knowledge levels seem to have regressed in Pensions Governance.

It's worth noting that the underlying questions have changed between both assessments, and for the 2022 assessment there was an additional option given to answer "I have no knowledge of this area", whereas in 2020 that option was not there.

This might account for some small differences in the results.



Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the Norfolk Pension Fund, as a proportion of those who could have responded.

Role	Participants	Total Number	2022 Participation Rate	2020 Participation Rate
Board	4	7	57%	43%
Committee	5	8	63%	50%

Fund

2022 Overall engagement



Engagement

That 9 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a expected level; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

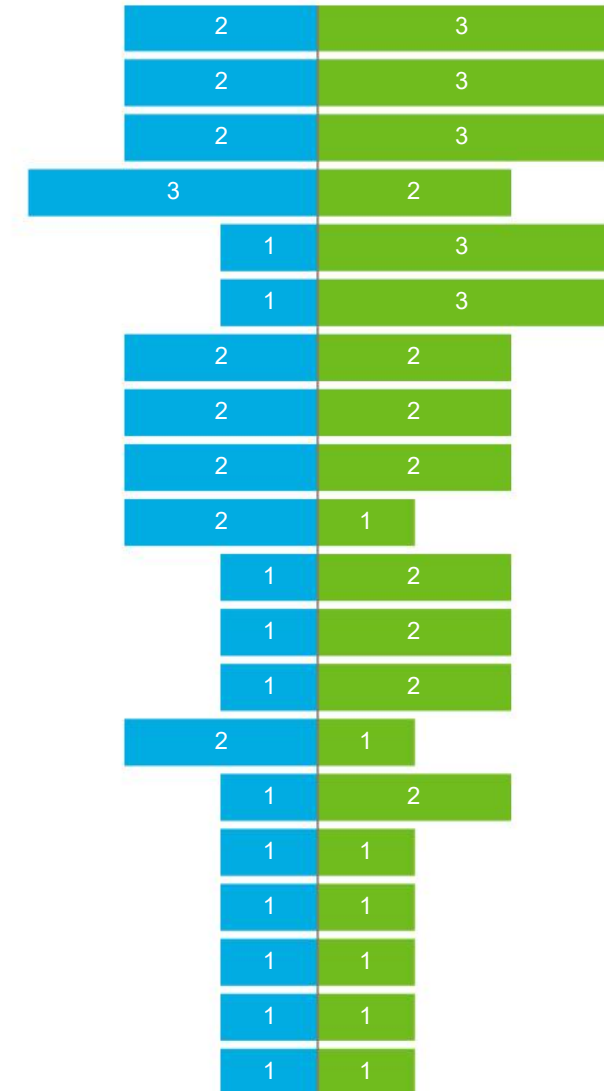
The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

Training requirements

● Board ● Committee

Financial Markets and Product Knowledge
Good Governance
Investment Performance and Risk Managem...
Levelling up and impact investing
Actuarial Methods, Standards and Practices
Committee Role and Pensions Legislation
Pension Dashboards
Pensions Accounting and Audit Standards
Pensions Governance
Cyber security
Environmental, Social and Governance / Res...
LGPS Code of transparency
Pensions Administration
Section 13
The Pensions Regulator Code of Practice
Illiquid asset training
McCloud impacts
Pension Scams
Procurement and Relationship Management
Task Force on Climate-related Financial Discl...



Training plan

Based on the results from this assessment, we have prepared the adjacent draft 'core' training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page '**Commentary on results**', we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were Financial Markets and Product Knowledge and Good Governance.

More detail is shown in the chart on the previous page.

Training Plan - Norfolk Pension Fund - January 2023 to June 2024

<p>Q1 2023</p> <p>Core topic: Accounting & Audit Standards</p> <p>Providing a general understanding of the Accounts and Audit Regulations and the role of internal and external audit</p> <p>Hot Topic: TCFD, 2023 Valuation conclusion and Fund business plan session</p>	<p>Q2 2023</p> <p>Core topic: Investment Performance</p> <p>Providing a general understanding of the relationship between assets and liabilities, the Myners principles and the structure, operation and purpose of investment pooling arrangements</p> <p>Hot Topic: Good Governance (expected in this quarter) and McCloud remedy</p>
<p>Q3 2023</p> <p>Core topic: Procurement & Relationship</p> <p>Providing a general understanding of the public procurement requirement as they apply to the LGPS, and how performance of suppliers can be monitored</p> <p>Hot Topic: Pension Dashboard, Cyber security and Levelling update agenda</p>	<p>Q4 2023</p> <p>Core topic: Committee Role and Legislation</p> <p>Providing overview of committee's role and a general understanding of the legislative framework as it applies to the LGPS, in line with CIPFA Knowledge & Skills Framework</p> <p>Hot Topic: Pension scams</p>
<p>Q1 2024</p> <p>Core topic: Financial Markets and Product</p> <p>Providing a general understanding of the risk and return characteristics of the main asset classes, the workings of the financial markets and available investment vehicles and the importance of the Fund's ISS and investment strategy decisions</p> <p>Hot Topic: Cost transparency</p>	<p>Q2 2024</p> <p>Core topic: Actuarial Methods</p> <p>Providing a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)</p> <p>Hot Topic: Good Governance (update)</p>

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Andrew McKerns



Senior LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson



LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Norfolk Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.

A desert landscape with mountains and a stack of colorful rocks. The sky is a mix of blue, purple, and pink, suggesting a sunset or sunrise. The mountains are dark and rugged. The foreground is a sandy desert with sparse green and brown shrubs. On the right side, there is a tall stack of six colorful rocks: yellow, green, blue, pink, and orange.

LGPS National Knowledge Assessment

National Report 2022

START

Executive Summary

We're delighted to share the results from the 2022 National Knowledge Assessment (NKA). Informed decision making and informed scrutiny remain the key functions of Pensions Committees and Boards in the LGPS. To perform their role effectively, Committee and Board members must be suitably informed and knowledgeable in the key areas within which decisions are taken and details scrutinised.

This is the second national assessment we've conducted and follows on from the **2020 assessment**. The goal of the assessment remains unchanged – to provide insight into the level of knowledge and skills of LGPS Committee and Pension Board members. Analysis is provided on an individual, group collective, local fund and national level to all LGPS funds.

Against the backdrop of The Pensions Regulator's (TPR) upcoming single Code of Practice, the England and Wales Scheme Advisory Board's (SAB) Good Governance recommendations, and increased expectations for good service delivery from members and employers, the governance landscape in the LGPS continues to change at pace. In the past few years, it has become increasingly important to be able to demonstrate that decision makers have the collective knowledge to fulfil their roles and responsibilities effectively. The key aim is to ensure the successful delivery of one of the most important benefits to local government workers – their pension.

Our key findings from the 2022 assessment

- **Increased knowledge in Governance and Administration** - the levels of knowledge in the 'traditional' Committee and Pension Board topics of Investment and Financial markets have reduced. Sections where we have previously seen lower knowledge levels, such as Administration, Governance and Actuarial methods, standards and practices have seen an improvement. However, many participating funds are at the beginning of their Pension Committee cycle which is likely to have impacted the current group knowledge level.
- **Engagement is improving** - we measure engagement by looking at the number of assessments completed against the number of Committee and Board members who had access to the assessment. Overall engagement for the 2022 assessment was 73% compared to 61% from the 2020 assessment.
- **The right people have their hands on the wheel** - encouragingly, knowledge levels of the Chairs are notably higher in most areas than those of other Committee and Pension Board members.
- **Knowledge spread** - analysis indicates that even where a Committee or Board has a low average score, there are still individuals who have sufficient knowledge levels in each area. Collective knowledge at LGPS funds is good and demonstrates robustness within current governance arrangements.



What should funds do next?

1. Ensure they have assessed the current knowledge levels of their Committee and Pension Board.
2. Use the results to identify weaker areas of knowledge and formulate a detailed, tailored training plan, utilising a variety of training delivery methods.
3. Ensure that these plans are monitored and tracked and record all Committee and Pension Board training.

We hope you find this report insightful. If you would like to discuss any of our findings further, please don't hesitate to contact us.



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2022 highlights

16 

funds participated

200+ 

assessments completed

48 

questions across

8

topics

73% 

Engagement levels

(up by 12% on 2020)

Excellent 
score for chairs

55%

Average score

Top scoring section 
Governance

Thoughts from The Pensions Regulator

Nick Gannon
Policy Delivery Lead

TPR was given the responsibility of regulating public service schemes, including the LGPS, from 2015. In the time since our awareness of the challenges facing the various schemes has grown significantly.

Our code of practice for public service schemes, soon to be replaced with an updated code, sets our expectations for the standards of governance that we expect from public service schemes. Our expectations of the LGPS are no different, but those implementing them may face additional local challenges. This is perhaps why we have paid more attention to LGPS funds, most obviously in our programme of deep dives in 2019.

We recognise that every LGPS fund is different, and there are a variety of equally valid approaches to governance used across them. It is important that all parties involved in governance are aligned, and the various individuals, boards, and committees should seek to collaborate, not compete. Regular contact between those involved in scheme governance and operations is helpful. An open dialogue outside of formal meetings can help to share knowledge, and improve both governance and administration.

Turnover of those with governance responsibilities is a significant issue for any pension scheme. This is especially true of the LGPS. Electoral cycles and changing committee membership can lead to the unexpected departure of key members of the governing body. Good succession planning and clearly recorded processes help mitigate this risk.

Scheme managers should be aware of the risks from turnover and plan accordingly. A key part of this is ensuring that training needs are assessed, and that training is delivered and then clearly recorded. This is especially true at appointment, and perhaps before appointment, for new Board and Committee members so that they are swiftly able to fully contribute to the governance of the scheme. It is also an important feature of being able to identify the risk of, and then mitigate, the loss of key individuals.

Pension scheme governance is challenging and requires more than just a knowledge of pensions. However, such knowledge provides the basis through which to assess the policies, procedures and operations of a scheme and, ultimately, how well it is run.

“The National Knowledge Assessment provided West Yorkshire Pension Fund with a strong indication of knowledge levels and allowed us to accurately tailor our training plans. I believe it’s important to carry out this type of assessment to ensure our Fund is on track with its training goals.”

Yunus Gajra

West Yorkshire Pension Fund

Introduction

As always, local elections have led to some significant changes in membership of Pension Committees, making induction training for new members a key focus for many funds. It’s essential that new Committee (and Board) members are quickly introduced to their LGPS roles and responsibilities and can become effective decision makers and scrutinisers of their LGPS Fund.

While many Committees have seen continuity through the retention of some members, any change in membership inevitably leads to a loss in knowledge. However, these membership changes also present an opportunity to provide fresh insight and experience to the Fund. New members to LGPS Committees and Boards may well bring knowledge and experience from other fields, which is beneficial to their funds.

It’s within this context of change – both in membership and the LGPS landscape as a whole – that our second National Knowledge Assessment has been conducted.

Participation

Having assessed over 200 members participating across 16 LGPS funds, the NKA provides a clear indication and insight of national knowledge levels for the decision makers within the LGPS.

The breakdown on participants as at November 2022 is shown below.

	Chair	Member	Total
Committee	10	112	122
Board	16	72	88

“*Merseyside Pension Fund recognises the importance of regular knowledge and skills assessment to inform its training programme and Hymans’ National Knowledge Assessment provides not only our local knowledge position but enables us to benchmark against a National position.*”

Peter Wallach

Merseyside Pension Fund

Measuring engagement

An often used but nonetheless true statement is that pensions, governance and investment requirements are continually evolving. Engagement is vital for effective, informed decision making and maintaining strong collective knowledge within both groups.

As part of the assessment, we provided participating funds with a benchmark position on the level of engagement from both their Committee and Pension Board. This is a crucial insight for funds as a strong set of results based only on the knowledge performance of a small number of participants would not tell the full story. Understanding your engagement levels in comparison to your peers helps to round that insight.

This assessment was taken in participants own time. We’re delighted that over 70% of those eligible to respond chose to do so.

Why does knowledge and skills matter?

In recent years, several events have seen a marked increase in the scrutiny of public service pension schemes. The below are the ‘roots’ of the National Knowledge Assessment:

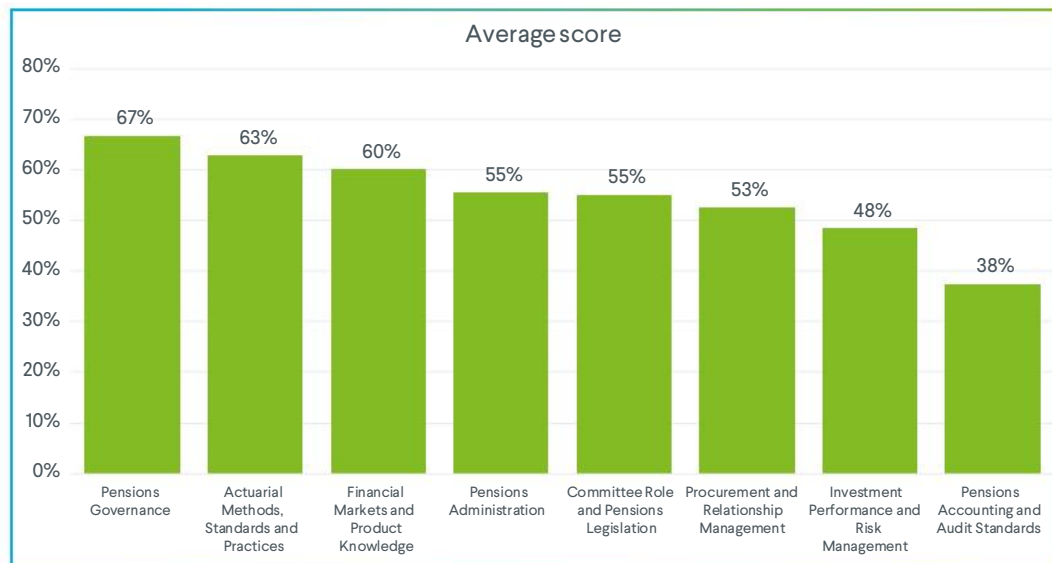
- TPR – Pension Board knowledge requirements
- MIFID II – evidence of Committee training
- TPR 21st Century Trustee campaign
- SAB (England & Wales only) Good Governance project
- (upcoming) TPR Single Code of Practice

These recent events have reaffirmed why LGPS funds need to evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

The results

An overview

The overall results from the 16 participating funds are shown below. The chart shows the average number of correct answers in each section across all respondents. Each section consists of 6 multiple choice questions.



From these results it's very encouraging to see that Governance was the highest scoring section. There has been increased emphasis on governance in the LGPS recently. With the Good Governance consultation expected in early 2023, many English and Welsh funds have been reviewing their governance arrangements, and building awareness of these issues within their Committee, Board and Officer groups. It's pleasing to see that these efforts have built a strong knowledge foundation in governance-related issues.

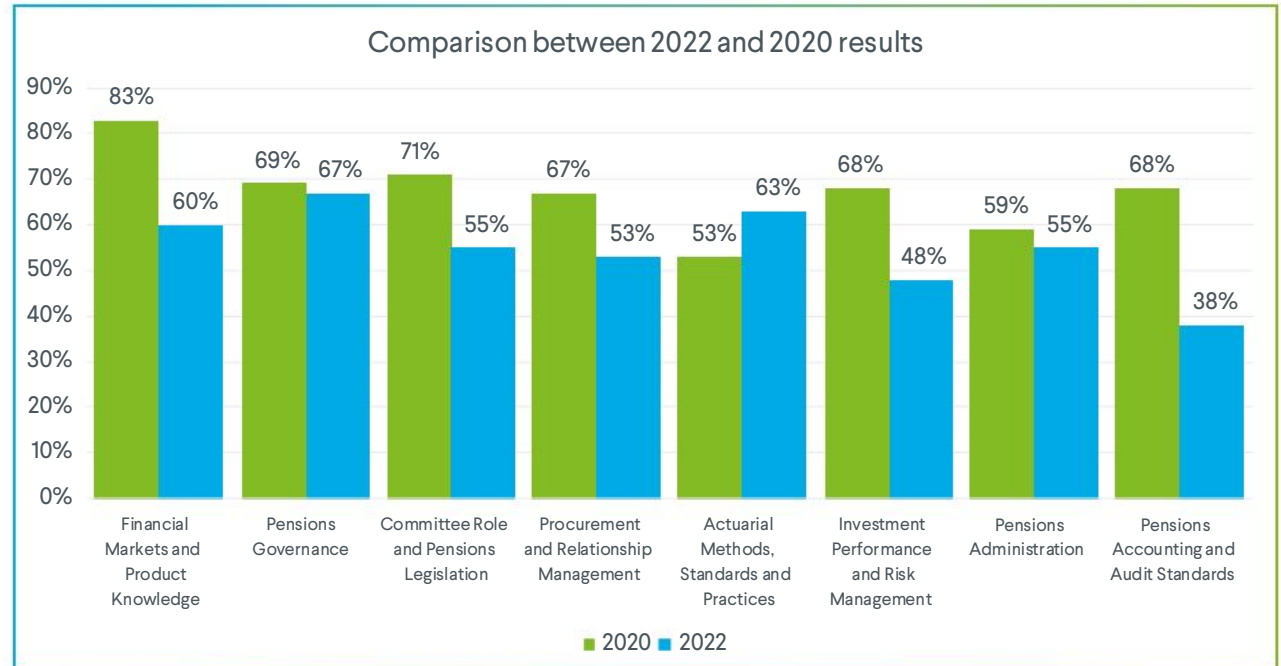
It's surprising that Actuarial Methods has scored so well this time, as it was the lowest scoring section in the 2020 Assessment. With the actuarial valuation in progress for English and Welsh funds, the increased awareness and focus on actuarial matters during Committee and Board meetings, knowledge levels in this area have clearly been developed.

The scores in pensions accounting were notably lower than those in all other areas but this has been a challenging training area for many funds. The section on investment performance also saw low scores. This is historically an area to which most time was devoted during meetings, particularly for the Committee.

Progress vs 2020 Assessment scores (average scores)

We now have the benefit of the data gathered from the last National Assessment and have compared that information with the 2022 results.

The results show that there is a reduction in scores across all sections, apart from actuarial methods, where the scores have increased. The most marked reductions in knowledge levels are in the areas of Financial Markets & Product Knowledge, Investment Performance & Risk Management and Pensions Accounting & Audit Standards.



Possible factors for the reduction in knowledge

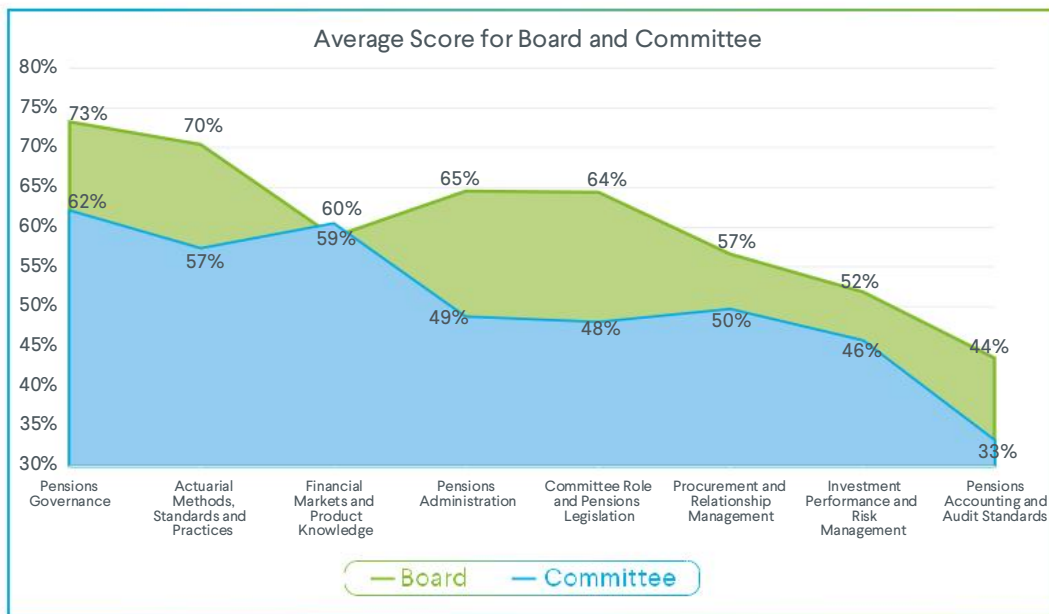
It should be noted that these results are not an absolute comparison. There are several factors which have changed between the two assessment dates, including:

- The 2020 assessment took place near the end of the Committee cycle for most LGPS funds. The assumption being that these members had received more training sessions and meeting packs to increase their knowledge levels. However, the 2022 assessment has taken place at the start of the Committee cycle for most LGPS funds and therefore, we have many newer members with notably less LGPS experience.
- The participating funds are slightly different, although the overall number is similar.

- The members of Committee and Boards have changed, so a different population of members have been assessed.
- All questions have been updated, although kept at a similar difficulty level.
- The option of answering “I have no knowledge in this area” was added in the 2022 assessment, which was not present in the 2020 assessment. Some allowance is needed for correctly ‘guessed’ answers in the 2020 assessment results.

Board vs Committee

To analyse the results in more detail, we've also split the responses between the Committee and the Board. The comparison between the Committee and Board scores is shown below.



At a national level, Board members outperformed Committee members in all areas, except in Financial Markets and Product Knowledge, where scores were similar. This indicates that knowledge levels are strong within Pension Boards, with only one section scoring less than 50%. The Boards' scores are very encouraging given the statutory requirement to attain a certain level of knowledge to perform their role.

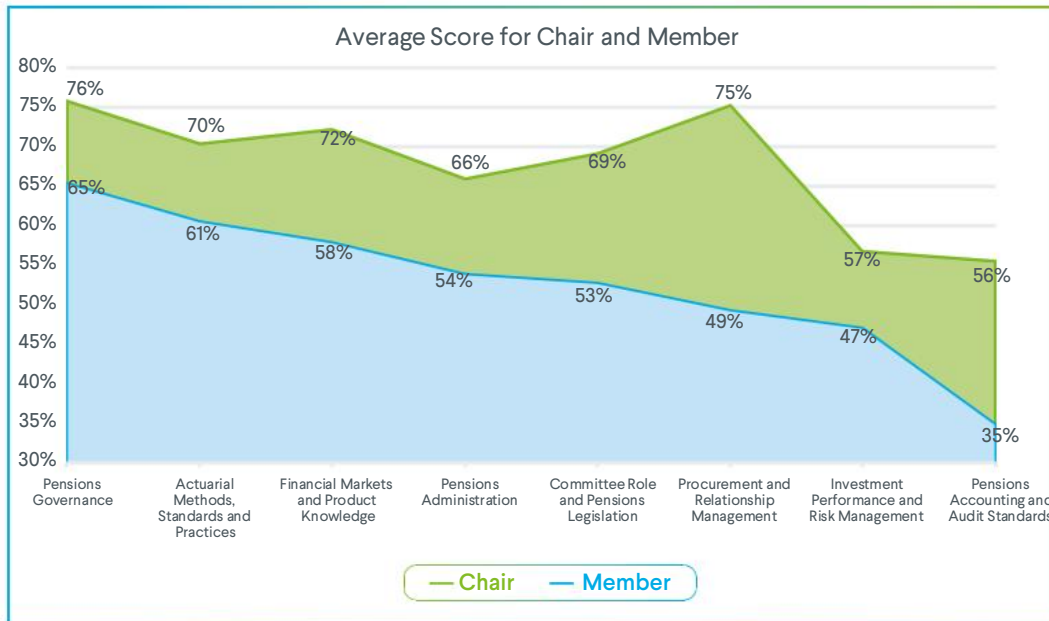
Conversely, for Committees, there were five out of the eight topics assessed where the score was 50% or less. While there is not yet the same statutory requirement for Committee knowledge levels, this does indicate there is work to do to increase knowledge levels for Committee members across a range of topics.

The biggest differences in knowledge were in the areas of Pensions Administration, and the role of the Committee and Pensions Legislation.

There was not the same disparity between the Committee and Board results in the 2020 assessment, where there was no clear outperformance of either group.

Chairs vs Members

We also looked in detail at the scores between the Chairs of the Committees and Boards, versus the rest of the membership.



There is a clear pattern of outperformance by the Chairs in all sections of the assessment. There is not one section where the average score for the Chair is less than 50%. Indeed, the lowest scoring section still achieved an average score of 56%. This is consistent with the findings of the 2020 Assessment.

This would be expected given the role of the Chair and that these individuals will be the more experienced members of the group, often bringing external, relevant experience to the role. Part of the role of the Chair is to help drive standards and focus discussions, and the demonstration of higher knowledge levels is an important requirement.

These results are very welcome and indicate that LGPS Committee and Board Chairs have a good broad knowledge of all topic areas assessed.

“ We were really pleased that Hymans Robertson decided to repeat its National Knowledge Assessment – it is a really excellent, practical addition to our training and assessment tools to support our Pension Committee and Pension Board.”

Jo Quarterman

Norfolk Pension Fund

Spread of 'collective' knowledge vs Chairs

TPR and SAB continually advise that members of Committees and Boards are not expected to be subject matter experts but should have the knowledge to question and seek assurance. Pension Board members are expected to have an individual level of knowledge and understanding sufficient to carry out their roles, however, this does not preclude the idea that within Committees and Boards the absolute level of knowledge of individuals may vary.

Within Committees and Boards, it is reasonable to consider **collective** knowledge of all relevant areas, demonstrating the strength within the group. It's too simplistic just to say that the average score in a particular section is the only indicator of knowledge levels of the Board and Committee. What also matters is the **spread of knowledge** within the groups of members. If there are two or three well-informed individuals in a particular subject area, then they can guide the group, and use their expertise to focus discussion and ask the pertinent questions.

This is particularly true of funds with low average scores. While the average score for a particular section might be low, there are still one or two knowledgeable members within the group that can lead and support the other members to attain a higher level of understanding.

With this in mind, we have further analysed a selection of participant funds and examined their top scores within each section. We have also analysed how this is spread throughout the Committee/Board.



Analysis

We looked at this in two ways:

- The number of respondents who correctly answered a minimum of five out of six questions in at least one of the eight sections.
- The number of people who featured as one of the top three scorers in any section.

Looking at these statistics provides an indication of the spread of knowledge within the groups.

Those who scored at least 5 out of 6

We measured those funds who answered at least five out of the six questions in a section correctly, giving them a score of at least 80% in that section.

Of the funds analysed:

- On average, two thirds of respondents got at least five out of six questions correct in any of the eight sections assessed – scoring at least 80%.
- When the analysis is extended, around half of respondents in each Fund scored at least 80% in two sections or more.

This indicates that many respondents scored highly across multiple sections, meaning that there is a good spread of knowledge.

Scored more than 80% in at least 1 section



Scored more than 80% in at least 2 sections





Those who featured in top three

Similarly, on average, two thirds of respondents were in the top three scorers for at least one section. In many cases, the same people were in the top three scorers across multiple sections. Conversely, one third of participants did not feature in the top three results of any section.

Top 3 scorer for Fund in a section

Proportion who feature in top 3 scorers in 1 section or more
66%



Proportion who are not a top 3 scorer in any section
34%

This indicates a good spread of knowledge throughout Committees and Boards, but that there are individuals where the knowledge levels could be improved across the spectrum of topics covered. A spread of knowledge is to be welcomed but there is a risk if too much reliance is placed on a small number of individuals.

In conclusion, this analysis showed:

- There are some well-informed members across all sections.
- For some funds, there are two or three well-informed members for each section, with the “experts” varying depending on the section.

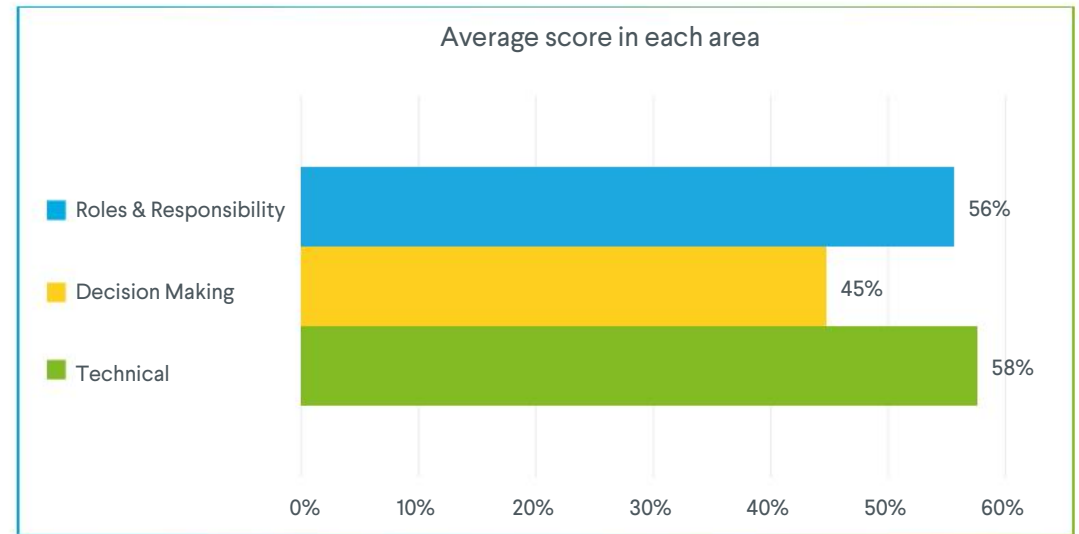
Technical, Roles and Responsibility and Decision Making

Question Categories

In order to gain further insight into the Committee and Board knowledge and understanding, the questions posed in the assessment covered three distinct areas. These were:

- Technical – 66% of questions
- Decision making – 17% of questions
- Roles and responsibilities – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. At a national level the average correct score for each of these sections was:



These results indicate that information relating to decision making at LGPS funds should be a consideration for Officers when developing training plans.



Engagement

The strongest measure of good governance at LGPS funds relates to training and assessment engagement levels. Regardless of tenure, experience or current knowledge levels, the landscape, regulations and requirements of the LGPS changes so quickly (and often) that developing and enhancing knowledge and skills is a continual part of the role.

An engaged Committee and Board will be much more likely to keep up to date with recent developments and key issues. It's also more likely to be well-informed having done the necessary background reading and participating actively in training sessions.

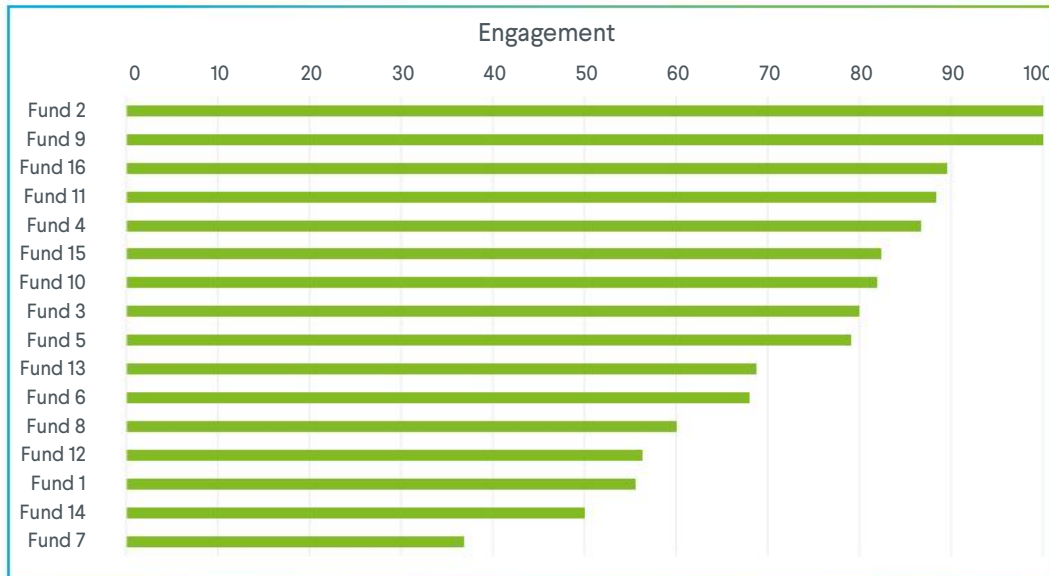
Overall engagement

As a measure of engagement, we looked at the number of respondents, as a proportion of those who were invited to participate, from each Fund. At a national level, the participation rate was over 70%, which is excellent. This is a marked improvement from the 2020 engagement levels as demonstrated below.

	Overall	Board	Committee
2022 participation rate	73%	77%	71%
2020 participation rate	61%	67%	58%

Fund specific engagement levels

It's also hugely encouraging that for half of the funds who took part, at least 80% of members eligible to participate, did so. There is, however, significant variance in engagement levels between individual funds, with the lower scores being a concern. With a sample of 16 funds, we feel these results are indicative of the spread of engagement across the whole LGPS.



Improving engagement levels

There are many ways in which funds can help promote engagement. Some suggestions would be:

Training plans tailored to needs

Having a targeted training plan for individuals or the different groups will help them feel that the training is relevant and avoid using valuable training time to go over familiar ground.

Vary training delivery

There is absolutely a place for face-to-face sessions. These should always allow time for questions to be asked and clarification of information as required. We recommend that this is balanced with easily accessible on-demand learning, which allows members to access training at a time that is convenient for them.

Keep training interactive

Experience and feedback we have gathered suggests that short, concise sessions are most beneficial. Shorter, regular sessions are of more benefit than long, intermittent sessions. Follow up knowledge checks are a good way of measuring the effectiveness of sessions.

Provide options

People learn and absorb information in different ways. This should be acknowledged when planning and delivering sessions. There should be variation in the

Insight into the questions

Highest scoring questions

We have picked out the top 3 questions in terms of correct answers from participants:

7.1 Volatility is a measure of

- The value of collateral calls on a derivative contract over 1 year
- The greatest fall in the value of an investment over time
- The level of staff turnover in a portfolio management team
- **The level of fluctuation in the investment returns of an asset over time in normal circumstances**
- I currently have no knowledge relating to this topic

8.1 Formal actuarial valuations of individual LGPS funds must be carried out every

- 2 years
- **3 years**
- 4 years
- 5 years
- I currently have no knowledge relating to this topic

2.6 Breaches of the law should be recorded by the Fund:

- When it is likely to be of material significance to The Pensions Regulator
- When there is a financial loss to the Fund
- When it is likely to lead to legal action
- **On all occasions even if not likely to be of material significance to The Pensions Regulator**
- I currently have no knowledge relating to this topic

These 3 questions with most correct answers were spread over 3 different topics. In each case they were answered correctly by **more than 80% of respondents**

Lowest scoring questions

Similarly, we have picked out the 3 questions which were answered most poorly overall:

4.3 Who decides on the assumptions used to prepare an organisation's pension accounts?

- The fund actuary
- The pension fund
- **Scheme employer**
- The auditor
- I currently have no knowledge relating to this topic

1.6 Which of the following is not an appropriate way for an administering authority to discharge its LGPS decision making responsibilities?

- Delegate all responsibilities to a Pension Committee / Panel
- **Delegate investment responsibilities to a Committee / Panel and administration and governance responsibilities to the Local Pension Board**
- Delegate overall responsibility to a Pension Committee / Panel and specific investment matters to a sub-committee
- Delegate all responsibilities to officers who are advised by an advisory committee
- I currently have no knowledge relating to this topic

5.4 The Markets in Financial Instruments Directive (MiFID II) automatically assumes LGPS funds are "retail investors" which strictly limits the types of products funds can invest in. In order for your Fund to have access to a much broader range of investment products, _____ are required to test whether the Committee / Panel have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

- Pension fund officers
- Fund actuaries
- Council procurement officers
- **Asset managers**
- I currently have no knowledge relating to this topic

These 3 questions were answered correctly by less than 25% of respondents.

Training feedback from participants

Another tool available to funds to encourage and improve engagement, is responding to specific feedback or training requests. As part of the NKA, we requested that participants indicate the subject areas in which they would most value training.



It is perhaps surprising that the topic 'Committee Role and Pension Legislation' is the most requested topic, given the majority of respondents are Committee members, and that this was generally one of the higher scoring sections. This information possibly points to some uncertainty about certain aspects of the role and current pension legislation.

Governance and the specific topic 'Good Governance' also feature near the top, reflecting the strong emphasis of this area from TPR and Scheme Advisory Boards. Similarly, Cyber security is an area of increasing focus and one which further training and support is required.

Training support

Tools such as this online assessment offer different ways for members to take part in training. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training](#)
- [LGA monthly bulletins](#)
- [LGPS Online Learning Academy](#)

LGPS Online Learning Academy

Released in June 2021, the LGPS Online Learning Academy (LOLA) is already used by over 35 LGPS funds. Providing funds with a platform that allows the retention of all training data, tracking skills and engagement levels and on demand video services (with regular 'hot topic' videos).

Our upcoming platform improvements will see the LOLA topic areas mirror the 8 topic areas of the NKA, with applicable jargon busters and knowledge checks for each area.

The benefits of going online:

- Short and engaging 10 - 20 minute videos with extra learning materials
- Members can go at their own pace
- Regular reporting to funds on progress of their members
- Funds can easily evidence their members' knowledge and skills
- Limits the need for officers to create training material
- More cost effective than delivering training in person
- New members can instantly benefit from training or repeating sessions without going through a full cycle of meetings

Conclusion

This second National Knowledge Assessment has provided a marker for LGPS funds to measure where they are now, how their position has developed since the last National Knowledge Assessment, and how they can measure progress.

While we work towards improving individual Committee and Board members knowledge and skills, results show that as a collective, both groups have the necessary skills to perform their duties. Improvement in engagement is very encouraging and indicates the seriousness with which key stakeholders view their training and assessment requirements. While there are many insights that funds can take from their results, having strong engagement numbers is pivotal for their future training plans. Being top of that table is a big win!

We would recommend that funds take the following action:

- 1 Ensure that they have detailed, and targeted training plans in place, and that attendance at training and development sessions is recorded and monitored for each individual member in the training log.
- 2 Assess the tools available to support with training delivery.
- 3 Consider ways of maintaining and increasing the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes, newsletters etc.
- 4 Ensure that the Fund's training strategy is up to date and appropriate for purpose.

We thank the initial 16 funds and the Committee and Board members who participated in this assessment and look forward to assisting in the development of their training plans.

Appendix - Methodology

Participants were invited to complete the same set of 48 questions on the 8 areas below:

1. Committee Role and Pensions Legislation
2. Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Audit Standards
5. Procurement and Relationship Management
6. Investment Performance and Risk Management
7. Financial Markets and Product Knowledge
8. Actuarial Methods, Standards and Practices

The questions posed were split into 3 categories:

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. The goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice, and crucially to help inform you of the overall levels of knowledge in each area.

The subject areas exactly mirror those that were used in the National Knowledge Assessment in 2020. This allows a comparison to be made between both assessments and for results to be benchmarked against the 2020 NKA.

Officer Representation on behalf of the Pension Fund

During the period since the last Pension Committee, the following meetings and events have occurred – some meetings were still ‘virtual’ due to the Covid-19 Pandemic and rail strikes:

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

ACCESS regular meetings

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

Other regular meetings

DK attends SECSOG (monthly)

Investment / Fund Managers

Monthly updates with GC/AY

National LGPS Frameworks

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

Regular Webinars

LGPS Live Webinar Series

Other meetings and events

Date	What	Who
Nov		
29	Employer Forum	All & Fund Actuary
Dec		
8	Valuation meeting day with specific employers	AY & Fund Actuary
15	LAPF Awards	JQ/LT/KW
21	Bailie Gifford Review Meeting	AY
Jan		
13	Heywood follow-up meeting	GC/JQ/DK
18	Webinar 2022 LGPS NKA results	JQ/EW
18	Infracapital Quarterly Call	AY
19/20	LGA Conference (attended Virtually)	GC/JQ/EW
26	Capital International – Review Meeting (GHIO & Global Equity)	AY/CA
27	Equitix Review Meeting	AY
30	Real Estate Cross Pool Meeting	AY
Feb		
3	Link Investor Day	GC/AY/JO/BW
10	S151 Officer Meeting	GC
23	Presenting at PLSA Webinar - Better Communications with the LGPS	JQ
27	Aviva Infrastructure – Quarterly Investor Call	AY
March		
22	PLSA meeting	JQ

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

Pensions Committee forward programme – as at 21 March 2023

Pensions Committee	Pensions Committee	Pensions Committee	Pensions Committee	Committee Training
13 June 2023	12 September 2023	5 December 2023	12 March 2024	
Administration Report	Administration Report	Administration Report	Administration Report	<ul style="list-style-type: none"> • Risk Attitude/Boundaries • Valuation • TCFD • LGSP Pooling • LGPS Good Governance • tPR's Combined Code • Enhanced Yield Assets
Update from Pensions Oversight Board	Update from Pensions Oversight Board	Update from Pensions Oversight Board	Update from Pensions Oversight Board	
ACCESS Pooling Update	ACCESS Pooling Update	ACCESS Pooling Update	ACCESS Pooling Update	
Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	Risk Register Report and Compliance with Breaches Policy	Corporate Governance and Shareholder Engagement Report (including Carbon Reporting)	
Investment Update	Investment Update	Investment Update	Investment Update	
Enhanced Yield Portfolio Review				
Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	Investment Managers: (tbc)	

Pensions Committee

Item No: 5

Report title:	Update from the Pensions Oversight Board
Date of meeting:	21 March 2023
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary This report updates the Pensions Committee on the work of the Pensions Oversight Board.	
Recommendations Pensions Committee is invited to note the contents of this report.	

1. Background

- 1.1 This report updates the Pensions Committee on the work of the Pensions Oversight Board (POB). The last update was given at the 6 December 2022 Pensions Committee Meeting.

2. Pensions Oversight Board meetings

- 2.1 The Board last met on the 28 February 2023. The agenda for this meeting is at Appendix A.
- 2.2 Alongside updates on the latest LGPS reform, the Board received an update on strategic and operational progress and issues, including an ACCESS update, progress with the employer operational issues and team changes at the Norfolk Pension Fund.
- 2.3 The Board received a presentation from Hymans Robertson at the conclusion of the triennial valuation process.
- 2.4 The Board also received an overview of the Norfolk Pension Fund budget process presented by Charlotte Alexander (Norfolk Pension Fund Accountant); and confirmation of the proposed POB budget for 2023/2024.
- 2.5 The Board reviewed the results of the National Knowledge Assessment exercise completed by both POB and Pensions Committee members.
- 2.6 The minutes of the Board meeting of the 8 November 2022 are at Appendix B.
- 2.7 The Board next meets on 16 May 2023, when they will receive a further update on Cyber and Data security and controls.

3. Board membership

- 3.1 Howard Nelson (Chief Executive Officer at Diocese of Norwich Education Services Company) is stepping down from the Board, as he takes up a new role away from Norfolk. The Board recorded their grateful appreciation to Howard for this service on the POB, where he represented non-tax raising employer bodies. Arrangements to seek a replacement for Howard are in hand.
- 3.2 The Trade Union seat on the Pensions Oversight Board remains vacant.

4. ACCESS Joint Committee observation

- 4.1 Following the changes to the ACCESS Inter Authority Agreement, representatives

from each ACCESS Local Pension Board are invited to observe ACCESS joint Committee meetings, on a rotational basis.

- 4.2 Brian Wigg (Independent Chair) and Peter Baker (Retired member representative) attended the ACCESS Joint Committee meeting on 6 March and will report to the next Pensions Oversight Board meeting in May.

5. Knowledge and Skills

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

6. Financial and other Resource Implications

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

7. Risk Implications/Assessment

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

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

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

9. Data Protection Impact Assessments (DPIA)

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

10. Recommendation

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

11. Background Papers

- 11.1 Appendix A: POB Agenda 28 February 2023
Appendix B: POB minutes 8 November 2022

Officer Contact

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

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

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



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



Date: **Tuesday 28 February 2023**

Time: **10:00am**

Venue: **Virtual Team meeting**

Membership

Chairman

Brian Wigg

Employer Representatives

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

Scheme Member representatives

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

Agenda

1. Welcome and Introduction
2. Apologies
To receive apologies
3. Minutes and matters arising
To agree the minutes of the meeting held on the 8 November 2022.

4. Declarations of interest

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

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

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

Norfolk Pension Fund Pensions Oversight Board

5. Board Membership update
To note latest Board membership changes and recruitment arrangements.
6. Items of urgent business
To receive any items of business which the Chairman decides should be considered as a matter of urgency.
7. Pensions Committee
Feedback from the Pensions Committee meeting on 6 December 2022 and items to be raised at the 21 March 2023 meeting.
8. LGPS Reform
Update on latest reform
9. Norfolk Pension Fund operational update
An update on operational performance and issues, including ACCESS update, employer operational issues and resourcing.
10. Hymans Robertson Valuation
A presentation by Rob Bilton, Hymans Robertson, at the conclusion of the 2022 triennial valuation process
11. Budget
An overview of the budget process presented by Charlotte Alexander (Norfolk Pension Fund Accountant); and confirmation of the proposed POB budget for 2023/2024
12. Risk Management
An update on the Norfolk Pension Fund's Risk management framework, to include the latest risk update and heat map.
13. Internal Audit reports
To receive the latest internal audit reports
14. Knowledge, skills and training
15. Forward work programme for the Pensions Oversight Board
16. Date of next meeting: to confirm the dates of the next meetings

Contact for questions about this agenda: Jo Quarterman, Head of Governance, Norfolk Pension Fund jo.quarterman@norfolk.gov.uk Tel.: 01603 223950
Date agenda published: 21 February 2023



Minutes of the Norfolk Pension Fund Pensions Oversight Board meeting held on Tuesday 8 November 2022

Present:

Chairman

Brian Wigg

Employer Representatives

Sally Albrow

Norfolk County Council

Howard Nelson

DNEAT

Scheme Member Representatives

Frances Crum

Active / Deferred member

Peter Baker

Pensioner member

Also Present

Jo Quarterman

Business Development and Project Manager, Norfolk Pension Fund

Glenn Cossey

Director of the Norfolk Pension Fund

Eunice Walcott

Governance Manager

Madeleine Mitchell

Project & Policy Management Officer

Julie Baillie

Hymans

Tim Shaw

Committee Clerk

1. Welcome and Introduction

- 1.1 The Chair welcomed POB members to this in person meeting of the Pensions Oversight Board.

2 Apologies for Absence

- 2.1 Apologies for absence were received from Cllr Chris Walker.

3. Minutes

- 3.1 The POB agreed the minutes of the meeting held on 24 May 2022 and the notes of the meeting held on 6 September 2022

4. Declarations of Interest

4.1 There were no declarations of interest.

5 Vice-Chair

5.1 It was agreed that should the Chair of the Pensions Oversight Board be absent from the meeting then the Board would look to appoint a Chair for the day.

6 Items of Urgent Business

6.1 There were no items of urgent business.

7 Feedback from the Pensions Committee meeting on 27 September 2022 and items to be raised at the meeting on 6 December 2022.

7.1 The POB noted that today's meeting would be the subject of a report to the Pensions Committee on 6 December 2022.

7.2 In addition to regular standing items, the Pensions Committee on 27 September 2022 had received the draft Annual Report and Accounts of the Norfolk Pension Fund for the year-ended 31 March 2022 (which would be published on the Pension Fund website by 1 December 2022, after consideration by Audit Committee), a presentation about The Taskforce on Climate-related Financial Disclosure (TCFD) (for which government consultation closed on 24 November 2022) and the initial "whole fund" results of the Triennial Valuation as at 31 March 2022.

7.3 The December 2022 meeting of Pensions Committee would receive a progress report on risk management as well as presentations from the Actuary on the Fund's funding strategy statement, (that would be shared with employers during the autumn for consultation) and the Fund's cash flow (based on medium term assumptions). There would also be a Part 1 review of the Enhanced Yield Portfolio with any recommendations presented to Committee as a Part 2 review in March 2023.

8 LGPS Reform

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

8.2 The presentation provided an update on the following regulatory reforms:

- Climate reporting (TCFD)-consultation closes on 24 November 2022. The Fund's draft response would be shared with POB

Members.

- Pooling guidance. This remained a promised consultation.
- Good Governance. Expected to be a live consultation shortly.
- Levelling up. Awaiting further details.
- TPR revised code. This is a combined code of existing codes expected to be laid before Parliament before the end of the 2022.
- McCloud. Final guidance was awaited.
- £95K cap. The Government had consulted other public sector schemes which excluded LGPS. The LGPS was expected to have its own specific consultation.
- Pensions Dashboard. Staging events expected next year, with all LGPS Funds due to participate by September 2024.

8.3 It was noted that the cybersecurity risks associated with the exchange of information arising from the Pensions Dashboard will require effective and appropriate controls to be in place.

8.4 It was noted that the Government had not yet provided an assurance that LGPS pensions for next year would be uplifted in line with September Consumer price index (CPI). This is being carefully monitored. If the Government indicates that LGPS Pensions will not be increased in line with September CPI, documentation will be reviewed and updated, including guidance provided by the LGA.

In response to a question, it was confirmed that the Fund was well positioned to manage the potential increase in cash requirements associated with a CPI linked pension increase, and longer-term funding and investment implications.

9 Norfolk Pension Fund operational update and issues/ ACCESS update

9.1 POB received an update on operational service and key performance levels during the period.

9.2 POB heard about updated promotional resources being made available to employers to help support scheme members and raise awareness of the value of their LGPS pension.

9.3 It was noted that the next employer forum was due on 29 November 2022. This will be a hybrid meeting and will focus on individual employer valuation results. The Chair reminded POB Members that they had access to the forthcoming employers' workshop which could also be viewed on Microsoft Teams.

9.4 The Norfolk Pension Fund continued to work with the County Council as a scheme employer to extract scheme member data from the new Oracle Finance and HR system.

9.5 The Norfolk Pension Fund software (called I-Connect) that would be used to connect with the Oracle system is in place but due to technical difficulties with Oracle it was not yet possible to import data. This matter was being treated as the highest priority by the Oracle Solutions Team. When the technical difficulties with the Oracle system were resolved there will be a large backlog of data to be entered via the I-Connect system.

9.6 The Pensions Committee would be made aware of the risk for the timely completion of annual benefits statements (a regulatory requirement). Due to the potential material impact it was suggested that the Regulator should be made aware of the situation.

9.7 In reply to questions, it was pointed out that the retired member payroll system used to pay pensions is a separate system from Oracle, managed by the Pension Fund with an external service provider, Heywood.

10 2022 Actuarial valuation: update

10.1 Julie Baillie of Hymans Robertson provided POB with an update on the 2022 valuation.

10.2 The presentation included the following:

- NPF 2022 valuation timetable
- Q4 2022 included:
 - Employer results issued to employers
 - Employer Forum & consultation period
 - Funding Strategy Statement consultation
- The 2022 funding position was stronger than at 2019.
- There were currently 571 employers (including both active and ceased employers with legacy liabilities) in the scheme
- Net impact would vary by employer, depending on funding profile
- The funding plan was appropriate for each employer
- No material changes in funding strategy at 2022 valuation
- The valuation had provided an opportunity to review structure and layout of the Funding Strategy Statement to improve accessibility and navigation for stakeholders
- Updated Funding Strategy Statements would be sent around for consultation to all employers.
- Work undertaken on the impact of market volatility and inflation.
- Average level of future inflation: 2019 = 2.3% pa, 2022 = 2.7% pa
- Hymans had undertaken climate change risk modelling as part of its work on the valuation.

10.3 Thanks were placed on record to Julie Baillie for the presentation.

11 Risk Management

- 11.1** POB received the latest risk update and heat map that showed risk movement in terms of governance, funding and investment and benefits administration.
- 11.2** The definitions of risk tolerance and appetite were explained to POB Members. Risk appetite corresponded to the risks that the Pension Fund was willing to take, within the capacity of a tolerance of risks, beyond which it did not wish to go.
- 11.3** There were three areas of risk which fitted in with the management structure:
- Governance
 - Funding and Investment
 - Benefit Administration Risk
- There were also cross-cutting risks which were managed centrally.
- 11.4** POB noted that a full risk report was taken to Pensions Committee on a six-monthly basis and that the reporting process also included a heat map being taken to each meeting of the Pensions Committee to show the movement in risks and highlight any areas of concern or improvement. This was also taken to POB. The risk register was owned by the senior management team. There were currently two red risks.
- 11.5** Howard Nelson said that he had information on how Academies dealt with the processing of risks that could be shared with the Norfolk Pension Fund.

12 Cybersecurity

- 12.1** POB received an update on progress against the cyber security compliance plan, previously shared with POB.
- 12.2** It was noted that the Pensions Regulator had said that cyber risk could be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It included risks to information (data security) as well as assets, and both internal risks and external risks.
- 12.3** POB received a presentation from Eunice Walcott, Governance Manager, that included the following:
- Norfolk Pension Fund Cyber Security Compliance Plan benchmarked against TPR Cyber Security Principles for Pension Schemes in place since 2020.
 - Norfolk Pension Fund hold personal information for in excess of

90,000 members and over £4 billion in assets. Steps are taken to protect our members and assets including protecting them against 'cyber risk'.

- The Pensions Regulator requires pension administrators, pension committees and the local pension board to ensure that they have the appropriate system in place to ensure safe management of the scheme and custody of assets.
- Norfolk Pension Fund (Fund) operates in accordance with the system of governance and controls established under the Cyber Security and Information Governance Framework set by Norfolk County Council.
- We have a Compliance Plan specific to Norfolk Pension Fund to ensure we are continually assessing our particular risks and have in place the appropriate measures to manage those risks.
- Every member of staff has to undertake mandatory training.
- What next?
 - Norfolk Pension Fund Confidentiality, Cyber Security, Data Protection and Information Governance Guidelines to be developed to cover Pension Fund specific risks
 - Annual Cyber Assurance Exercise with 3rd party providers maintained; this includes areas such as penetration testing.
 - Continue to work closely with IMT and procurement
 - Further training for Committee and POB and Officers (cyber, scam and information governance)
 - The merits of separate insurance for cyber security continue to be monitored.

12.4 In reply to questions, it was pointed out that while the NPF was unable to provide financial advice, it did provide links to where scheme members could obtain independent financial advice about their pensions.

13 Internal audit reports

13.1 POB noted the following:

- No new Internal Audit reports since last meeting
- Governance and Frameworks team audit about to start.

14 Knowledge, Skills and Training

14.1 POB received an update on:

- National Knowledge Assessment. There had been a good response: completed by 75% of Committee and majority of POB. Plans for 'in person' training event for Committee / POB in Spring.
- Online Learning Academy developed by Hymans which could be taken in bite sizes.
- Webinars. These were often recorded and catalogued for

training purposes. It was important for the Norfolk Pension Fund to maintain a record of POB members understanding of the LGPS.

- Conferences

15 Forward Work Programme for the Pensions Oversight Board

15.1 POB noted the following:

- 28thFebruary 2023. This meeting would cover budget setting and Employer Services.
- May 2023 (date to be confirmed). This meeting would cover Strategic review: BAU update and review of valuation process

16 Future Meeting dates

16.1 POB next met on 28thFebruary.

16.2 Future meeting dates, and POB member preferences for virtual, in person or hybrid meetings, would be confirmed by email.

Chair

Report to Pensions Committee

Item No. 6

Report title:	Pension Fund Budget 2023-24
Date of meeting:	21 March 2023
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund

Executive Summary

Background and Purpose

The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget and is built upon the Fund's Service Development Plan. The budget takes account of statutory responsibilities and legislative changes, as well as significant operational changes that may impact upon the Pension Fund during the year. For 2023-24, key items in the budget relate to:

- Staff Costs including the impact of the actual pay award provided in 2022-23 (versus 2022-23 budget)
- Relocation to County Hall and the exit from Lawrence House.
- The Pension Services Operational Review
- Managing the impact of incremental increases in the number of employers joining the LGPS, their diverse needs and ensuring resources are in place to meet demand.
- Managing the impact of regulatory developments (e.g., McCloud and the Pension Regulator's combined code) and public sector pension reforms.

The proposed budget for 2023-24 of £4.041m is made up of the following key budget headings:

Service	Approved Budget 2022-23 (£)	2022-23 Base Budget (including actual pay award) (£)	Budget 2023-24 (£)	Change % (on base)
Advisory Fees	454,000	-	471,000	4%
Investment, Accounting and Governance	1,021,000	1,067,000	1,137,000	7%
Administration Services	1,552,000	1,595,500	1,706,000	7%
Facilities & Support Services	374,000	-	230,250	-38%
Projects	808,500	-	442,500	-45%
Pension Board	54,000	-	54,000	0%
Total	4,263,500		4,040,750	-5%

National LGPS Procurement Frameworks Project

The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of live frameworks being hosted by Norfolk is 7 (plus 13 closed frameworks still generating income). The total 2022-23 Frameworks estimated forecast accumulated surplus is £1,018K. This is used for further framework development and distribution back to Founders.

Recommendations

The Pensions Committee approves the Pension Fund 2023-2024 budget.

1. Background and Purpose

- 1.1. The Norfolk Pension Fund budget is set separately from Norfolk County Council's budget. Regulation requires Pension Fund assets to be ring-fenced as the Fund is run on behalf of 440+ employers and almost 100,000 scheme members, from a range of public, private, and quasi-public organisations across Norfolk. All the costs (and efficiencies) of administering the Pension Fund are met by (or benefit) the Fund. The Fund is accountable to all its stakeholders (employers and members) via the Pensions Committee.
- 1.2. Savings on Pension Fund expenditure accrue within the Fund. They do not contribute directly towards, for example, Norfolk County Council's cost reduction targets, or those of any of the other employers in the Fund. Likewise, Pension Fund budgetary cost pressures are not met by any one single employer but are shared across all Fund employers as a small fraction of the contribution rate set at each Triennial Valuation.
- 1.3. Each year the Norfolk Pension Fund prepares a budget built upon its Service 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 2023-24, this includes:

- Governance and Compliance
 - Pension Services Team Review
 - Developing a framework to respond to requirements of the consultation on Climate Related Financial Disclosure (TCFD – aligned for the LGPS)
 - Managing the impact of regulatory developments (e.g., McCloud, ISP, and Good Governance Framework)
- 1.4. The proposed budget for 2023-24 of £4.041m includes a number of significant projects totalling £442.5K.

2. Norfolk Pension Fund Staff Costs

- 2.1. The most significant cost faced by the Fund is staffing, with salaries and on-costs contributing £2.273m to the proposed £4.041m budget for 2023-24. This represents a 56% of total proposed budget costs.
- 2.2. In the 2022-23 budget, the assumed pay award for staff was 3%, whereas the actual pay award received was a flat rate of £1,925. For all staff earning less than £64,167, or the equivalent of the top of Grade N, this represents a greater than 3% pay award. Given the grade profile of the Pension Fund, this increased the 2022-23 base budget by a further £89.3K (4.3%).
- 2.3. The 2023-24 budgeted Salary costs have been prepared based on assumptions in line with those used for the Norfolk County Council Budget of a 3% assumed pay rise and include current National Insurance and Pension on-costs. The overall movement after considering the updated base position is 5% (£107.3K). Salary costs contribute to staff costs, which also include budgeted overtime to manage certain peaks in workflow and expenses

Salary and On Costs	Agreed 2022-23 Budget	Actual 2022-23 Pay Award	2023-24 Budget	Adjusted Increase
Investment, Accounting and Governance	833,800	879,650	913,900	3.9%
Administration	1,243,000	1,286,450	1,359,500	5.7%
Total Staff Costs	2,076,800	2,166,100	2,273,400	5.0%

It is likely that the final pay award for 2023-24 will again be above the NCC corporate assumption (the proposal from employers is a further £1,925 flat rate increase or 3.88% at higher grades). We have retained the 3% assumption for consistency with the corporate process and are satisfied that there is also some prudence in the assumptions around vacancy and budgeting for all posts at the top of grade rather than the actual spinal point for a post holder.

3. Efficiency and Value for Money

3.1. The Fund has absorbed an increasing workload over the last few years, particularly in respect of member administration and employers. Total Fund membership has increased year on year and the number of employers with active membership has more than doubled since 2014.

3.2. At 31st March 2022 there were 29,985 active scheme members, a small decrease in overall numbers from 31 March 2021 (30,257). This apparent stability masks the churn in active membership, with total members increasing by over 4,000. This turnover provides a significant proportion of the Fund's administration workload in respect of starters and leavers and member transfer arrangements.

	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021	31st March 2022
Active	27,254	27,638	28,030	28,469	28,837	29,067	29,317	30,257	29,985
Deferred	26,776	29,125	32,477	34,216	36,520	36,947	36,700	37,106	28,490
Pensioner	20,887	21,247	22,215	23,220	24,211	25,354	26,343	27,370	40,307
Total	74,917	78,010	82,722	85,905	89,568	91,368	92,360	94,733	98,782

3.3. Total employers with active members in the scheme have also increased - more than doubling since 2014. The number of active employers as at 31st December 2022 was 427.

	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021	31st March 2022
Employers	181	233	262	322	369	400	414	425	427

4. 2023-24 Pension Fund Budget

4.1. At the end of December 2022, the assets of the Fund were approximately £4.7 billion, and the proposed 2023-24 Pension Fund Budget equates to just 0.09% of this value. The 2023-24 budget includes provision for external fees for actuarial and investment consultancy and legal fees, as well as internal costs for investment strategy, accounting, governance, benefit administration and retired members payroll, facilities and support services, one-off projects, and the Local Pension Board. This budget does not include Investment Expenses (£26m 2021/22). These expenses are validated and reviewed as part of the Fund's investment monitoring.

4.2. The detailed Norfolk Pension Fund budget for 2023-24 is attached at Appendix 1.

4.3. A high-level comparison of the proposed 2023-24 budget with the current approved 2022-23 budget is shown in the following table:

Service	Approved Budget 2022-23 (£)	Budget 2023-24 (£)	Change (%)
Advisory Fees	454,000	471,000	4%
Investment, Accounting and Governance	1,021,000	1,137,000	11%
Administration Services	1,552,000	1,706,000	10%
Facilities & Support Services	374,000	230,250	-38%
Projects	808,500	442,500	-45%
Pension Board	54,000	54,000	0%
Total	4,263,500	4,040,750	-5%

4.4. The year-on-year comparison shows a decrease in the budget of 5%. A detailed analysis of the movements in the budgets is shown below.

5. Analysis of Budget Movement

5.1. Advisory Fees – Appendix 1a

Category	2022-23 Budget (£)	Budget 2023-24 (£)	Change (%)
Actuarial Support	150,000	150,000	0%
Investment Consultancy	84,000	84,000	0%
Investment Services	155,000	172,000	11%
Legal Fees	65,000	65,000	0%
Total	454,000	471,000	3.7%

- 5.2. The Advisory budget is made up of four main headings, Actuarial Support, Investment Consultancy, Investment services and Legal Fees. For 2023-24 the advisory budget shows an increase of £17K (3.7%) over the 2022-23 budget.
- 5.3. Actuarial Support budget is used to meet the cost of expert advice and calculations including negotiations with other funds where required. It also includes provision for the Actuary's attendance at Committee, advice on legislative reform such as McCloud, Goodwin and the £95K exit cap, support on fund policy updates and reviews. It provides for attendance at events to promote employer knowledge and understanding of the Pension Fund and specifically the nature and risks associated with pension funding.
- 5.4. The Investment Consultancy budget provides for advice in relation to the Fund's Investment Strategy including reporting to and attendance at Committee by the Investment Consultant, monitoring, and advice in respect of the incumbent investment managers and a provision for advice relating to ad-hoc investment issues.
- 5.5. The Investment Services budget shows a net increase of £17K. This is due to an increase in the ACCESS contract management support costs. The ACCESS support unit (ASU) is hosted by the Essex Pension Fund and manages the contractual relationship with the pool operator (Link Asset Services) on behalf of the 11 ACCESS funds. There has been a £17K uplift to the annual ASU cost which now stands at £142K. This is at a time when an increased proportion of assets are managed through the pool with associated savings on investment costs (outside of the scope of this budget).
- 5.6. The budget in respect of Legal Fees provides for professional and technical legal advice for changes in Investments.
- 5.7. Any specific costs arising from future changes required to the existing Fund Manager line-up in 2023-24 will be brought to the Pensions Committee for separate approval during the year.

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

5.9.

Category	2022-23 Budget (£)	2022-23 Base Budget (including actual pay award) (£)	2023-24 Budget (£)	% Increase/ Decrease (on base)
Staff Costs	844,000	890,000	924,000	3.8%
Hired and Contracted Services	128,000	-	155,500	21.5%
Membership of Organisations and Statutory Levies	39,000	-	48,000	23.1%
Internal NCC Recharges	10,000	-	9,500	-5%
Total	1,021,000	1,067,000	1,137,000	6.6%

5.10. This service is responsible for investment strategy, accountancy, governance, business support and oversight of the funds' projects. The proposed Investment Strategy budget for 2023-24 reflects an increase of £70K (6.6%) over the agreed 2022-23 budget.

5.11. Staff costs increase (£80K) is split into £46K attributable to movements in the base figures for 2022-23 as set out in section 2 and £34K representing budget increases for 2023-24. The movement of 3.8% represents the assumed 3% pay increase used for all Norfolk County Council budgets in 2023-24 and the implementation of recommendations from the Structural Review from Q3 of 2022-23. These include revision of gradings, Pension Fund Finance Assistant and Employer Services manager roles which were not budgetted in 2022-23 and expect to be recruited for in 2023-24.

5.12. There is also an increase of £27.5K on the Hired and Contracted services. This part of the budget includes External Audit Figures which have increased in line with the PSAA Scale Fee Adjustment for 2023-24 by £14K and Internal Legal Fees increased by £10K based on actual spend patterns.

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

Category	2022-23 Budget (£)	2022-23 Base Budget (including actual pay award) (£)	2023-24 Budget (£)	% Increase/ Decrease (on base)
Staff Costs	1,248,000	1,291,500	1,393,500	7.9%
Operational Costs	331,000	-	341,000	3%
Pensions Payroll Income	-27,000	-	-28,500	5.6%
Total	1,552,000	1,595,500	1,706,000	6.9%

5.14. The Administration budget for 2023-24 reflects an increase of £110.5K (6.9%) over the 2022-23 base budget.

5.15. Staff costs increase is split into £43.5K attributable to movements in the base figures for 2022/23 as set out in section 2 and £101.5K representing budget increases for 2023-24. The movement of 7.9% represents the assumed 3% pay increase used for all Norfolk County Council budgets in 2023-24, temporary working arrangements including acting up and an increase in headcount in the Administration Team of 2.12 FTEs.

5.16. The Operational Costs budget includes the Heywoods Pension Administration System based on the annual pricing schedule for the maintenance of the system.

5.17. The income budget for Pensions Payroll has been increased by £1.5K to reflect additional income for the administration of non-LGPS pension payroll services. This third-party income reduces the net cost of the pensions service.

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

5.19.

Category	2022-23 Budget (£)	2023-24 Budget (£)	% Increase/ Decrease
Facilities	174,000	0	-100%
Support Services	72,000	70,750	-1.7%
Training & Recruitment	43,500	60,500	39.1%
Communication Expenses	107,500	113,500	5.6%
Online Services	5,000	7,000	40%
Income	-28,000	-21,500	-23.2%
Total	374,000	230,250	-38.4%

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

5.21. The proposed Facilities & Support Services budget for 2022-23 reflects a decrease of £143.75K (-38.4%). The net reduced budget is mainly due to the impact of moving office accommodation from Lawrence House to County Hall.

5.22. Training and Recruitment budget costs have increased by £17K. This includes an increase in Recruitment costs of £13k reflecting the market rate for placing experienced individuals and the planned recruitment to senior posts in Administration and Strategy. Staff training costs have increased by £4K to support new starters and the maintenance of appropriate skills.

5.23 **Projects – Appendix 1e**

5.24.

Project	2023-24 Budget (£)
Governance and Compliance	
Governance and Compliance	20,000
Cyber Security	10,000
Governance Mission and Communications Strategy	10,000
Employer Services	
Pensions Team Review	180,000
Pensions Admin Software	
Admin Software McCloud Upgrade	10,000
Admin Software ISP	37,500
Valuation 2022	
2022 Triennial Valuation	20,000
Reform Regulation and Best Practice	
Task force on Climate-Related Financial Disclosures	80,000
Enhanced Yield Review Implementation	25,000
Investment Pooling	
LGPS Investment Pooling (ACCESS)	40,000
Contract Maintenance	
Investment Consultancy 3 Framework Call Off	10,000
Total	442,500

5.25. Project spend is one-off, non-recurring. The major projects proposed for 2023-24 include:

- Governance and Compliance (£20K) – This budget will support the establishment of governance framework and compliance with latest developments, including Good Governance.
- Cyber security (£10K) – This budget will enable specialist advice and training in support of cyber and data risk management in line with The Pension Regulator Code of Practice.

- Governance Mission and Communications Strategy (£10K) – This budget will support a full review of the communication strategy of the fund and including mission and beliefs.
- Pensions Team Operational Review (£180K) – This budget will facilitate the review and update of the Pensions Services operational model including systems, processes, roles, and responsibilities to deliver new ways of working, build service resilience and enhance integration across the wider Pension Fund team following the implementation of recommendations from the wider Strategic Review.
- Admin Software McCloud Upgrade (£10K) - This budget will meet the cost of the software upgrade required to implement the McCloud modules.
- Admin Software ISP (£37.5K) - This budget will support the development of the Integrated Service Provider Pensions Dashboard.
- 2022 Triennial Valuation (£20K) – Estimated costs associated with any additional actuarial work finalising the 2022 Triennial valuation, including responding to additional employer requirements.
- Task force on Climate related Financial Disclosures (£80K) – This budget will support the pension fund response to the Climate Related Financial Disclosure Government Consultation including establishing systems for carbon data, gap analysis and actioning recommendations.
- Enhanced Yield Review Implementation (£25K) – This budget supports the implementation costs of the Hymans recommendations following the Enhanced Yield Review in 2022-23 including transaction and legal review costs.
- LGPS Pooling Governance Advice (ACCESS) £40K – This budget provides for professional and technical support in relation to governance and on-boarding work relating to the ACCESS Pool.
- Investment Consultancy 3 Framework Call Off (£10K) - This budget will be used to Call Off in respect of this procurement framework.

5.26. **Pension Board – Appendix 1f**

5.27.

	2022-23 Budget (£)	2023-24 Budget (£)	% Increase/ Decrease
Board Development and Training	40,000	40,000	0%
Member Allowances and Costs	2,000	2,000	0%
Secretariat	3,000	3,000	0%
Advice and Guidance	9,000	9,000	0%
Total	54,000	54,000	0%

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

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

5.30.

	Proposed 2023-24 Budget (£)
Expenses	
Net Deficit/(Surplus) Brought Forward	-1,199,683
Staff Costs	385,352
Guidance notes and website	25,000
Procurement	10,000
Legal Fees	20,000
Central O/H	18,000
Specialist Advice	0
Contingency	1,000
Founder Fee Reimbursement	27,160
Subtotal	-713,171
Income	
Founders	0
Joiners	-66,500
Rebate	-238,500
Subtotal	-305,00
Grand Total	-1,018,171
Carry Forward Year End Bal.	1,018,171
Grand Total after C/F	0

- 5.31. The Norfolk Pension Fund is the host authority for the National LGPS Frameworks. Income and expenditure associated with the National LGPS Frameworks is accounted for under a separate ring-fenced budget. The number of live frameworks being hosted by Norfolk is 7 (plus 13 closed frameworks still generating income).
- 5.32. Due to the long lifespan of each framework and the need to distribute the framework surplus to founders and joiners, the annual net accumulated actual income or expenditure position is carried forward each financial year. Therefore, for budgeting purposes, the Frameworks budgets balance to zero after the roll forward of the forecast actual surplus or deficit forecast above.
- 5.33. Costs associated with the set up and ongoing running costs of each framework include direct framework costs for dedicated framework posts and bought in services such as procurement advice, specialist advisor and legal fees, publicity, launch costs and website hosting. The salary costs of other Norfolk Pension Fund staff involved in the frameworks are also recharged. Framework income and expenditure is monitored closely in order to ensure that income over the lifetime of a framework exceeds expenditure and internal controls have been developed to take appropriate action for deficits rolling forward for more than two financial years.
- 5.34. On termination of the final contract call off, any surplus generated by each framework will be transferred to the Frameworks Development Fund unless agreed otherwise with Founder Members. Each framework is monitored on a rolling basis and action taken if a deficit position persists for more than two financial years. There are agreements in place with Founders to address the appropriate remedial action.
- 5.35. An annual outturn position for each framework is produced and reported to the Founder Members at their Annual Meeting. Details of the framework outturn will also be reported to Pension Committee in June 2023.
- 5.36. The National LGPS Frameworks - 'by the LGPS, for the LGPS' – are enabling the LGPS to access high-quality value efficiently and effectively for money services via an OJEU (or equivalent public procurement) compliant route, reducing procurement timescales and procurement costs. Together with volume rebates it is estimated

that the National LGPS Frameworks have saved the LGPS over £163M, together with over 195 years of effort, since their launch in 2012 to the end of September 2022.

6. Budget Monitoring

- 6.1. The budget is monitored by the Pension Fund Management Team throughout the year. Actual spend is detailed in the Annual Report and Accounts of the Pension Fund which are subject to external audit.
- 6.2. The table below shows actual spend to date against the approved 2022-23 budget as at 31 January 2023 (period 10). The budget is not profiled to reflect periodic charges such as six monthly, annual invoicing and contractual pre-payments. It is estimated the total outturn for the Fund in 2021-22 will be £3.36M representing a spend of 79% of the budget.

6.3	Service	Budget 2022-23 (£)	Actual Spend to Jan 2023 (£)	% Spent
	Advisory Fees	454,000	186,471	41%
	Investment, Accounting and Governance	1,021,000	532,676	52%
	Administration Services	1,552,000	1,585,661	103%
	Facilities & Support Services	374,000	254,474	68%
	Projects	808,500	383,564	47%
	Pension Board	54,000	13,359	25%
	Total	4,263,500	2,956,205	69%

7. Financial and other Resource Implications

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

8. Risk Implications/Assessment

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

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

- 9.1 The Norfolk Pension Fund have considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.
- 9.2 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

9.3 Data Protection Impact Assessments (DPIA)

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

10. Recommendation

- 10.1. The Pensions Committee approves the Pension Fund 2023-24 budget.

11. Background Papers

- 11.1. Appendix 1 - Norfolk Pension Fund Budget for 2023-24
 Appendix 1a - Advisory Fees
 Appendix 1b - Investment Strategy Services
 Appendix 1c - Administration Services
 Appendix 1d - Facilities and Support Services
 Appendix 1e - Projects
 Appendix 1f - Pension Board
 Appendix 1g - Frameworks

Officer Contact

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

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Pensions Budget 2023-24

2022-23 (£)	Division	2023-24 (£)
454,000	Advisory Fees (Appendix 1a)	471,000
1,021,000	Investment, Accounting and Governance Services (Appendix 1b)	1,137,000
1,552,000	Administration Services (Appendix 1c)	1,706,000
374,000	Facilities and Support Services (Appendix 1d)	230,250
808,500	Projects (Appendix 1e)	442,500
54,000	Pension Board (Appendix 1f)	54,000
0	Frameworks (Appendix 1g)	0
4,263,500	Total	4,040,750

Advisory Fees Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
	Actuarial Fees	
80,000	Actuarial Support Fees	80,000
10,000	Demographic Profiling (Club Vita)	10,000
60,000	Unitisation	60,000
150,000	Subtotal	150,000
	Investment Consultancy	
40,000	General Investment Advice	40,000
16,000	Committee Attendance & Preparation by Investment Advisor	16,000
12,000	Quarterly Analysis & Reporting to Committee	12,000
16,000	Climate Risk Analysis	16,000
84,000	Subtotal	84,000
	Investment Services	
30,000	Performance Monitoring	30,000
125,000	ACCESS ASU	142,000
155,000	Subtotal	172,000
	Legal Fees	
65,000	External Legal Advice	65,000
65,000	Subtotal	65,000
454,000	Total	471,000

Investment, Accounting and Governance Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
844,000	Staff Costs	924,000
844,000	Subtotal	924,000
	Hired & Contracted Services	
6,000	Benchmarking Publications and Advice	9,000
61,000	External Audit Fees	75,000
27,000	Internal Audit Fees	28,000
20,000	Internal Legal Fees	30,000
8,000	Treasury Management Fees	8,000
4,000	Accounts Receivable Recharge	4,000
2,000	Accounts Payable Recharge	1,500
128,000	Subtotal	155,500
	Membership of Organisations plus Statutory Levies	
8,000	Local Government Employers Levy	8,000
9,000	LGPS Advisory Board	9,000
11,000	Local Authority Pension Fund Forum (LAPFF) Membership	10,000
11,000	Pensions Lifetime Savings Association (PLSA) Membership	21,000
39,000	Subtotal	48,000
	Internal Recharges (NCC - Corporate Finance)	
10,000	Staff	9,500
10,000	Subtotal	9,500
1,021,000	Total	1,137,000

Administration Services Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
1,248,000	Staff Costs	1,393,500
1,248,000	Subtotal	1,393,500
	Operational Costs	
2,000	Archive Storage	0
316,000	Heywoods Fees	328,000
13,000	Mortality Screening/Life Certificate/Member Tracing	13,000
331,000	Subtotal	341,000
	Income	
-27,000	Pensions Payroll	-28,500
-27,000	Subtotal	-28,500
1,552,000	Total	1,706,000

Facilities & Support Services Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
	Facilities	
80,000	Rent	0
53,000	Rates	0
25,000	Service Charge	0
4,500	Utilites	0
9,000	Cleaning/Refuse	0
0	General Maintenance	0
1,000	Buildings Insurance	0
1,500	Norfolk Property Services Fees	0
174,000	Subtotal	0
	Support Services	
55,000	Postage	56,000
500	Business Continuity	1,000
4,000	IT Equipment Purchase	4,000
2,000	Telephones	1,000
10,500	Copiers/Stationery/Insurance etc	8,750
72,000	Subtotal	70,750
	Training & Recruitment	
26,000	Staff Training	30,500
15,500	Committee Member Training	15,000
2,000	Recruitment	15,000
43,500	Subtotal	60,500
	Communication Expenses	
5,000	Pre-Retirement Courses	5,000
2,500	Events	3,000
100,000	Communications	105,500
107,500	Subtotal	113,500
	Online Services	
5,000	Annual Fee	7,000
5,000	Subtotal	7,000
	Income	
	Pensioners Week Sponsorship	
-28,000	Frameworks Recharge	-21,500
-28,000	Subtotal	-21,500
374,000	Total	230,250

Projects Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
	<u>Governance and Compliance</u>	
0	Governance and Compliance	20,000
10,000	Cyber Security	10,000
0	Governance Mission and Communications Strategy	10,000
50,000	Structural Review and Governance Projects	0
	<u>Employer Services</u>	
0	Pensions Team Review	180,000
	<u>Pensions Admin Software</u>	
40,000	Admin Software Mcloud Upgrade	10,000
0	Admin Software ISP	37,500
	<u>Valuation 2022</u>	
360,000	2022 Triennial Valuation	20,000
	<u>Reform, regulation and best practice</u>	
180,000	Accommodation/Lease Review	0
20,000	County Hall Relocation	0
60,000	Task force on Climate-Related Financial Disclosures	80,000
25,000	Enhanced Yield Review	25,000
	<u>Investment Pooling</u>	
40,000	LGPS Investment Pooling (ACCESS)	40,000
0	Investment Strategy Implementation	0
	<u>Contract Maintenance</u>	
7,500	Investment Consultancy 3 Framework Founder Fee	0
0	Investment Consultancy 3 Framework Call Off	10,000
6,000	Legal Services 3 Framework Founder Fee	0
10,000	Stewardship 2 Framework Founder Fee	0
808,500	Total	442,500

Pension Board Budget 2023-24

2022-23 (£)	Category	2023-24 (£)
40,000	Board Development and Training	40,000
2,000	Member Allowances and Costs	2,000
3,000	Secretariat	3,000
9,000	Advice & Guidance	9,000
54,000	Total	54,000

Frameworks Budget 2023-24

Appendix 1g

Category	2022-23 (£)	2023-24 (£)
Expenses		
Net Deficit/(Surplus) Brought Forward	-1,200,002	-1,199,683
Staff Costs	352,592	385,352
Guidance notes and website	17,000	25,000
Procurement	30,000	10,000
Legal Fees	86,000	20,000
Central O/H	46,200	18,000
Specialist Advice	15,000	0
Contingency	28,000	1,000
Founder Fee Reimbursement	27,100	27,160
Subtotal	-598,110	-713,171
Income		
Founders	-158,500	0
Joiners	-42,500	-66,500
Rebate	-198,250	-238,500
Subtotal	-399,250	-305,000
Total	-997,360	-1,018,171
Carry Forward Yr End Bal.	997,360	1,018,171
Grand Total after C/F	0	0

Pensions Committee

Item No: 7

Report title:	Corporate Governance and Shareholder Engagement Report
Date of meeting:	21 March 2023
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services Glenn Cossey, Director of the Norfolk Pension Fund
Executive Summary This report is the six-month update for the Pensions Committee on corporate governance and shareholder engagement matters relating to the Fund including ESG matters relating to the ACCESS Pool. The report covers the period 1 July 2022 to 31 December 2022.	
Recommendations The Pensions Committee is asked to consider and note the contents of this report.	

1. Background and Purpose

- 1.1 Over many years, the Committee have developed their own policy on Corporate Governance in line with industry best practice. Details of the current policies on Voting and Engagement are set out in Appendix 5 of the Norfolk Pension Fund Investment Strategy Statement (ISS). A copy of the ISS can be found on our website at www.norfolkpensionfund.org (type ISS into the 'Site Search' box).
- 1.2 The Fund believes that through the adoption of good practice in corporate governance, environmental and social matters, the management of companies will improve, and long-term shareholder value will increase. The Fund's policy expects Investment Managers to make regular contact at senior executive level with the companies in which the Fund's assets are invested, both as an important element of the investment process and to ensure good Corporate Governance and raise awareness of Environmental, Social and Environmental (ESG) issues.
- 1.3 The key themes of the engagement policy are as follows.

The Fund expects companies to:

- Demonstrate a positive response to all matters of social responsibility
- Take environmental matters seriously and produce an environmental policy on how any detrimental impact can be minimised
- Monitor risks and opportunities associated with climate change and fossil fuels and take all reasonable and practical steps to reduce environmental damage
- Make regular and detailed reports of progress on environmental issues available to shareholders
- Openly discuss the environmental impacts of their business with shareholders
- Establish procedures that will incrementally reduce their environmental impact
- Comply with all environmental and other relevant legislation and seek to anticipate future legislative requirements.

- 1.4 During the period between July and December 2022, voting has been undertaken by the investment managers in accordance with the ACCESS Pool policy. Key AGM voting, and manager discussion themes are as follows:
- Board structure
 - Chairman independence
 - Executive remuneration
 - AGM proposals
- 1.5 The investment managers used by the Fund continue to engage with companies and markets to improve governance generally. We disclose manager engagement policies on our website including a direct link to the Managers ESG/RI websites.

2. Voting

- 2.1 Details of all votes cast for UK and overseas companies can be found on our website at www.norfolkpensionfund.org.
- 2.2 During the third and fourth quarters of 2022 (01 July 2022 to 31 December 2022) there were 28 UK company meetings, including Annual General Meetings (AGMs), Extraordinary General Meeting (EGMs) etc., covering 498 resolutions relating to the Fund's shareholdings. Further analysis of the votes cast at UK Company meetings by the Norfolk Pension Fund is shown below. These votes are now made entirely through the LINK platform.

Votes "For"	495
Votes "Against"	3
Votes Abstained from	<u>0</u>
Total Votes	498

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

3. Engagement

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

4. Voting and Engagement - Pooled Funds

- 4.1 UBS invest in pooled passive funds on behalf of the Fund. Accordingly, we are not able to exert direct control over their voting or engagement activity. However, at previous Committee meetings it has been noted that UBS operate a high-quality programme of corporate governance. An update of all the managers activity is included in Appendix B.

5. Responsible Investment Active Equity Manager Ratings

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

6. Local Authority Pension Fund Forum

- 6.1 The Norfolk Pension Fund is a member of The Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders, whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.
- 6.2 LAPFF Business Meetings were held in July and October 2022. Items discussed at these meetings are detailed in the following table:

Date of Meeting:	Items Discussed:
13 July 2022	<ul style="list-style-type: none">• Engagement with PRI Advance Human Rights Initiative• Electric Vehicle Charging Infrastructure• Executive Diversity Taskforce• Long-term Investment for Public Health
05 October 2022	<ul style="list-style-type: none">• Financial Reporting Council (FRC) Audit, Reporting & Governance Authority (ARGA) Consultation• Drax and Biomass Energy• Climate Change Committee 2022 Report to Parliament

7. LGPS Pooling

- 7.1 The Fund's participation in the ACCESS Pool includes the development of corporate governance and socially responsible investment guidelines to enable the pool to continue to discharge its responsibility in respect of LGPS regulations and corporate governance activity.
- 7.2 The latest update on the ACCESS responsible investment / environmental, social and governance guidelines is covered under Item 9.

8.0 Portfolio Carbon Measurement

- 8.1 The Fund has worked with Hymans Robertson to develop a regular climate risk report across its public equity portfolios on a six-monthly basis. The detailed report is presented as part of the investment update report at item 14. The public summary of this reporting is shown as Appendix C to this item. This summary will be available from our website after the date of this meeting.

9. Financial and other Resource Implications

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

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

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

11. Risk Implications/Assessment

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

12. Recommendations

12.1 The Pensions Committee is asked to consider and note the contents of this report

13. Background Papers

13.1 Appendix A – 2022 Q3 & Q4 Voting and Results UK
Appendix B – Engagement 01 July 2022 to 31 December 2022
Appendix C – Summary Climate Risk Analysis

Officer Contact

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

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Votes: Quarters 3 and 4 - 2022

APPENDIX A

Res.	Company	Item	Issue	Meeting Date	Proponent	Fund Vote		For		Against		Abstain
8	aveva group plc	to re-elect olivier blum as a director of the company	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	15-Jul-22	Management	Against	251,815,419	88.5%	32,148,800	11.3%	499,214	0.2%
3	halma plc	approve remuneration report	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	21-Jul-22	Management	Against	196,844,865	64.35%	96,326,858	31.49%	12,719,326	4.16%
10	halma plc	re-elect jo harlow as director	A Vote AGAINST as Capital have outsourced voting on this mandate to ISS, in order to ensure they vote in line with Link's voting policy.	21-Jul-22	Management	Against	234,609,317	76.7%	70,938,600	23.2%	340,908	0.1%

Engagement during the period 1 July 2022 to 31 December 2022**UBS**

In quarter three, UBS engaged with Microsoft (American technology corporation producing computer software, consumer electronics, personal computers & related services). Like many other US companies, Microsoft has seen a sharp rise in the number of socially themed shareholder proposals filed at their AGM's. A number of these proposals have significant support from shareholders that voted & UBS engaged with the company with a particular focus on those shareholder proposals which received strong support.

Microsoft appears to be responding positively to investor requests, by committing to provide additional reporting on gender/ethnic pay gap and on workplace sexual harassment policies. Overall, Microsoft gave the impression to be fully aware of investor concerns and expectations and trying to be pro-active with regards to addressing concerns relating to human capital, discrimination and labour management.

UBS also engaged with Trimble (an American software, hardware & services technology company) on multiple aspects of their sustainability strategy considering the improvements achieved in the past couple of years. It was noted that the company removed product impact claims from its reporting. They explained their decision as a willingness to shift to assessing impact in more scientific manner, exploring collaborations with customers and partners like Microsoft. Ecolab is seen as the gold standard in this respect.

UBS discussed the management of environmental and social risks in supply chain and outsourced manufacturing. Trimble highlighted that the priority is on environmental considerations given the climate benefits of their products. They are a member of the Responsible Business Alliance however feel they have little influence over suppliers and assemblers' standards considering their size. Trimble's climate targets were recently approved by the SBTi (halve Scope 1 and 2 emissions by 2030, from 2019 base year) but they are still working on the practical plan to achieve these targets.

Finally, UBS discussed the difficult environment for recruiting software designers, which led the company to consider increasing stock ownership program and led to various pay increases. Trimble also set public targets for diversity. UBS will follow up to discuss the results of the last employee survey and further efforts to attract and retain highly qualified employees.

UBS also engaged with Bunge (an American agribusiness & food company) on voting, carbon reduction targets, biodiversity and human rights in the third quarter. Although there are still areas for improvement, it is clear that Bunge has increased its commitments overall. UBS encouraged Bunge to get more ambitious on their SBTi targets, to target 1.5DS and setting short, mid- and long-term targets. Bunge mentioned that achieving the 2025 no-deforestation target would be a substantial contributor to the overall climate ambition.

Despite big consumer brands move towards 'greener' products, the demand for certified products is still marginal and price guides most purchase decisions. As it relates to biodiversity, Bunge are still working as part of the TNFD (Taskforce on Nature-Related Financial Disclosure) to identify the right metrics. They are hiring a Head of Human Rights at group level who will coordinate and support policy updates and grievance processes. UBS will be catching up with Bunge early next year on these topics.

In quarter four, UBS met with the Goodman Group Chair of the Board to discuss governance and remuneration, given that at the 2021 AGM 42% of shareholders voted against the Remuneration Report. During discussions with the Chair clarify details about the dynamics of the Board and the CEO, who is the son of the founder of the company were obtained. UBS were able to appreciate the nuances around the remuneration structure, in particular the Long-Term Incentive Plan (LTIP) which does not meet market best-practice but appears tailored for the business strategy.

UBS also discussed board directors, noting that the independence of Chris Green was called into question due to a related party transaction, as well as the tenure of Phil Pryke. As a result of the engagement UBS supported the LTIP payments made to the directors at the AGM held during the period but decided on balance not to support the remuneration report. The Company can continue to improve disclosure, in particular in regard to the annual bonus.

UBS were also in contact with Teleperformance SA several times during the quarter. On 10 November 2022, the company's share price dropped by more than 30% in response to the announcement of an investigation into company's practices by the government of Colombia, with regards to their content moderation service and operations. This resulted from press reports alleging poor conditions and support for workers involved in social media content moderation: according to such reports, among other issues, workers would be exposed to highly egregious content posted on internet platforms on a regular basis, without being offered adequate psychological support by the company. There were also allegations of anti-union behaviour from the company, which were mainly raised by UNI Global Union.

In response to these allegation, and the consequent drop in share price, the company held a number of conference calls with investors, strongly rejecting the allegations and defending their position and practices in Colombia and globally. UBS participated to the conference calls, and also had a call with UNI to better understand their viewpoint. UNI presented a very different perspective than the company, alleging anti-union behaviour and poor support for workers. Therefore, UBS decided to challenge management on the issues raised.

During a call with the CFO and the President of Group Transformation, UBS challenged management to provide accurate responses to the allegations from the media and from UNI. The call with management came after the company decided to engage with UNI on their stance on unions, which was already considered a positive step. The company management provided very clear and transparent answers to questions on workers' health and support and clarified that they are looking into the accusations by way of an internal and external audits. Discussions with management provided comfort that Teleperformance was not dismissing the allegations and is committed to provide full transparency on working conditions.

UBS also noted the agreement announced between Teleperformance and the UNI Global Union in regard to oversight of TP's approach to labour relations and employment standards, and view this as a positive step. UBS are also satisfied with the decision by the company to open several of its sites to inspection and visit by different stakeholders in January 2023. UBS will continue to encourage the company to remain committed to being a socially responsible corporate citizen and sustain its efforts to be a leader in the business services sector by applying its Code of Ethics and Human Rights Statement.

Link Asset Services - Mondrian

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

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

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

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

Time Period:	Quarter 3 2022	Quarter 4 2022
Total Engagements Across Equity Teams:	367	396
Total Engagements with Global Equity strategy-related Companies:	232	229
Total Engagements with Norfolk Portfolio Companies:	26	40
Top Five Engagement Issues Across Equity Teams:	Green Opportunities	Green Opportunities
	Supply Chain	Other Governance
	Labour	Labour
	Other Social	Supply Chain
	Accounting	Ownership
Top Five Engagement Issues with Norfolk Portfolio Companies:	Other Governance	Pay
	Board	Other Governance
	Product Safety & Ownership	Board
	Ownership	Green Opportunities
	Green Opportunities	Product Safety & Security

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

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

During the third quarter, Baillie Gifford spoke with Experian's Global Head of Corporate Responsibility, Head of DataLabs and Investor Relations to learn more about the company's climate strategy, namely its use of carbon offsets and its work to reduce scope 3 emissions, given the challenges of meeting its current target given a strategic transition to cloud-based servers. Baillie Gifford also wanted to better understand how the company approached innovation and managed issues of algorithmic bias.

Experian's use of carbon offsets stems from a desire to demonstrate concerted, immediate-term action to combat climate change. It was helpful to understand the company's approach to project selection and verification. Following significant progress toward the company's scope 1 and 2 emissions reduction targets, cutting these by 44 per cent since 2019, the company now recognises its scope 3 emissions challenge. The company is taking action here through the inclusion of ESG-related criteria in procurement and in educating and training its supply chain. A new, net zero standard climate target, which will include scope 3 targets aiming for a 1.5°C scenario, is also in the works, enhancing the company's previous targets, which aimed for a below 2°C.

On innovation, Baillie Gifford also heard of how Experian's DataLabs pilots moved from its labs to the market and of the progress of the company's piloting of its Fairness-as-a-Service platform, which provides customers with a means to manage issues of algorithmic bias. Baillie Gifford were encouraged to hear of Experian's increased climate ambition and look forward to further details of its new net zero science-based targets. They are supportive of the company's efforts in tackling its scope 3 footprint and will monitor progress here, given its contribution to the vast majority of Experian's carbon footprint. The company's commitment to innovate and create new products that increase financial inclusion and help customers combat algorithmic bias were further sources of encouragement.

Baillie Gifford also engaged with the chair of Babcock to discuss the progress of the transformation programme, the cultural reset and board gender diversity. Much has been achieved since her appointment as Chair in 2019, including a change to executive and non-executive directors and so also to the leadership and composition of board committees.

Baillie Gifford are pleased with the strengthening of the governance framework that has taken place. The transformation programme involves a huge reorganisation and simplification process. Although it is ongoing, the chair is pleased with the progress made in the first year. The resetting of culture is being cascaded down from the board level, helped by the new executives refreshing the leadership below the board. The timing of the departure of a female non-executive has caused the board's gender diversity ratio to dip below 33 per cent; but expectation is that this will be addressed. The engagement reinforced the view that the changes underway will position the company well to capitalise on potential opportunities.

In quarter four, Baillie Gifford engaged with Bodycote to learn how they are approaching decarbonisation (given the carbon-intensive nature of the company's direct operations) by meeting with the CEO and head of sustainability and heard about the company's various decarbonisation efforts in recent years. For example, five years ago the company began

shifting heat treatment operations away from relying on natural gas. Now, approximately three-quarters of Bodycote's profits are generated from electrically powered processes.

The company has already recently submitted interim targets to the science-based target initiative to reduce greenhouse gas emissions from its operations by 28 per cent from a 2020 baseline by 2030. A key challenge for Bodycote's carbon footprint is the decarbonisation of various national power grids supplying numerous plant operations in 22 countries. In addition, with inflation continuing to impact Bodycote's customers, the company has also found it difficult to encourage them to pay a 'green' premium for products with a lower carbon footprint.

Baillie Gifford will continue to monitor the company's progress towards its 2030 decarbonisation target and encouraged the company to increase the amount of information disclosed in its annual report and supplied to external rating agencies to highlight the work that is being undertaken to decarbonise its operations. Baillie Gifford also encouraged Bodycote to set a net zero target for no later than 2050 to demonstrate the company's commitment to fully decarbonise its operations.

Baillie Gifford also engaged with EnQuest in the final quarter of 2022 to encourage momentum in the search for a new chair to strengthen board effectiveness. The meeting followed previous engagements over several months with board members and intermediaries.

Baillie Gifford met with the senior independent director leading the search for a successor to the chair. He explained that a board sub-committee was conducting the search. The aim was to identify an individual with experience as a chair with solid governance credentials who would work well with the CEO. He advised that with a strong candidate list and interviews in progress, an announcement of the successor should be made around the end of the year. Baillie Gifford were encouraged by the appointment timeline and the attributes sought. In early December, Gareth Penny, an experienced chair with a background in extractive industries, was appointed.

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

In quarter three, Fidelity engaged with China State-Owned Expressway Company - the largest constructor and operator of toll roads in Shenzhen, China. Given that it was the first-time engagement with the company on ESG topics, the aim was to gain a comprehensive understanding of its current ESG management and practices. The discussion covered a broad range of topics including energy consumption, operation safety, executive remuneration, waste management, and biodiversity.

Overall, the company has a good understanding of its material ESG issues and had implemented various management measures, such as projects to reduce noise, save energy, recycle water, etc. For example. It has a specific "Environmental Protection" business unit that is responsible for managing waste treatment and clean energy projects. Compared to other state-owned companies, the company's disclosure practices are more advanced, and it had been publishing dedicated ESG reports for the past nine years.

This level of ESG awareness and integration may be attributed to the fact that its controlling shareholder is the Shenzhen State-owned Assets Supervision and Administration Commission of the State Council (SASAC), which publishes its own annual Corporate Social

Responsibility reports using data and supporting material from its investee companies, including the company. Moreover, the Shenzhen government and regulators' increasing interests and emphasis on sustainable development in the region also accelerates ESG development of local enterprises.

Fidelity also learnt that the Shanghai Stock Exchange had engaged the company to gain its feedback on the ISSB's proposed disclosure framework, to which the company is actively participating in the consultation. Through this process, it is hoped the company will gain more understanding of evolving global ESG disclosure frameworks, which is a topic frequently discussed with other companies as well. To further advance management of key sustainability issues, Fidelity recommended the company link compensation for the members of its soon-to be established ESG committee, to various ESG targets.

While Fidelity appreciated the company's robust safety record with no incidents from 2019 to 2021, it was recommended to further enhance transparency by including statistics from contractors in the future. The company was open to investor feedback, and Fidelity were encouraged to see a state-owned company take concrete steps to ensure sustainable business practice, which could become best practice for other state-owned companies and local government financing vehicles.

Biodiversity is the variability among living organisms, this includes diversity within species, between species and of ecosystems. Biodiversity refers to the living components of natural capital, which more broadly encompasses the stock of natural resources, namely, species, habitats and the atmosphere. Together all components of natural capital interact to provide ecosystem services, from which social and economic benefits are derived. Indeed, an estimated 50% of annual global GDP is moderately or highly dependent on biodiversity. However, global wildlife populations have declined by approximately 70% in the past 50 years, while species extinction rate is estimated to be 100-1000 times higher than the natural background rate. Unabated loss of biodiversity leads to the degradation of the ecosystem services upon which we depend, posing a serious threat to global economic prosperity and our very existence.

Unlike climate, which can be generally measured using GHG emissions, biodiversity is a localised issue which cannot be measured using a single metric. Currently one of the biggest challenges for companies, investors and other stakeholders in addressing biodiversity is lack of available metrics and data to measure, monitor and manage biodiversity.

To help address this, Fidelity is co-sponsoring a collaborative project with three other investors, in partnership with Green PRAXIS, a nature-based solutions provider using bioacoustics technology. Bioacoustics technology uses sound recordings and artificial intelligence to measure and monitor biodiversity, allowing for the generation of data in a low cost, non-invasive manner, that is potentially replicable at scale. The aim of the project is to develop a new biodiversity metric for understanding impacts and risks associated with land-use developments of investee companies. The insights gained can help inform more responsible land management practices and aid effective engagement with investee companies to promote more sustainable management.

In Q3, the team from Green PRAXIS travelled to Indonesia to take the recordings across different land use plots on a palm oil plantation. Fidelity's fundamental analyst joined the team in Indonesia gaining insights to the data gathering process to inform constructive future engagement. Having gathered the raw data, the team at Green PRAXIS will use AI to identify the species observed by the recordings, processing this data to produce tangible insights.

In quarter four, Fidelity published its Deforestation Framework, explaining how they engage with stakeholders to address agricultural commodity-driven deforestation risks across investment strategies in a way that aligns with their active, bottom-up research approach to investing. It also defines their minimum expectations of exposed investee companies, the objectives of engagements, and escalation approach where companies do not meet expectations, in line with their updated Voting Principles & Guidelines. This highlights Fidelity's engagement led approach, of which their deforestation thematic engagement is a key element, encouraging companies to act on the issue as a matter of urgency.

Fidelity hosted a series of engagements with organisations globally. For example, JBS, the world's largest meat processing company. The company is the focus of ESG related scrutiny, owing to their position in beef market in Brazil and alleged deforestation related controversies. Fidelity had a constructive two-way dialogue, indicating areas where enhanced and more transparent disclosures, underpinned by clear commitments and quantitative targets would be preferable, while the company were able to highlight some of their initiatives where they are making progress.

Fidelity also widened the scope of their thematic engagement to cover financial institutions. These engagements highlighted the uphill battle banks have with respect to addressing deforestation risk in their portfolios. Limited traceability across supply chains, lack transparency and inconsistency of client disclosures, and policy environment are key challenges that were highlighted. Both banks acknowledged the need to address deforestation risk as part of their Net Zero commitments, and subsequently are working on updating their existing deforestation policies, with one of the banks expanding the scope of their policy to include downstream players, highlighting positive direction of travel. Until these policies are finalised, implemented and reported on, a lot remains unanswered as to how they will hold clients to account in the face of limited traceability of supply chains, lack of transparency. In 2023, Fidelity will continue to engage with Banks, highlighting the strategic importance of addressing these material risks.

In Europe, Fidelity engaged with (Mondi), a major packaging and paper company, and its direct exposure to deforestation risk. Mondi have well established practices to manage deforestation risk across their supply chain, including a zero-deforestation commitment, associated policies, and governance oversight. Their deforestation commitment is considered in the context of their environmental strategy to reduce their GHG footprint, evidencing the systematic approach Mondi is taking to sustainability. Fidelity recommended that as the company continues to refine their decarbonisation pathway and approach to persevering natural capital, a more explicit link to deforestation, with quantitative analysis would be welcomed. The deforestation thematic engagement is ongoing in 2023.

Fidelity also wrote to the chairs of companies in major European indices to highlight the importance of responsible corporate responses to the challenges posed by the cost-of-living and energy crises in quarter four. The letter shared best practices from their engagements throughout the year, including the cost-of-living crisis and how its impact should be reflecting in pay decisions affecting senior executives and the wider workforce, as well as the importance of the energy transition and how businesses can provide their support. Fidelity have subsequently held calls with companies to discuss how their support for lower paid staff in the current economic environment aligns with pay decisions affecting high-ranking executives. This initiative forms part of their ongoing engagement with boards and management teams ahead of annual general meetings in 2023.

Climate risk reporting

APPENDIX C

Introduction

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

Climate risk metrics

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

Weighted average carbon intensity

This is a measure of a portfolio's exposure to carbon-intense companies. This is expressed in terms of tons of CO₂ equivalent emitted per million dollars of revenue, weighted by the size of the allocation to each company. It is measured using scope 1 and scope 2 emissions. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel. Scope 2 emissions are those caused by the generation of electricity purchased by the company. The new Baillie Gifford fund (Global Alpha Paris-Aligned), into which the Fund invested just prior to year-end, is the Fund's first strategy with an explicit net-zero target, and will support a reduction in the Fund's investment emissions over time.

Total carbon emissions per £m invested

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

% of portfolio with ties to fossil fuels

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

Pension Fund portfolio analysis – December 2022

The Committee have carried out analysis of the Fund's listed equity portfolios against the metrics outlined above. For comparison purposes the Committee have also included the corresponding metrics for the MSCI ACWI global equity benchmark and the analysis indicates that the Fund has lower exposures to carbon intensive companies, carbon emissions per £m invested, and companies with ties to fossil fuels than the global index. The climate related exposures of the Fund as at 31 December 2022 are set out in the table below.

	Weighted Average Carbon Intensity (tCO ₂ e/\$m Sales)	Carbon Emissions (tCO ₂ e)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	82.8	69.7	7.9
World Equity	161.0	121.5	13.7
Relative	-78.2	-51.8	-5.8

Source: Hymans Robertson using data provided and owned by MSCI ESG Research LLC and its affiliates. Reproduced with permission

The Committee will update the analysis on a regular basis and review the potential to expand the analysis beyond the Fund's listed equity holdings.