



Welcome to the Norfolk Pension Fund

Employer Forum

Glenn Cossey
Director of the Norfolk Pension Fund

21 July 2022

Housekeeping

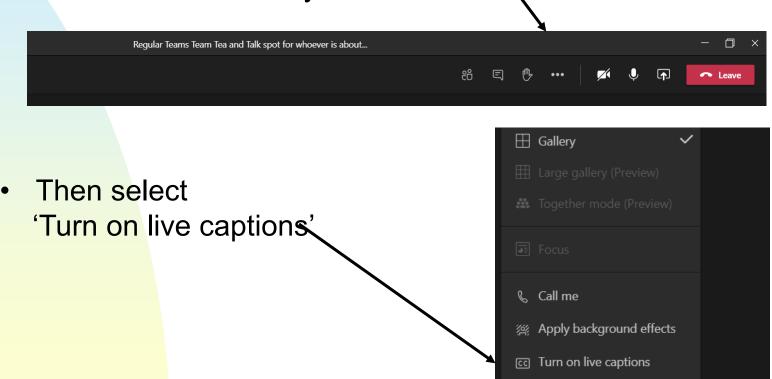


- The webinar is being recorded on MS Teams a link to the recording will be emailed next week
- You should have already received today's presentation slides, but we will send them again with the recording link
- For those joining virtually, please turn off your microphone and camera
- For those in the room, in the event of a fire alarm, please leave through the fire exit at the back of the room.
 The Assembly Point is in the carpark near the Sensory Support classroom mobiles
- We will be having a 20 minute coffee break at about 11.00am. We aim to finish at about 12.15pm with a buffet lunch for guests here at the PDC

Accessibility



- To use Live Captions:
- Select the 3 dots on your control bary



Questions



- Virtual please submit your questions using the 'Meeting chat' facility
- We'll do our best to answer your question during the Forum
- However, if we're unable to address your question today, we'll provide an answer in the email to be circulated with the webinar recording link



Agenda



Update on the Triennial Valuation
 Rob Bilton and Alex Morrison, Hymans Robertson

BREAK

- Latest news on the wider LGPS landscape
 Rob Bilton and Alex Morrison, Hymans Robertson
- Investment Update
 Alex Younger, Head of Funding and Investment
- Update on i-Connect and Member Self-Service Mark Alexander, Pensions Manager
- Ask the Panel

The team is available for 1:1s after the session

To arrange a call or virtual meeting please email

pensions@norfolk.gov.uk

LGPS key stats



	2021	
Net assets	£432 billion	
Contributions & income	£13.8 billion	
Benefits & payments	£12.0 billion	
Employers	14,448	
Total members	6.2 million	
Pensioners	1.8 million	

Norfolk key stats



	2022*	2012	Change %	
Net assets	£4.9 million	£2.2 billion	123%	
Contributions & income	£177.6 million	£129.4 million	37%	
Benefits & payments	£167.6 million	£112.1 million	49%	
Employers	426	134	218%	
Total members	98,780	67,560	46%	
Pensioners	28,490	18,796	51%	

^{*} Unaudited figures

A valuable benefit



Norfolk Pension Fund
 Average pensions - January 2022

Pension in own right

■ £4,949 a year

Dependants pension

■ £2,924 a year

Average pension

- £4,715 a year
- Full Basic State Pension 2021-22
 - £9,627 a year

PLSA Retirement Living Standards as at July 2022

- Single person needs £10,900 a year for a MINIMUM retirement living standard
- Single person needs £20,800 a year for a MODERATE retirement living standard
- Single person needs £33,600 a year for a COMFORTABLE retirement living standard

Excludes mortgage, rent and social care costs and any tax on pension income

Efficiency and value for money



Own budget

- No cross subsidy
- Savings remain in the Fund

• CIPFA Benchmarking Club 2020-21

- Cost per member
 £19.84 Norfolk Pension Fund
 £21.91 Club average
- Administration
 Norfolk Pension Fund outperforms
 Club average in 6 key areas

CIPFA Benchmarking Club 2020-21

Task	Target	Norfolk	Club average
Letter detailing transfer in quote	10 days	87.1%	79.6%
Letter detailing transfer out quote	10 days	91.5%	81.7%
Process and pay refund	10 days	97.8%	90.8%
Initial letter acknowledging death of member	5 days	90.2%	80.8%
Letter notifying amount of dependent's benefits	10 days	98.8%	82.2%
Calculate and notify deferred benefits	30 days	97.9%	85.0%
AVERAGE		93.8%	83.3%

LGPS consultations and reforms



- > £95k exit cap
- McCloud judgement
- Climate reporting (TCFD)*
- Pooling guidance*
- Levelling up*
- Good Governance
- The Pensions Regulator (TPR) revised code
- Pensions Dashboard
- > Etc...

^{*} Autumn consultation

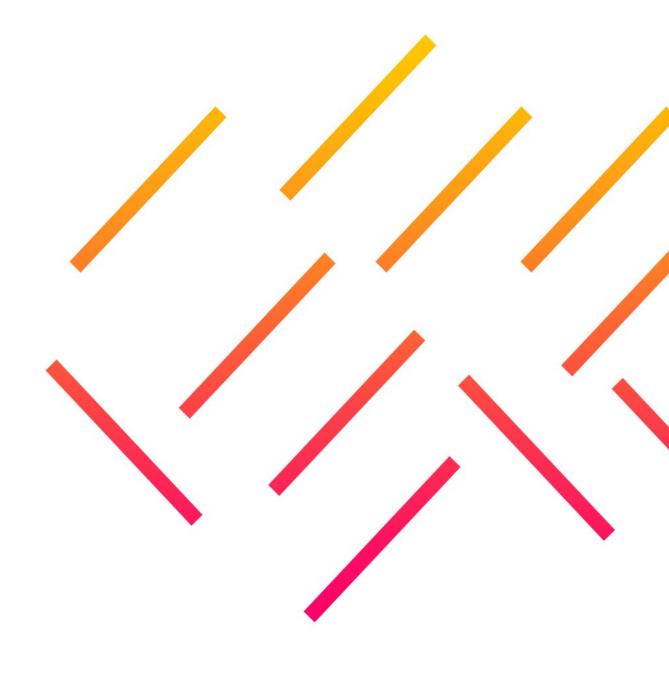


Norfolk Pension Fund

July 2022 Employer Forum

Robert Bilton FFA
Alex Morrison

21 July 2022



Agenda

Valuation recap

Since we last met...

Exploring climate change risk

Outlook and next steps



Rob Bilton robert.bilton@hymans.co.uk



Alex Morrison alexandra.morrison@hymans.co.uk



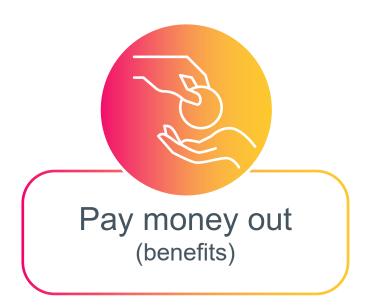


How the Fund works









Contributions and investment returns fund all the benefits

Key funding decision

Liabilities Assets

Benefits earned in future

Benefits earned to date

Future investment returns

Future contributions

Assets today

Where to strike the balance between contribution rates (affordability) and investment returns (risk)



Why we do a valuation?



Calculate employer contribution rates



Compliance with legislation



Analyse actual experience vs assumptions



Review Funding Strategy Statement



Part of continual 'health check' on fund solvency

The triennial valuation is a key risk management exercise for the Fund



How we do the valuation



Inputs

Data for each member

Financial and demographic assumptions

Funding and investment strategy

LGPS benefit structure

Actuary's models







Primary outputs



Individual employer results schedule



Updated Funding Strategy Statement



Final valuation report



2022 valuation timetable

Q4 2021 - Q1 2022

Pre-valuation work:

- Planning
- Data cleansing
- Reviewing assumptions
- Review of funding and investment strategy and stability mechanism



May - July 2022

Data cleansed and submitted to actuary

October 2022

Employer Results prepared

December 2022 - January 2023

Communication with employers



<u>April 2022</u>

Final monthly data submission by employers



<u>July – September 2022</u>

Actuarial calculations processed

October/November 2022

Employer Results finalised and issued

Q1 2023

Final valuation report signed off by 31 March 2023



New employer contributions start to be paid



Since we last met...



Strong asset returns since 2019



Good news for funding positions



Review of funding and investment strategy



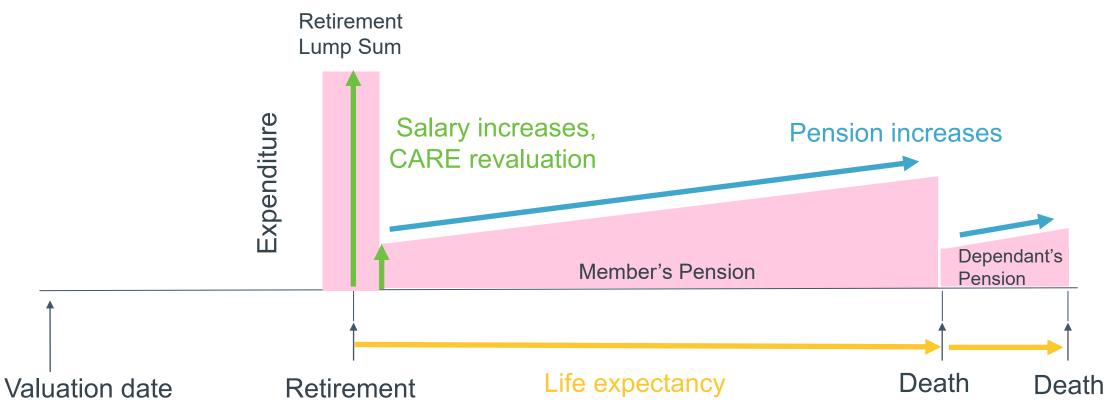
- Review contribution stability mechanism for long-term, secure employers
- Stability mechanism remains appropriate

- NPF operates four investment strategies to help all employers achieve better funding outcomes
- Current strategies remain appropriate



Review of assumptions





No significant changes in assumptions, except for inflation...

Rising inflation



UK food price rises could hit 15% over summer, report says





LGPS benefits increase in line with CPI inflation Increased short-term inflation expectations – increases the cost of benefits

CPI inflation -2019 vs. 2022







Average level of future inflation: 2019 - 2.3% p.a. 2022 - 2.7% p.a.

Covid-19 and life expectancy assumption

Lower longevity improvements



Short term risk of COVID-19

There is a risk that we see further waves of infection as social distancing measures are relaxed/removed



Long term risk of COVID-19

Disease could continue to be a risk without maintaining an effective vaccine.



Impaired long-term health

The long-term health of those who were infected with COVID-19 but survived the virus might be damaged.



Disruption to non-COVID care

Deterioration of patients with non-coronavirus conditions due to delays in treatment (e.g. cancer)



Global recession

A global recession may impact future public sector spending in health care.

Higher longevity improvements



The average health of the surviving population could be higher in the years following the outbreak.



Reduced circulation of flu

Change in social behaviour (e.g. increased handwashing) may reduce prevalence of flu and other infectious diseases in future.



Reduction in air pollution

Change in social behaviour may result in the reductions to air pollution persisting.



Reduction in smoking

Disease may have encouraged existing smokers to stop.



Health/social care funding increase

Issues with funding unearthed during the pandemic may be more likely to be addressed.



Insufficient evidence to justify alteration to life expectancy assumption

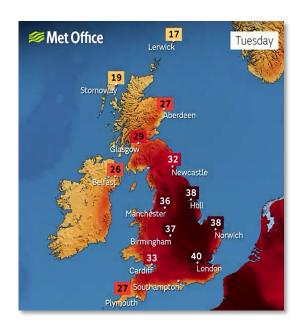
McCloud

- Extension of 'best-of' underpin for service between 2014 & 2022
- Given the 'best-of' nature, some members may see an increase in benefits
- At 2022, more certainty about the format of the remedy in LGPS
- DLUHC have 'recommended' how funds allow for McCloud at the 2022 valuation
- NPF will follow recommendation and build it into liability calculations

Overall cost impact small (c.0.2% of liabilities), but will vary by employer



Increasing recognition of climate change risk







Climate Action Failure
listed as the most severe
risk on a global scale over
the next 10 years

Concerted actions by governments, businesses and regulators

Testing resilience of strategy to climate risk

Green Revolution

- Concerted policy action starting now e.g. carbon pricing, green subsidies
- Public and private spending on "green solutions"
- Improved disclosures encourage market prices to shift quickly
- Transition risks in the short term, but less physical risk in the long term
- High expectation of achieving <2°C

Delayed Transition

- No significant action in the short-term, meaning response must be stronger when it does happen
- Shorter and sharper period of transition
- Greater (but delayed) transition risks but similar physical risks in the longterm
- High expectation of achieving <2°C

Head in the Sand

- No or little policy action for many years
- Growing fears over ultimate consequences leads to market uncertainty and price adjustments
- Ineffective and piecemeal action increases uncertainty
- Transition risks exceeded by physical risks
- Low/no expectation of achieving <2°C

Scenario	Level of disruption			
	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Green revolution	Very high	Moderate	Moderate	
Delayed transition		Very high	High	
Head in the sand			High	Very high

Results of stress-testing





No significant change in future funding outcomes

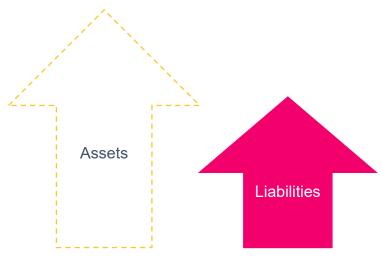
Outlook for 2022 valuation

Funding position + secondary contributions



Likely see an improvement in funding position and lower secondary contributions...

Primary contributions



...but primary rates don't benefit from asset performance and may see upward pressure due to inflation pressures

Net impact will vary by employer

2022 valuation timetable

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New employer contributions start to be paid



In the meantime...

- Keep Norfolk Pension Fund up-to-date with any changes (or potential changes) in circumstances
- Notify NPF immediately if you discover an error with any membership data submitted
- Read any valuation-related communications from the NPF
- Ask any questions everyone here wants to help!











Break





Wider LGPS Landscape

The LGPS to-do list







Funding



Cost Cap

What is it?

Check on cost of the LGPS

Headlines

- Results published in June for the 2016 cost cap valuation
- Show no material change in cost (after allowing for McCloud)

Section 13

What is it?

Review of local fund valuations

Headlines

- Results published in December 2021
- Show no material concerns with funding of LGPS
- Norfolk Pension Fund received clean bill of health

Investments



Levelling up

What is it?

Government White Paper

Headlines

- Require LGPS funds to plan for increasing investment in the UK
- Minimum of 5% of asset allocation
- Awaiting further information and consultation

Pooling guidance

What is it?

New statutory pooling guidance

Headlines

- Replacing previous guidance and ministerial communications
- Covering a wide range of issues with pooling
- Awaiting further information and consultation

Governance



TCFD

What is it?

Climate-related disclosures

Headlines

- Examples may include how aligned investments are with the Paris Agreement goal
- Awaiting consultation on how it will be implemented in the LGPS

Good governance

What is it?

Proposals for enhancing LGPS governance

Headlines

- Proposals and recommendations collated by the Scheme Advisory Board
- Awaiting DLUHC to take recommendations forward

Administration















Investment Update

Alex Younger
Head of Funding and Investment

21 July 2022

The current investment environment?

Norfolk Pension Fund

- Cost of Living Crisis (globally)
- Inflation Concerns
- Energy security
- Deglobalization?
- Interest Rates Rising
- War in Europe
- Financial markets falling?
- Weak Sterling?
- Climate crisis?



Where are we?



- 31 March Fund Valued at £4.9 billion
 (31 March 2021 £4.5 billion)
- Core strategy Performance (draft)
 12 Months to 31 March 2022 + 8.1%
- On track to maintain (improve?)
 "snapshot" funding position at
 31 March 2022
- Important to understand relationship between investment returns and contributions





Environmental, Social and Governance Policy (ESG) in Investments

- Detailed in Investment Strategy
 Statement
- ACCESS Pool currently developing a Policy Statement to support member funds
- A responsible investment policy
- An environment in which campaigns and pressure groups are common but most stakeholders are now interested and engaged







Environmental, Social and Governance Policy (ESG) in Investments



- Policy based around voting, engagement and monitoring
- Fund managers engage with companies in which they invest on our behalf
- All can demonstrate that ESG considerations are imbedded in their investment processes
- Voting & Engagement is reported to Pensions Committee
- We do not have a policy of exclusion
- ESG considered as part of Fiduciary responsibility

Climate Risk Reporting

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	Weighted Average Carbon Intensity (tCO2/\$m Sales)	Carbon Emissions (tCO2)/£m Invested	% Of Portfolio With Ties to Fossil Fuels
Norfolk Pension Fund	93.5	72.2	6.3
World Equity	188.4	155.3	12.7
Relative	-94.9	-83.1	-5.6

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

Climate Risk Reporting



Allows us to...

- Understand climate risk in equity portfolios (much more complex measure than simple exposure to fossil fuel companies)
- Used as a basis of discussion and engagement with Fund Managers
- Can start to review portfolio changes and progression over time
- "What is measured is managed"
- Six monthly summary information is published on the Norfolk Pension Fund website to allow others to review
 www.norfolkpensionfund.org/about/governance-and-investment/investment-and-stewardship/
- Preparation for the requirements of Task Force on Climate-related Financial Disclosures (TCFD)

Lessons to date



- We have developed some of the metrics since pilot reporting
- Discussions with managers to ensure they understand the metrics we are using
- Enforces consistency on managers in their reporting
- Starting to see evolution of portfolios
- A high carbon emitter may be in the portfolio for sound investment reasons and still have a positive ESG story.
- Used as part of the decision-making process for a new global equity portfolio that has Paris Alignment within its investment objectives

Task Force on Climate-Related Financial Disclosure (TCFD)



- Already introduced as requirement on private sector schemes
- Awaiting LGPS consultation
- Challenge of implementation but we believe we have started to set good ground work
- About monitoring and understanding portfolios and setting appropriate targets
- Coming back to what is measured is managed
- A focus of work as soon as the LGPS framework is available

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



- Approved by Committee in March 2022
- Bring policies and information together in a single document
- Published on the Norfolk Pension Fund website <u>www.norfolkpensionfund.org/about/governance-and-investment/investment-and-stewardship/</u>
- Reminder that the sole purpose of the Pension Fund is to pay pensions but...
- Norfolk Pension Fund is committed to being an effective steward of institutional assets





i-Connect and Member Self-Service

Update July 2022

Welcome to i-Connect



i-Connect

Username Password Login

Lost or forgotten login details?

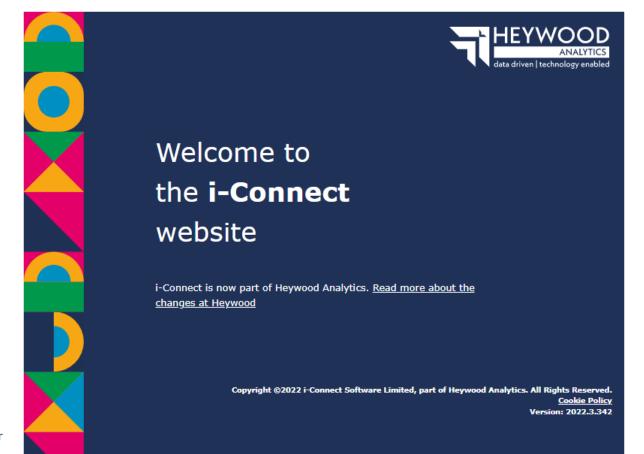
If you have forgotten your username or password, please contact your pension fund administrating authority to reset it.

Not Registered?

Your administering authority will register you when you are enrolled into the service.

Received a Username?

If you have received an email identifying your username, then you will also be sent a link which completes your registration.



What does i-Connect do?



Replaces many of the old online functions

- Monthly data upload from employers
 - Automatically sets up new starters and records changes of hours, address, name etc.
 - Posts contributions, CARE pay and Full Time Equivalent pay each month
 - Flags leavers, opt outs, members missing from data submissions
- Allows employers to securely upload member forms to Norfolk Pension Fund
 - Attaches forms to member records
 - Automatically flags leavers





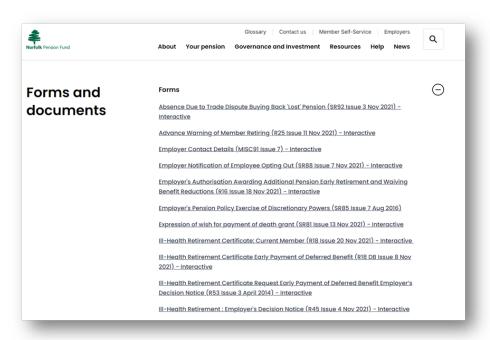
What does i-Connect do?



Upload Member Forms

- Leaver Forms are available from our website for Employers to complete and upload to i-Connect
 - Member Leaving Scheme Form L45 is required for every leaver or retirement
 - Don't confuse Early Retirement Authorisation Form R16 with Advance Warning of Member Retiring Form R25!!
- All documents uploaded are automatically attached to a member's record therefore it is important to ensure that the correct document is uploaded
- Uploading the L45 or R25 will immediately set the member's record to leaving and awaiting further information





What are the benefits of i-Connect?





Satisfies the Pension
Regulators recommendation
for monthly update of pension
fund records



Up-to-date, high-quality data means accurate information is available for members, employers and the actuary at any time



Reduces administration burden on employers – with only one file/submission per month to cover many different transaction methods

Reminds employers to tell Pension Fund about changes to members details which might otherwise be overlooked



What i-Connect doesn't do?



☐ Keep your contact details up to date

Until our new online services for employers are introduced you will need to let us know about any changes to personnel within your organization by completing MISC91 and returning it to us:

- Pension Liaison Officer key contact within your organization
- HR Contact / Finance Contact / Contributions Contact etc

You can get the form from our website www.norfolkpensionfund.org/about/employers/

■ Monthly contribution remittance advice

Form SR71



_												VCAL C	OVERNMENT DE	NEION SCUENE
Norfol	LOCAL GOVERNMENT PENSION SCHIME Monthly Contribution Fernituses 2932/2833 orfolic Pension Fund													
						For contribution pay over queries, please contact:				Email:	Sam Ayling Sam Ayling@norfolk.gov.uk			
Please refer to the 'Notes' tab on how to complete this form								(01603) 22290					NE CONTRE	
_	Employer East Norfolk District Council					Employer Contribution Rate (%)		20.00%	Effective from			Altair Code	00500	
	oyer Contact one Number					Employer Contribution Rate (%) Effective from					FIMS Code	XP0001		
	nail Address					This form must be submitted to Sam.Ayling@norfolk.gov.uk before payment is made								
		EMPLOYEES (Ees)			EMPLOYERS (Ers)				Sub TOTAL	Date		EMPLOYERS (Ers)	TOTAL Payment	
Month of	Date Payment Due	Pernionable Pay (The total of MAW Section and 50/50 Section INCLUDING any assumed pay) NOT JUST ACTUAL PENSIOMABLE PAY	Mormal Basic (Ees)	Additional Contributions (Including APC) (Ees)	Tot Ees	Normal (Primary Rate) (ER's)	APC (ER's)	Arrears relating to previous year(s) (ER's)	Total Ers	EFs+ER's This should reconcile with i-Connect meethly submission	Date Data successfully submitted to i-Connect	PLUS	Deficit (Secondary Rate) (ER's)	EE's + ER's + Deficit
Apr 2022	13 May 2022	36,000.00	2,340.00		2,340.00	7,200.00			7,200.00	9,540.00		PLUS	5,000.00	14,540.00
May 2022	15 Jun 2022	38,500.00	2,502.50		2,502.50	7,700.00			7,700.00	10.202.50		PLUS	5,000.00	15,202.50
Jun 2022	15 Jul 2022				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Jul 2022	15 Aug 2022				0.00				0.00	0.00		PLUS	\$,000.00	\$,000.00
Aug 2022	15 Sep 2022				0.00				0.00	0.00		PLUS	\$,000.00	5,000.00
Sep 2022	14 Oct 2022				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Oct 2022	15 Nov 2022				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Nov 2022	15 Dec 2022				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Dec 2022	13 Jan 2023				0.00				0.00	0.00		PLUS	\$,000.00	5,000.00
Jan 2023	15 Feb 2023				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Feb 2023	15 Mar 2023				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
Mar 2023	14 Apr 2023				0.00				0.00	0.00		PLUS	5,000.00	5,000.00
		74,500.00	4,842.50	0.00	4,842.50	14,900.00	0.00	0.00	14,900.00	19,742.50			60,000,00	79,742.50
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Rollout of i-Connect



Ambitious programme for onboarding employers within 1 year.

Current Position – July 2022

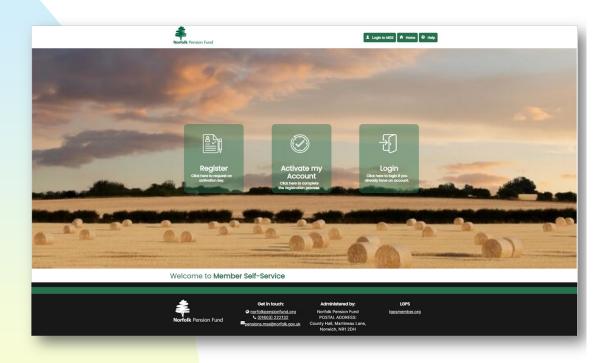
- Total Number of Employers 365 (172 submitters)
- Remaining Employers to onboard 68 (1 submitter)





Member Self-Service



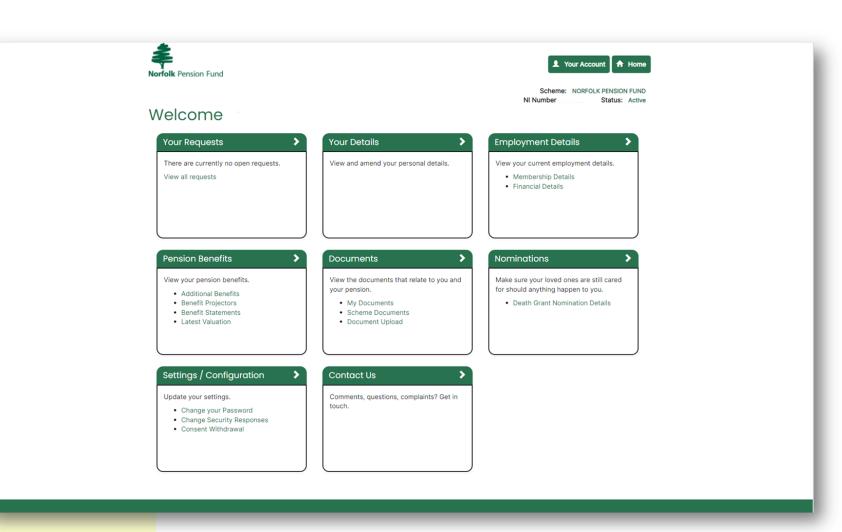


Live from 4 October 2021

- Over 13,500 emails were sent to users of our old online service. (This took nearly 8 hours to send.)
- Over 1,000 members had activated their account by the end of that day!
- Currently 6,700
 individuals have
 accounts with Member
 Self-Service covering
 nearly 8,900 individual
 pension entitlements

Member Self-Service Dashboard Active Scheme Member





Member Self-Service **Benefit Projectors**







<u>Home</u> → <u>Your Dashboard</u> → <u>Pension Benefits</u> → Benefit Projectors

Scheme: NORFOLK PENSION FUND NI Number Status: Active

Benefit Projectors

Deferred Benefits

Calculate how much your pension would be worth if you left the scheme before your normal retirement date.

Voluntary Retirement

Calculate how much your pension would be worth if you were to voluntarily retire.

Death in Service

Calculate how much your pension would be worth if you were to die whilst in service.

Please promote Member Self-Service



- We have a promotional leaflet (which was sent with our recent Employer Newsletter)
- Please bring this to the attention of your scheme members via your own internal newsletters, intranets or email updates
- Member Self-Service will allow us to deal more quickly and efficiently with cases
- We will of course, still offer traditional paper-based methods of dealing with us for members who can't or don't want to use Member Self-Service







Thank you for listening!





Ask the Panel







- Thank you to all today's presenters
- Apologies if we haven't addressed your question, but we will provide an answer when we email you the recording link
- To arrange a 1:1 call or virtual meeting with us today, please email <u>pensions@norfolk.gov.uk</u>
- For those joining virtually, please complete the online survey – a link to the survey will be in your Inbox soon!
 For those in the room, please complete the paper survey.





Thank you for joining us today!

We hope to see you at our next Employer Forum on Tuesday 29 November